



Bridge House Estates Board

Date: WEDNESDAY, 16 FEBRUARY 2022
Time: 1.45 pm
Venue: COMMITTEE ROOMS, 2ND FLOOR, WEST WING, GUILDHALL /
MICROSOFT TEAMS

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

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

Accessing the public meeting

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

<https://youtu.be/K26XUUm92L8>

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. **MINUTES***

To agree the public minutes and non-public summary of the meeting held on 11 January 2022.

For Decision
(Pages 9 - 16)

4. **OUTSTANDING ACTIONS**

Report of the Town Clerk

For Information
(Pages 17 - 18)

5. **MANAGING DIRECTOR'S REPORT**

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

To be considered in conjunction with the non-public appendix at Item 18.

For Information
(Pages 19 - 26)

6. **BHE BOARD GOVERNANCE ARRANGEMENTS 2022/23 - TO FOLLOW**

Report of the Managing Director of BHE

For Decision

7. **BHE BUSINESS PLAN 2022/23**

Report of the Managing Director of BHE

For Decision
(Pages 27 - 34)

8. **BHE PRINCIPAL RISK REGISTER**

Report of the Managing Director of BHE

For Decision
(Pages 35 - 52)

Finance

9. **BHE REVENUE BUDGET 2022/23 AND MEDIUM-TERM FINANCIAL PLAN**
Report of the BHE & Charities Finance Director, representing the Chamberlain

For Decision
(Pages 53 - 70)

10. **BHE CONTINGENCY FUND REQUEST - INVESTMENT PROPERTY PORTFOLIO SURVEYS TO UNDERSTAND CLIMATE ACTION NEEDS**
Report of the BHE & Charities Finance Director, representing the Chamberlain

For Decision
(Pages 71 - 72)

11. **UPDATE ON BHE CONTINGENCY FUNDS**
Report of the BHE & Charities Finance Director, representing the Chamberlain

To be considered in conjunction with the non-public appendix at Item 21.

For Information
(Pages 73 - 76)

Ancillary Object - Charitable Funding

12. **DELEGATED AUTHORITY REQUEST: FUNDING APPLICATIONS OVER £500,000**
Report of the Managing Director of BHE

For Decision
(Pages 77 - 80)

Investments

Financial Investments

13. **TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2022/23**
Report of the Chamberlain

For Decision
(Pages 81 - 120)

14. **QUARTERLY UPDATE ON FINANCIAL INVESTMENTS WORKSTREAM UNDER THE CLIMATE ACTION STRATEGY***
Report of the Chamberlain

For Information
(Pages 121 - 126)

Other

15. QUESTIONS ON MATTERS RELATING TO THE WORK OF THE BOARD AND ANY OTHER BUSINESS THE CHAIR CONSIDERS URGENT

16. 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

17. NON-PUBLIC MINUTES*

To agree the non-public minutes of the meeting held on 11 January 2022.

For Decision
(Pages 127 - 132)

18. NON-PUBLIC APPENDICES - MANAGING DIRECTOR'S UPDATE REPORT

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

For Information
(Pages 133 - 134)

19. BHE SUPPLEMENTAL ROYAL CHARTER - TO FOLLOW

Report of the Managing Director of BHE

For Decision

20. CHARITIES BILL*

Report of the Remembrancer

For Information
(Pages 135 - 138)

Finance

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

To be considered in conjunction with the report at Item 11.

For Information
(Pages 139 - 140)

Primary Object - Bridges

22. **HORACE JONES HOUSE/BRIDGEMASTERS - GATEWAY 2**
Report of the City Surveyor

For Decision
(Pages 141 - 158)

23. **SECURE CITY PROGRAMME (SCP) - CCTV GATEWAY 5: DELEGATED AUTHORITY REQUEST**
Report of the Executive Director of Environment and the Commissioner of the City of London Police

For Decision
(Pages 159 - 166)

Investments

Social Investments

24. **SOCIAL ENTERPRISE CITY PROPOSAL TO THE BHE SOCIAL INVESTMENT FUND**
Report of the Managing Director of BHE

For Decision
(Pages 167 - 186)

Financial Investments

25. **INVESTMENTS PERFORMANCE MONITORING TO 31 DECEMBER 2021: BRIDGE HOUSE ESTATES***
Report of the Chamberlain

For Information
(Pages 187 - 202)

Property Investments

26. **BHE: ANNUAL UPDATE & 2022 INVESTMENT PROPERTY STRATEGY**
Report of the City Surveyor

For Decision
(Pages 203 - 216)

27. **DELEGATED AUTHORITY REQUEST - BHE: 30-34 NEW BRIDGE STREET, EC4V 6BJ**
Report of the City Surveyor

For Decision
(Pages 217 - 218)

28. **BHE: CANDLEWICK HOUSE, 116-126 CANNON STREET, LONDON EC4 - ISSUES REPORT - TO FOLLOW**
Report of the City Surveyor

For Decision

29. **BHE: REFURBISHMENT OF TOWER CHAMBERS, 74 MOORGATE, EC2 - GATEWAY 4 ISSUES REPORT - TO FOLLOW**
Report of the City Surveyor

For Decision

30. **BHE QUARTERLY DELEGATED AUTHORITIES UPDATE - 1 OCTOBER 2021 TO 31 DECEMBER 2021***
Report of the City Surveyor

For Information
(Pages 219 - 222)

31. **BHE OUTSTANDING LEASE RENEWALS & RENT REVIEWS - 1 JULY 2021 TO 31 DECEMBER 2021***
Report of the City Surveyor

For Information
(Pages 223 - 226)

32. **BHE VACANT ACCOMMODATION UPDATE AS AT 31 DECEMBER 2021***
Report of the City Surveyor

For Information
(Pages 227 - 230)

33. **BHE REVENUE WORKS PROGRAMME - 21/22 PROGRESS REPORT***
Report of the City Surveyor

For Information
(Pages 231 - 236)

Other

34. **QUESTIONS ON MATTER RELATING TO THE WORK OF THE BOARD AND ANY OTHER BUSINESS THAT THE CHAIR CONSIDERS URGENT AND 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.*

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BRIDGE HOUSE ESTATES BOARD Tuesday, 11 January 2022

Minutes of the meeting of the Bridge House Estates Board held at Committee Rooms, Guildhall and via Microsoft Teams on Tuesday, 11 January 2022 at 1.45 pm

Present

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

Officers:

David Farnsworth	- Managing Director of Bridge House Estates
Simon Latham	- Town Clerk's Department
Karen Atkinson	- Chamberlain's Department
Amelia Ehren	- Bridge House Estates
Anne Pietsch	- Comptroller & City Solicitor's Dept.
Paul Monaghan	- Environment Department
Chris Earlie	- Environment Department
Ian Hughes	- Environment Department
Nicholas Gill	- City Surveyor's Department
Ola Obadara	- City Surveyor's Department
Neil Robbie	- City Surveyor's Department
Sam Grimmett-Batt	- Bridge House Estates
Catherine Mahoney	- Bridge House Estates
Joseph Anstee	- Town Clerk's Department

1. **APOLOGIES**

Apologies for lateness were received from Alderman & Sheriff Alison Gowman and Deputy Jamie Ingham Clark.

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

There were no declarations.

3. **APPOINTMENT OF DEPUTY CHAIR**

The Chair suggested that the formal election of a Deputy Chair for the BHE Board and the Grants Committee be deferred until the 27 April meeting, to account for any changes to the Board arising from the March elections and

April Court meeting. The Chair proposed that until the 27 April meeting, the Board formally acknowledge Alderman & Sheriff Alison Gowman as the Deputy Chair of the Board and the Grants Committee until, noting that by convention under the City Corporation's corporate governance framework it would fall to her to chair or be consulted in the event that either the Chair could not attend a meeting or consultation was required on a delegated or urgent decision, in the absence of a Deputy Chair. This proposal was agreed by the Board.

In response to a question from a Member, the Board was advised that a report reviewing the charity's governance through the Board would be submitted to the February meeting of the Board for consideration.

RESOLVED – That Alderman & Sheriff Alison Gowman be formally acknowledged as the Deputy Chair of the BHE Board and the Grants Committee of the BHE Board until the 27 April meeting of the BHE Board.

4. **MINUTES***

The Chair advised that a number of amendments had been proposed since the publication of the agenda and sought authority from the Board to agree these amendments following the meeting, and approve the minutes pending those corrections.

RESOLVED – That the Chair be authorised to make corrective amendments to the public minutes and non-public summary of the meeting held on 24 November 2021 as set out in the agenda, and that subject to those amendments, the public and non-public minutes be agreed as a correct record.

5. **MANAGING DIRECTOR'S REPORT**

The Board received a report of the Managing Director of BHE providing an update on key areas of activity across the whole charity since the Board's last meeting in November 2021 and outlining upcoming activities for the Board to note. The Managing Director of BHE introduced the report and drew Members' attention to the key updates. Members were encouraged to complete the skills audit and Board effectiveness evaluation which had been circulated to Members ahead of the meeting.

The Chair then drew Members' attention to the update in respect of Communications and encouraged Members to feed in to the three major strategic areas of work for the BHE Communications Team which would be the focus of the first six months of 2022. The Board further noted the appended BDO Audit Completion report and its outcomes.

Supplemental Royal Charter

The Comptroller and City Solicitor advised that it was still hoped that the proposed Supplemental Royal Charter could be formally presented to the Privy Council and the grant made before the end of the financial year. The Chair added that the issues raised by the Charity Commission, which had been the most significant remaining obstacle, had now been resolved.

RESOLVED – That the report be noted.

6. **UPDATE ON BHE CONTINGENCY FUNDS**

The Board considered a report of the Managing Director of BHE and the Chamberlain providing the Board with an update on the 2021/22 Central Contingencies uncommitted balances held by BHE. The Chamberlain introduced the report and drew Members' attention to the updated uncommitted balances available for 2021/22, as well as the total commitments to be considered for approval later on the Agenda.

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 an amount between £138,000 – £230,000 is being requested from the central contingency provision at Item 16 on the Agenda for a feasibility report relating to the charity's bridges.

7. **MINUTES OF THE GRANTS COMMITTEE OF THE BHE BOARD***

RESOLVED – That the public minutes of the Grants Committee of the BHE Board meeting on 6 December 2021 be noted.

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

The Board considered a report of the Managing Director of BHE requesting 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 Board noted that the recommendations were supported by the Grants Committee.

RESOLVED – That the BHE Board:

- a) Note the update on the proposed focus on Alliance Partnership fund arrangements, including the proposed application of funding from the designated grant-making fund towards this collaborative funder activity, in furthering the BHE's ancillary object; and
- b) Agree 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.

9. **BAOBAB FOUNDATION (19019)**

The Board considered a report of the Managing Director of BHE requesting 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. The Chair introduced the item and advised that the Grants Committee had supported the recommendations. The Chair added that it was intended that BHE would commit the grant funding once certain conditions had been met, with a letter of comfort to be provided in the interim should the grant be agreed. The commitment would be made in either the current or the next financial year depending on when the conditions were met.

A Member commented that they had raised the matter of process for reporting to both the Grants Committee and the BHE Board, as the report had been amended between submission to the Committee and subsequently to the main Board, which was potentially confusing and a duplication of efforts. The Member advised that they were content with the explanation for doing so on this occasion but suggested that the process be reviewed going forward with a view to identifying any improvements that could be made.

In response to a question from a Member regarding the fundraising target, the Managing Director of BHE confirmed that the recommended £2m grant would go towards the £10m target for onward grant-making, with a separate grant of £200k towards Baobab's running costs already having been directly awarded by the Grants Committee within their delegated authority. The Managing Director of BHE added that the recommended £2m grant would be in addition to the £3.6m already raised by Baobab, bringing them significantly closer to their target of £10 m. It was confirmed that BHE's funding could still be used for onward grant-making by Baobab if the £10m target was not reached.

RESOLVED – That the BHE Board approve:

1. A restricted grant of £2m (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; and
 - 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. With the Bridge House Estates Board approval of Recommendation 1 above and should the stated conditions under that Recommendation 1 then 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 £2m to the legally constituted Baobab Foundation subject to any additional conditions which might be considered prudent at that time; and
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.

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

The Board considered a report of the Managing Director of BHE setting out matters for 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. The Chair introduced the item and outlined the recommended levels of delegation and associated process for approving grants via delegated authority. The Chair added that the recommended scheme would be reviewed after 6 months or two Committee cycles, with a view to the process being as efficient as possible and in the best interests of the charity.

In response to a question from a Member, the Managing Director of BHE advised that the aim was to achieve an appropriate balance between strategic focus and efficient decision-making, adding that officers had raised points to be considered in agreeing the delegations within the report. Furthermore, it was worth noting that the option recommended would require agreement to deviate from existing internal governance procedures of the City Corporation. The Managing Director of BHE commented that officers would naturally favour higher levels of delegation, but it was most important to ensure that London and its communities got the funding needed.

The Chair then drew Members' attention to the options considered by the Grants Committee and the recommendation, as well as the points raised by officers. The Chair added the Board should consider the best interests of the charity and what would represent an appropriate balance in effectively administering the charity. The Board then agreed the option recommended by the Grants Committee, on the basis that this would be reviewed after 6 months.

RESOLVED – That the BHE Board endorse and recommend to the Court of Common Council the approval of a change to the City Corporation's corporate governance framework in administering Bridge House Estates on a permanent basis, subject to a six-month review period (i.e., lasting two Grants Committee cycles), such that the full Grants Committee of the Board be consulted in the exercise of officer delegated authority in taking decisions on the award of grants of a value of between £100,001 and £250,000.

11. **ANY OTHER BUSINESS**

In response to a question from a Member regarding the Agenda format, the Board was advised that Questions on Matters Relating to the Work of the Board and Any Other Business had been merged into a single Agenda item, and that this would be retitled on future Agendas so that the scope of the Item of Business was clearer.

The Managing Director of BHE then advised that there had recently been some confusion regarding the operational status of Tower Bridge, due to operational issues involving Tower Bridge in Sacramento, California. The Managing Director of BHE confirmed that there had not been any recent issues with London's, and the charity's, Tower Bridge.

12. **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.

13. **NON-PUBLIC MINUTES**

The Board considered the non-public minutes of the meeting held on 24 November 2021.

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

The Board received non-public appendices in respect of Item 5.

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

The Board received non-public appendices in respect of Item 6.

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

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

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

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

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

The Board received non-public minutes of the Grants Committee of the BHE Board.

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

The Board received a report of the Town Clerk.

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

There were three items of other business.

The meeting ended at 2.46 pm

Chair

Contact Officer: Joseph Anstee
joseph.anstee@cityoflondon.gov.uk

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The Bridge House Estates Board – Outstanding Actions

Item	Date	Action	Officer responsible	Target Completion Date	Actual Completion Date	Progress update	RAG
1.	11 January 2022	Board to complete Skills & Effectiveness Audit	Amelia Ehren	19 January 2022	-	Near completion – awaiting final responses w/b 7 February 2022.	Yellow
2.	11 January 2022	Service Level Agreement between BHE and City of London Police	Simon Latham/ Anne Pietsch	March 2022	-	Development of SLA currently taking place – will provide further clarity about the policing services that BHE receives and financially contributes to.	Yellow
3.	24 November 2021	List all Members of the Board in the Bridging London Strategy and Annual Progress Reports	Amelia Ehren	11 January 2022	-	Revised version yet to be uploaded to website.	Yellow
4.	24 November 2021	Revise Scheme of Delegations to officers to enable MD to approve small amounts of BHE contributions to capital funding projects	David Farnsworth	11 January 2022	-	Review of Scheme of Delegations currently taking place across the wider City Corporation and proposed changes to be incorporated for BHE.	Yellow
5.	24 November 2021	Review Board agenda format and arrangements in respect of public and private sessions.	Amelia Ehren	16 February 2022	February 2022 (<i>and ongoing</i>)	Review of governance arrangements presented to February Board meeting for consideration. Agendas have consistently been improved	Green

						each meeting to present items more efficiently.	
6.	24 November 2021	Arrange Member and Officer risk review meeting	Amelia Ehren	16 February 2022	-	In-depth reviewed delayed pending result of recruitment of BHE COO who will lead, on behalf of BHE MD, risk management for the charity– Member and officer risk review meeting to now be arranged between February – April 2022	
7.	24 November	Review of Transitional Investment Strategy Statement	Karen Atkinson	March/ April 2022	-	To be further reviewed following the anticipated grant of the Supplemental Royal Charter.	

Committee	Date
Bridge House Estates Board	16 February 2022
Subject: Managing Director's Update Report	Public
Which outcomes in the <i>BHE Bridging London 2020 – 2045 Strategy</i> does this proposal aim to support?	1, 2 and 3
Does this proposal require extra revenue and/or capital spending?	No
Report of: David Farnsworth, Managing Director of BHE	For information

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 January 2022, and outlines upcoming activities for the Board to note. Specifically, the report provides updates on: the Bridges, including specific activities at Tower Bridge, funding updates including developments relating to the London Community Response (LCR) and Collaborative Action for Recovery (CAR) (provided in a non-public appendix at Item 18), updates and activities relating to the Climate Action Strategy, the progress of the implementation of the charity’s Leadership Team following the completion of the Target Operating Model (TOM) process, 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. Ongoing maintenance and support of the five Thames bridges continues to progress as part of the 50-year Bridge Maintenance Plan. The Board will continue to be updated on bridge engineering matters through ongoing reporting to the Board.
2. Suicide Prevention – BHE officers, in collaboration with the wider City Corporation, continue to progress work in relation to Suicide Prevention within the City of London. A verbal update on matters can be provide in the non-public session.
3. Tower Bridge - The entire replacement of Tower Bridge’s high voltage electrical supply and associated infrastructure has commenced onsite. This major project will continue over the next year and contributes to the Climate Action strategy in seeing the removal of diesel generators and stores. In a similar vein, the brief for the Bridge’s upcoming Condition Survey states the Climate Action Strategy as a headline consideration, with a sustainability assessment and related opportunities required within its scope. Initial appraisal of opportunities will be available prior to March 2022, to be considered alongside other projects in the pipeline. A heat

decarbonisation plan will also be prepared for this site following the recent recruitment of specialist expertise.

4. Despite the implementation of Plan B Covid measures, the tourism business at Tower Bridge saw a busier than anticipated December, with income of £355k generated within the month, contributing to the year-to-date total revenue of £2.3m. Retail and venue hire income streams performed particularly well during this period. Although January saw a natural decrease in visitors at the Bridge, tourism sector predictions currently look positive for the upcoming months towards half-term and Easter. In preparation, capacities were increased earlier this month with the East walkway reopened to visitors, following its closure for more than a year to maintain a one-way route. The Bridge's formal learning provision is currently proving extremely popular, with facilitated school group sessions now fully booked until April 2022.

Funding Updates

5. Work is continuing within the BHE funding team, City Bridge Trust (CBT), regarding implementing the recommendations of the Bridging Divides Interim Review. Of the 19 funding strands in place before the pandemic, 12 have been updated and re-opened and transition funding remains open for applications to cover the seven strands still on pause. The most recently re-opened programme is for Criminal Justice funding with a focus on funding services which prepare people for release from the custodial system or who are reaching the end of community sentences, and which reduces the risk of further prison or community sentences.
6. Development work is ongoing in relation to the final strands. For instance, the Environmentally Responsible Staff Working Group has appointed a specialist consultancy, Sixty7Green, to carry out a scoping study to better understand London's voluntary sector needs in relation to environmental work and the climate crisis which will help develop our 'Growing, greening and environmental projects' strand, and the 'Voice and Leadership' work is going to be developed with the active involvement of civil society organisations. In addition, work on strategic initiatives continues (see paragraphs immediately below).
7. London Community Response (LCR) and Collaborative Action for Recovery (CAR) – an update on this area of activity is provided at Appendix 1 in the non-public section at Item 18.
8. London Communities Emergency Partnership (LCEP) – Drawing on clear lessons learnt during the Grenfell and Covid emergencies, work is underway to develop more systematic engagement with grassroots community organisations through London's Emergency Resilience operations, and to ensure that the requisite training, communications and secretariat support is in place to harness critical intelligence from such organisations to enhance London's Emergency Preparedness and Response efforts.
9. A new partnership, the LCEP, is currently being developed to reflect this, with CBT actively engaged with other pan-London agencies in support. Independent resourcing is likely to be required as part of the mix and officers will return to the

Grants Committee of the BHE Board with a funding request if the work develops as anticipated.

Climate Action Strategy Updates

10. As the Board will recall, the City Corporation and BHE adopted a radical Climate Action Strategy (CAS) in October 2020. The strategy commits the charity to achieving net zero by 2040. However, the Board have expressed a desire for this to be a 'long-stop' with ambitions to achieve its targets sooner if possible. To support this ambition, within Item 9 there is a proposal to create a designated fund for Climate Action to assist with the ambition to achieve targets sooner. Given the importance of this work and its cross-cutting nature, a detailed update on work is provided below.
11. Operational assets (including the bridges): For operational assets (including the bridge) there are a number of sub-tasks which address net zero from a number of different action areas. A survey campaign is underway at each of the operational assets to identify a rolling programme of immediate energy efficiency measures, to be begun immediately. The City Corporation is also currently recruiting for additional specialist resource to assist in the development and delivery of projects (including those that directly impact BHE). One appointment for an additional Energy Engineering Project Manager has been made, and a major contract for the provision of support for Building Management System (BMS) and decarbonisation of heat has also been made. The ongoing recruitment of another Energy Engineering Project Manager will be key to progressing the Strategy. Wider support from the Centre of Excellence for Climate Action will be in place from 1st February 2022.
12. Tower Bridge update: The programme of major projects at Tower Bridge considers the Climate Action Strategy at the outset of project planning, and where opportunities may arise for incorporating improvements from a Climate Action perspective. The recently commenced high voltage project will see the removal of diesel generators and stores, and the upcoming Condition Survey brief states the Climate Action Strategy as a headline consideration, with a sustainability assessment and potential climate action opportunities required within its scope. In addition, a Tower Bridge-specific Climate Action survey was commissioned by the City Corporation's Energy team in December 2021.
13. Despite not being part of the Illuminated River scheme, Tower Bridge's regular programme of lighting replacements and works include latest energy-efficient LED technologies, albeit in a piecemeal and remedial fashion until a full overhaul of the artistic lighting system moves forward.
14. For the visitor attraction, events venue and learning provision at the Bridge, a comprehensive process commenced earlier this year for seeking the Green Tourism accreditation, which focuses on implementing sustainable and climate action-focused working practices across the Bridge's different functions/services.
15. City Bridge Trust activity: Over the last year as part of its interim review of its Bridging Divides Strategy and values work, CBT established an Environmentally

Responsible Working Group (ERWG) made up of a cross section of CBT staff. The group's remit is to operationalise CBT's Environmentally Responsible value, ensuring: progress on the specific areas underpinning the Association of Charitable Foundations (ACF) Funder Commitment on Climate Change (which BHE has signed up to) and the Climate Action Strategy; and a proportionate response to the significant challenges that climate change and related issues pose to Londoners and the voluntary sector.

16. Through its growing and greening grant programmes, CBT has long recognised access to and protection of the natural environment as a key factor in Londoners' quality of life. It has led the grant-making sector in offering Eco-Audits, which CBT has been funding for 12-13 years and which other funders are now interested in funding.
17. Environmental grant-making has however represented a small share of BHE's giving overall. Aside from Eco-Audits, work funded has tended to be restricted to more local initiatives such as growing and greening projects. While providing valuable experiences of and education in caring for the environment, such programmes are one of the most commonly funded types of environmental work in the UK,^[1] and represent only a small area of the huge range of climate action taking place in London.
18. With the escalation of the climate crisis, there is clear appetite within BHE to "think big" and consider how to strengthen its strategic impact on London's environment. At £306 million per year during the period 2016/17 – 2018/19, UK environmental grant-making from foundation and lottery sources is on the rise, but still constitutes a very small proportion of overall UK grant share compared with other issues.¹ As London's largest independent funder, BHE is in a unique position to contribute to the prevention and mitigation of the impacts of a changing climate on Londoners. There is also a great opportunity to support the necessary measures that organisations and communities will need to adopt to remain resilient amid changes that are already locked in, and the transition to net zero. As well as funding, collaboration, "funder plus" support and leveraging giving from other sources is particularly important as part of the 'total assets approach' outlined in the charity's Bridging Divides Strategy.
19. A key part of the ERWG's objectives is to research, develop and implement an ambitious and forward-looking environmental action plan, which will help inform future CBT environmental funding and strategy. To this end, the group has carried out research into environmental issues, their impact on Londoners, and the funding landscape, and built relationships with other funders making grants on this theme. In October 2021 CBT appointed Sixty7.Green, a specialist consultancy, to carry out an initial scoping study to better understand the London voluntary sector's needs in relation to environmental work and the climate crisis, and some possible approaches CBT could take. The study includes interviews and focus groups with funders, voluntary and public sector organisations, and other experts. It is due to be completed by the end of March 2022. Following on from this, the aim is to draft

¹ Environmental Funders Network, *Where the Green Grants Went* 8, November 2021

an Environmental Action Plan by the end of June 2022. This will include considerations of how CBT can support Grantees' transition to net zero emissions and climate adaptations; where CBT funding can have the greatest impact on Londoners' environment; how CBT take an equitable and just approach to environmental work; and how CBT can place the total assets approach at the heart of its strategy.

20. Following an introduction from Sheriff and Alderman Alison Gowman, CBT is currently in discussion with E3G - the organisers of London Climate Action Week, and the City Corporation's Climate Action Team, regarding ways CBT could support this event in 2022.

21. Financial Investments: A detailed quarterly update on financial investments workstream under the Climate Action Strategy is provided at Item 14 on your agenda today.

22. Property Investments: Officers are proceeding with the tasks outlined within the Climate Action Strategy for the Investment Property Group (IPG) Project Plan. This is proceeding according to plan, with the following notes:

- a. A major survey campaign is underway at each of the property investments to identify immediate legislative requirements for upgrading of properties, as well as an operating plan to identify emissions reductions, costs and key milestones to get to net zero 2040. This will be fully complete by July 2022. The funding source for this campaign is the subject of item 10 on your agenda.
- b. The operating plan for directly managed buildings is currently being prepared for end March 2022. This will continue be developed for the remainder of the portfolio over 22/23 supported by the Building Sustainability Lead in place from February 2022. Following on from this, delivery of capital works is planned from early 2022/23. This will determine a priority order for the energy efficiency refurbishment of investment properties – for which project development, design, specification, and procurement will thereafter begin immediately.
- c. Work is beginning to generate tenant engagement and interest towards the development of a green lease MOU. A workshop with asset managers will be held in February to provide contextual background and understanding of the tasks ahead, with a view to begin engagement with tenants to build co-operation in FY 2022/23.
- d. Following a recruitment drive to support the Climate Action Plan, a sustainable property specialist team (Niamh Murphy & Matt Dickinson from Arcadis) have agreed a contract with the City Corporation for dedicated support and delivery of the plan for the Investment Property Group, from 1st February 2022.

- e. A Net Zero and Resilient Buildings Sustainability Lead from Arcadis has also been recruited to manage and lead the Net Zero and Resilient Buildings Centre of Excellence.
- f. Advance work has already begun on two properties, Chiswell Street and Viper Industrial Estate, whereby initial recommendations for Grade B are currently in the design, specification and procurement phase in preparation for installation.
- g. The Climate Action Strategy programme will be measuring performance through the following metrics:
 - i. Tonnes of CO₂ per annum (Scope 3)
 - ii. Weighted average EPC rating for investment property
 - iii. Percentage of buildings reaching EPC grade B.

23. Operational assets (Guildhall accommodation and working from home changes): During the period of strict lockdown (March 2020 – March 2021 generally), the Guildhall was approximately 15% occupied and experienced a 20% reduction in energy use. It is anticipated that when office staff return to work 2-3 days per week, consumption is expected to increase by 5% - 10% on 20/21 levels, but still lower than pre-covid. The City Corporation's Energy Team continue to collaborate with Guildhall staff to reduce consumption, for example, via lighting replacement, Building Energy Management System (BEMS) monitoring and IT plans. Further data on energy use is available to the Board on request.

Governance

24. Governance Arrangements – A detailed paper on the Board's governance arrangements for the financial year 2022/23 is presented later in this agenda at Item 6.

25. BHE Target Operating Model – As the BHE Board are aware, the new BHE Leadership Team structure became effective from 4 January 2022. Following HR advice, some existing post-holders were to be assimilated into new roles. This is 90% complete with final detail being concluded this month. Following a robust recruitment process in January 2022 (involving widespread external and internal advertising; anonymous shortlisting; psychometric testing; and diverse interview panels), the charity has now successfully appointed a new Chief Operating Officer and new Head of Strategy & Governance. The final post to recruit in the new structure is the Chief Funding Officer and the intention is to launch this recruitment campaign at the end of March 2022. BHE will continue to keep its operational arrangements under review and work through its wider resourcing needs. The BHE Board will continue to be kept up to date on the implementation of the TOM and an update organisational chart with postholder names is being prepared and will be circulated to the Board.

Communications Update

26. Website – William Joseph (the charity's brand agency), working with the communications team, have completed the first round of internal and external user testing to begin drafting the information architecture for the charity's new website. Key issues highlighted by potential users have been a need for the website to be

fully accessible, a focus on using clear terms, keywords and to speak in plain English, alongside a desire that we are as transparent as possible about our funding. Further details can be found [here](#).

BHE Finance Update

27. Today's agenda includes the 2022/23 Budget and Medium-Term Financial Plan, being the culmination of many weeks of work across the charity by both budget holders and our finance team. The recommendations within this paper include proposals for funding early achievement against some of the stretching targets that the charity has within its Climate Action Strategy; consideration of the reserves policy to be held; and a reminder of the impact of the new powers due to be received within Supplemental Royal Charter on the financial plans of the charity. An update on the current year forecast is combined within this paper at Item 9.
28. Following the conclusion of the 2020/21 audit, BHE is now commencing engagement with its new auditors – Crowe. Discussions are taking place on the timing for the 2021/22 audit, alongside introductory work to enable Crowe to understand BHE processes. The Audit Planning Report from Crowe is expected to be presented at the next BHE Board meeting.

BHE Investment Portfolio Update

29. Social Investments: Return figures are indicative rather than actual as BHE are still waiting on some investees to report on the most recent quarter (ending 31st December 2021). A return of 3.2% IRR is anticipated on the total funds drawn by investees of £9.3m (compared with 3.16% on £9.8m drawn at the quarter ending September 2021). At quarter end, the £9.3m was valued at £8.8m after provisions and gains/losses to date. In addition to the £9.3m drawn, investees can call on an additional £1.7m of funding, so the Fund has total active commitments of £11.1m, divided 56:38:6 between property, fixed rate loans and international markets. One investment (a fixed rate loan to Greenwich Leisure Limited) matured and was redeemed as expected during the most recent quarter and there are otherwise no material updates to share on other holdings. The social impact themes currently supported include homelessness, domestic violence, social care, vulnerable migrants and adults with learning disabilities.
30. Financial Investments: A full report on the performance of the BHE financial investment portfolio is provided later on the Board's agenda for today.
31. Property Investments – The freehold sale of 64&65 London Wall exchanged on 4 February at a price of £19.45m with completion by 11 February. Members approved a bid of £20.31m subject to a minimum price of £19.25m following due diligence.
32. The purchaser has identified works to create a new secondary fire escape resulting in a loss of net internal area together with additional void costs related to the building not being elected for VAT. These costs have been verified by the City Surveyor and the sales agent, Allsop.

33. A price of £19.45m compares with the March 2021 valuation of £17.45m and achieves an NPV of some £5.75m (using a discount rate of 5%) and IRR of 10.96% over a 10-year hold period.

Conclusion

34. 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: London Community Response (LCR) and Collaborative Action for Recovery (CAR)

David Farnsworth

Managing Director of Bridge House Estates

E: David.farnsworth@cityoflondon.gov.uk

Committee:	Date:
Bridge House Estates Board	16 February 2022
Subject: High level Business plan 2022/23	Public
Which outcomes in the BHE Bridging London 2020 – 2045 Strategy does this proposal aim to support?	1
Does this proposal require extra revenue and/or capital spending?	No
Report of: David Farnsworth, Managing Director of BHE	For decision
Report author: Scott Nixon, Head of Managing Director's Office	

Summary

This report presents an overview of the overarching priorities for Bridge House Estates (BHE) in 2022/23. It also sets out the draft Tower Bridge (TB) and City Bridge Trust (CBT) high-level summary Business Plans for 2022/23 - TB for approval by the Board and CBT for information, pending consideration by the BHE Grants Committee at its March 2022 meeting.

TB's draft high level business plan reflects its position as an asset of the charity and its various functions such as raising the bridge for river traffic, visitor attraction development & management, day to day maintenance & 24-hour security provision; learning, community engagement & cultural activities, corporate and private events, onsite and online retail and filming facilitation.

The CBT draft high level business plan reflects its delivery of BHE's ancillary object and covers all areas of CBT activity and associated costs. This includes the delivery of the Philanthropy Strategy; the Climate Action Strategy; the BHE charitable funding strategy, *Bridging Divides* (BD); the BHE Social Investment Fund and the Wembley National Stadium Trust contract.

Recommendations

The Bridge House Estates Board are asked to:

- i) Review and note the overarching priorities for Bridge House Estates for 2022/2023;
- ii) Approve, subject to the incorporation of any changes sought by this Board, the final high-level summary Business Plan for 2022/23 for Tower Bridge; and,
- iii) Note the draft City Bridge Trust high-level summary Business Plan for 2022/23 (pending consideration by the BHE Grants Committee in March).

Main Report

Background

1. As part of the framework for corporate and business planning, TB, CBT and City Corporation departments were asked to produce standardised high-level Business Plans for the first time in 2017 for the 2018/19 year. Members generally welcomed

these high-level plans for being brief, concise, focused and consistent statements of the key ambitions and objectives. As the governance arrangements for BHE are further refined, following the completion and implementation of the BHE Strategic Governance Review, the BHE Board will be engaged in any future decisions as to revised processes that may be developed or implemented that best suit the charity.

2. For 2022/23, the high-level draft summary Business Plan has been further evolved to make use of the information now available and give a better overview of work being undertaken. It provides an overview of TB's and CBT's activity and resources, mainly but not limited to the forthcoming 12 months. As a high-level summary, this document does not capture the granularity of work but gives the overall picture of activity.
3. It is important to note that given the uncertainties of the ever-changing Covid operating context some of the work streams included in the draft high-level Business Plans may need to be re-prioritised/rescheduled/re-costed during the course of the coming financial year. This may have impacts on resourcing which are as yet not possible to predict. The BHE Board and the Grants Committee (as relevant) will of course be appropriately engaged in any such changes.
4. The activities at TB and CBT first and foremost are designed and delivered to meet the charity's overarching objectives, as set out in its *Bridging London Strategy*. Furthermore, the activities delivered by CBT support the delivery of the charity's funding strategy approved by the Court of Common Council, on recommendation of the former CBT Committee – this strategy is currently *Bridging Divides*. The activities of the charity also support the vision and outcomes set out within the Philanthropy Strategy, The Climate Action Strategy and those City Corporation Corporate Plan outcomes which are considered to be in the best interests of the charity to support in pursuing its own strategic objectives.

BHE Overarching Priorities for 2022/23

5. Following the BHE Strategic Governance Review, Lisvane Review and the consequential forming of the BHE Board, implementation of the BHE Leadership Team and classification of BHE as an "institution" within the City Corporation, many of the charity's processes, including the business planning process, require review to ensure they are designed and delivered in a way that meets the charity's needs. Such matters will be reviewed over the coming year and BHE will look to present a more detailed business plan for the whole charity for 2023/24. Recognising that the charity is currently in a period of transition, a high-level summary of the overarching priorities for the 2022/23 financial year are shown below. Further details of the charity's overall budget for 2022/23 and its principal risks can be found at other items on your agenda today.
6. It should be noted that there are other teams within the wider City Corporation, such as the Investment Property Group and Treasury Management Team, that directly support the charity but whose activities are not currently covered within the BHE Business Plan as they are captured within other City Corporation department's business plans. However, the headline priorities below cover all areas of the charity's activities.

7. All priority activities listed below for 2022/23 align with the *Bridging London* Strategy and support its delivery in Year 2 of its implementation. The focus of activity for 2022/23 for the charity as a whole will be:
- a. Embedding Diversity, Equity and Inclusion (DEI) practices across the charity and continuing to implement the Climate Action Strategy;
 - b. Implementing the more modern, flexible and broader governance powers for the charity following the grant of the Supplemental Royal Charter e.g., Total Return Accounting for permanently endowed charities and a new delivery model for social investments; as well as keeping the arrangements of the BHE Board and its Committees under regular review;
 - c. Embedding a comprehensive BHE Leadership Team and continuing to review the resourcing needs across the charity to ensure the operational structure works in the best interests of the charity, and supports the creation of a 'one-team' culture;
 - d. Considering the future management arrangements for the charity's investment portfolio and developing a revised Investment Strategy Statement;
 - e. Reviewing the Bridge Replacement Strategy and factoring in wider considerations that will inform the decision of when to replace the Bridges; and continuing with the ongoing maintenance and support of the five Thames bridges as part of the 50-year Bridge Maintenance Plan; and,
 - f. Further developing BHE's brand positioning to ensure that its impact and learning is well promoted and understood by its stakeholders and beneficiaries.

Draft high-level TB and CBT summary Business Plan for 2022/23

8. At **Appendix 1**, this report presents the draft TB high-level Business Plan for 2022/23 and reflects the key areas of TB's activity such as raising the bridge for river traffic, visitor attraction development & management, day to day maintenance & 24-hour security provision; learning, community engagement & cultural activities, corporate and private events, onsite and online retail and filming facilitation.
9. At **Appendix 2**, this report presents the draft CBT high-level Business Plan for 2022/23 and reflects the key areas of CBT's activity, namely the delivery of: the Philanthropy Strategy; the charitable funding strategy, *Bridging Divides*; the Climate Action Strategy, the BHE Social Investment Fund and the Wembley National Stadium Trust contract.

Corporate & Strategic Implications

10. Both draft high-level Business Plan's and estimated budget support the delivery of the new over-arching BHE strategy, *Bridging London*, and the Philanthropy Strategy, Climate Action Strategy and *Bridging Divides* strategy. The plans are mindful of the City Corporation's own Corporate plan and look to align where appropriate and considered to be in the best interests of the charity of doing so.

11. The benefits for having the City Corporation as trustee of BHE continue to be further reflected in the 'total assets approach' embedded in the BD funding strategy – using all our assets to achieve positive impact for London's communities.

Conclusion

12. This report sets out the high-level overarching priorities for the charity for 2022/23. It also presents the high-level summary Business Plan for TB and CBT for 2022/23 for the Board's consideration and approval. For both TB and CBT, the plans and budget have been prepared in an extraordinary operating context with a number of Covid variables. For CBT, the Plan also takes account of the planned expenditure of a significant proportion of the additional funding approved for expenditure through BD and allows CBT to continue its core business of charitable funding in a flexible, impactful way – all now framed by the BHE over-arching strategy 'Bridging London'.

Appendices

- Appendix 1 – Draft high-level summary Business Plan 2022/23 (TB)
- Appendix 2 – Draft high-level summary Business Plan 2022/23 (CBT)

Scott Nixon

Head of Managing Director's Office

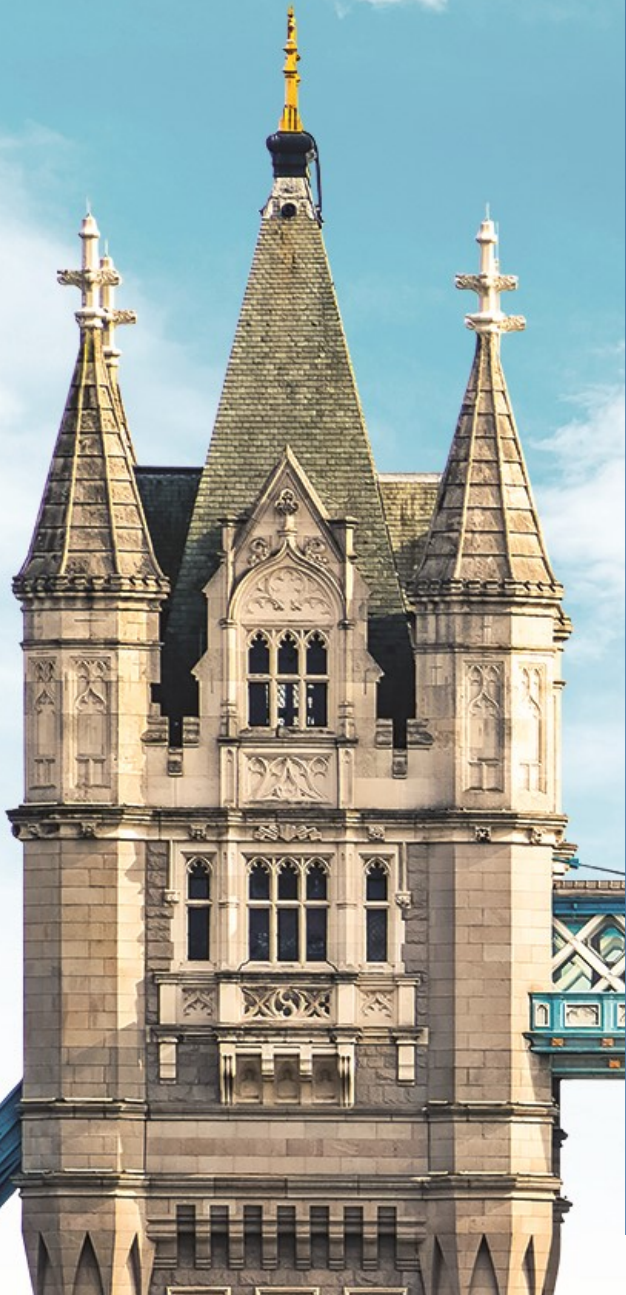
020 4526 1213

Scott.nixon@cityoflondon.gov.uk



Tower Bridge

Summary Business Plan 2022/23



What We Do

- Raise the Bridge for river traffic according to the City's statutory obligation as trustee of BHE
- Visitor attraction development & management
- Day to day maintenance & 24 hour security provision
- Learning, community engagement & cultural activities
- Corporate and private events
- Onsite and online retail
- Filming facilitation

The Bridge House Estates Strategy: Bridging London 2020-45 - 'Be Impact Driven'

'We will work towards ensuring everything we do has the strongest and most positive impact possible. We will focus our efforts where the need is greatest, in order to make a lasting impact for the benefit of Londoners now, and for generations to come.'

- Contribute to achieving the primary and ancillary objects of the charity
- Promote, enhance and celebrate the heritage and cultural value of our bridges.
- Provide an inclusive and high-quality cultural and learning offer on our bridges.
- We want to amplify our reach and impact to a world class level ...make the most positive impact possible in bridging London's physical and community infrastructure. We aim to position ourselves as a consistently credible champion for London and Londoners, working towards achieving our vision where 'every person in London becomes truly connected'.

Business Objectives 2022/23

- Work towards the continued recovery of Tower Bridge's tourism and events business and education provision, including revised visitor figures and income targets, adapting an operational and strategic marketing model according to any future changes in central Gov advice, internal financial planning or wider UK/London visitor economy trends and developments.
- Commence the process for achieving the 'Green Tourism' accreditation, supporting Climate Action as a strategic focus area for the charity
- Explore travel trade opportunities for the business as the sector recovers and international travel and tourism resumes.
- Review current arrangements with potential to procure and implement a new ticketing, bookings, point of sale and back of house system as a business-critical development project with emphasis on continuing 'here to stay' practices implemented following the pandemic (timed ticketing etc).
- Commence the first phase of a proposed restructure, following the Bridge becoming part of the officer structure under the charity, in alignment with the charity's primary object and the Target Operating Model.
- Continue the Bridge's programme of major projects and improvement works, both independently and in association with City of London Departments.



Tower Bridge

Summary Business Plan 2022/23



Our Key Performance Indicator

	Performance 2019/20	Performance 2020/21	Target 2021/22	Target 2022/23
		Covid impact		
To achieve the overall income target for Tower Bridge	£6,691,105	£1,293,513 (including £803,210 in furlough)	£2,710,000	£4,110,000

Our Local Performance Indicators

Visit England Annual Quality Attraction Assessment Rating	89%	93%	90%	90%
Number of pupils participating in the formal Education programme	4,344 onsite	673 online	1,500 onsite 1,000 online	3,000 onsite 700 online
To achieve the visitor numbers for Tower Bridge	835,821	45,127	220,000 (at reduced capacity for distancing)	400,000
Visitors to second part of attraction: Engine Rooms	79%	83%	80%	80%

Social Media

Twitter: @TowerBridge

Facebook: /Towerbridge

Instagram: @towerbridge

Youtube: Tower Bridge

Awards and Quality Accreditations

- Rated 'Excellent' (93%) in Visit England's Quality Assurance Accreditation with resulting GOLD accolade
- Maintained the Sandford Award for Heritage Education
- Institute of Tourist Guiding Accreditation
- Trip Advisor Travellers Choice Award 2021 and ranked second of all London 'Attractions' and 'Things to Do'
- Visit Britain Covid-specific 'We're Good to Go' and 'Safe Travels' Accreditations

OUR AIMS AND OBJECTIVES FOR 2022/2023 ARE..

1. For London to be a city where all individuals and communities can thrive, especially those experiencing disadvantage and marginalisation.
2. To develop London further as a global hub for charitable giving and Social Investment.
3. To be the centre of excellence within the Corporation for charitable knowledge and expertise.
4. To use all of the financial and non-financial assets of BHE and its trustee, working collaboratively, to achieve our ambition.

OUR MAJOR WORKSTREAMS THIS YEAR WILL BE..

1. To finalise the implementation of the Interim Review of the Bridging Divides Strategy, distribute c£100m in funding to London's voluntary sector and community to continue framing and scoping work around the "distribution of the amount held within grant-making designated fund".
2. To embed the BHE strategy across BHE's ancillary object following governance and TOM structural changes to deepen links across the whole charity.
3. To finalise the TOM structure across BHE's ancillary object and to recruit and induct any new team members.
4. To continue our contribution to the multi-agency Covid recovery work and manage the allocation to the Collaborative Action for Recovery (CAR).
5. To review the existing CRM provision and undertake a procurement exercise to establish a new contract.
6. Implementation of the Philanthropy Strategy, Diversity, Equity and Inclusion (DEI) Strategy, and Climate Action Strategy.
7. To undertake a website review and implement a new website - including a redesign of how we describe and present our work.
8. To embed learning across all the BHE's ancillary object and use evidence and learning to influence good practice more widely (internally and externally) by implementing the Impact and Learning Strategy.
9. To support the implementation of the Communications Vision and increase the volume and quality of communications and engagement work with funded organisations (e.g. learning events, bulletins).
10. To develop new and support existing philanthropy- focused partnerships, leveraging time and talent from our corporate trustee and wider networks to further BHE's ancillary object.
11. Development of Social Investment workstream following any possible governance changes.
12. Delivery of the Wembley National Stadium Trust contract.
13. Collaboration with the Corporate Charity and Funding Unit (formerly CGU) to develop a centre of excellence for good practice in charities and charitable giving.

CHARTS FOR KEY PERFORMANCE INDICATORS

CBT TARGET KPI'S	Progress update to follow
To distribute the annual CBT grants budget in full	0%
To achieve 15% increase in number of volunteering hours across City Corporation	15%

CHART DATA FOR KEY RISK SCORES

Risk Title	Likelihood	Impact
Grant not used for its intended purpose	2	2
Financial loss through fraud or theft	2	2
Negative publicity and reputational damage	2	2
IT failure	2	2
Staff Capacity	3	3

CBT'S SUMMARY BUDGET CHART 2022-2023

ANNUAL BUDGET TOP LEVEL SUMMARY	
Activities of the CBT and teams hosted by CBT	-£ 4,150,000
Community Infrastructure Levy Support	£ 90,000
Corporate Charity and Funding Unit (formerly CGU)	£ 123,000
Wembley National Stadium Trust Income	£ 73,000
Social Investment Income	£ 166,000
Voluntary Income (Donations received from third- parties i.e., Cornerstone)	£ 100,000
Central Risk (Total-grants cost and non-grants expenditure) i.e. budget for grant making excluding operational low risk costs.	-£ 103,553,000
Central Recharges and Depreciation	£ 359,000

WHAT'S CHANGED SINCE LAST YEAR..

1. Learning from the "London Community Response" has been captured via internal and external learning reports, and recommendations embedded in future plans.
2. Scoping and framing plans for distribution of uplift have been developed.
3. Establishment of a BHE Leadership team including the new role of Chief Funding Officer.
4. Development of a Diversity, Equity and Inclusion (DEI) Working Group and production of a Race Action Plan and DEI Strategy.
5. Governance changes: Establishment of a BHE Board and BHE Grants Committee.

THE CORPORATE PLAN OUTCOMES WE HAVE DIRECT IMPACT ON ARE..

- HLA3a: Promote and Champion diversity, inclusion and the removal of institutional barriers and structural inequalities.
- HLA3A: Advocate and facilitate greater levels of giving of time, skills, knowledge and money.
- HLA2d: Provide inclusive access to facilities for physical activity and recreation.

OUR STRATEGIC COMMITMENTS ARE..

- BHE Strategy -Bridging London**
- To deliver against our primary object by supporting and maintaining our five Thames bridges, and to use any available surplus income to advance our ancillary purposes.
- To meet these objectives by taking a values-led approach of aiming to be a charity that is catalytic, sustainable and impact driven.

Bridging Divides Strategy

- To implement a review to enhance and improve the effectiveness of the charity's governance and administration to achieve maximum impact in support of its beneficiaries.
- For London to be a city where all individuals and communities can thrive, especially those experiencing disadvantage and marginalisation.

- To reduce inequality and grow more cohesive communities for a London that serves everyone.

- Implementation of the DEI Strategy through all of Bridging Divides.

Climate Action Strategy

- To build climate resilience: champion sustainable growth and support the achievement of net zero.

Philanthropy Strategy

- To role model high impact philanthropy which is impactful and strategically aligned: supporting initiatives which enable higher impact and /or higher value philanthropy to be generated by others, with a particular focus on cross-sector collaboration and raise awareness of higher impact and /or higher value philanthropy through convening, research and thought leadership.

Responsible Business Strategy

- To achieve impact by delivering our operations and procuring resources in the most ethical and responsible ways possible, by using responsible business practices through our every day work and decision making.

Social Mobility Strategy

- To champion equality, diversity and inclusion and encourage the need for and benefits of social mobility.
- Support organisations, government and policy makers to improve their own practices and leadership to facilitate social mobility.

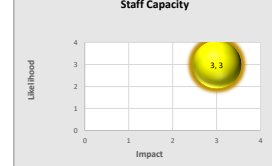
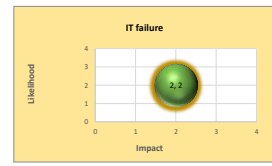
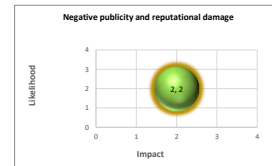
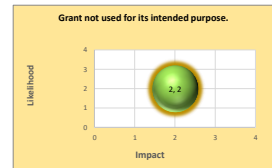
Communications Vision

- To develop enhanced, collaborative communications to more effectively engage our target audiences and support delivery of our mission and vision.

Learning Vision

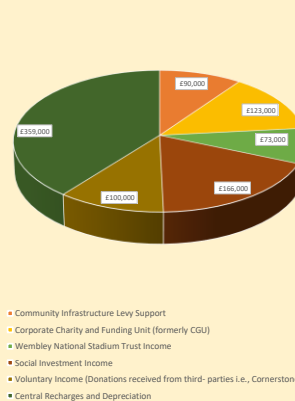
- To embed learning across all the BHE's ancillary object and use evidence and learning to influence good practice more widely (internally and externally) by implementing the Impact and Learning Vision.

KEY RISK- OUTCOME SCORES

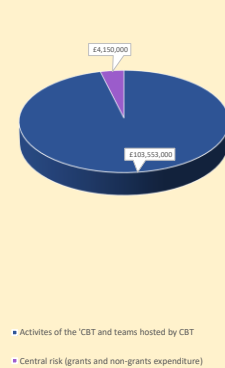


CBT'S INCOME & EXPENDITURE CHARTS 2022-2023

INCOME ANNUAL BUDGET TOP LEVEL SUMMARY



EXPENDITURE ANNUAL BUDGET TOP LEVEL SUMMARY



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Committee	Date
Bridge House Estates Board	16 February 2022
Subject: Bridge House Estates Principal Risk Register	Public
Which outcomes in the <i>BHE Bridging London 2020 – 2045 Strategy</i> does this proposal aim to support?	1, 2 and 3
Report of: David Farnsworth, Managing Director of BHE	For decision
Report Author: Milly Ehren, Strategic Project Lead, BHE	

Summary

This report provides the Bridge House Estates Board (“BHE Board”/ “the Board”) with an update on the management of risks faced by Bridge House Estates (“BHE”). In May 2021, the BHE Board approved the BHE Risk Management Protocol (the Protocol) and reviewed and approved the Principal Risk Register for the charity. As set out in the Protocol, principal risks will be reported to the BHE Board on a quarterly basis. This paper sets out the final report on the Principal Risk Register for the year 2021/22. As also set out in the Protocol, the Principal Risks are reviewed as part of the ongoing management of operations and the Operational Risks are regularly reviewed by the relevant Management Teams on behalf of the charity e.g., Tower Bridge, City Bridge Trust and within City Surveyor’s.

In January 2022, following the TOM process, BHE formally adopted its new Leadership Team structure. Following the embedding of the team and recruitment of key posts in January/ February 2022, the intention is for officers, in collaboration with the Board, to now undertake an extensive review of the Risk Register particularly in regard to the responsibility and ownership of the charity’s risk management. Officers will engage the Board in this review (and some Board Members have already kindly volunteered to work on this with officers) and will prepare refreshed Principal and Operational Risk Registers for endorsement at the Board meeting in April 2022, following its reconstitution by the Court of Common Council (“the Court”). If endorsed, the Annual Principal Risk Register will then be presented to the Court for final approval (as per the Board’s current Terms of Reference).

Nine principal risks are outlined in the Risk Register - of which one is currently scored red, three are currently scored amber and five currently scored green. The BHE Board are asked to review the risks, ratings and control measures to ensure they are satisfactory and appropriate. The BHE Board is also asked to confirm that there are no other risks that should be added to the BHE Principal Risk Register or other actions recommended in mitigation against those risks.

Recommendations

It is recommended that the Bridge House Estates Board, in discharge of functions for the City Corporation as Trustee for Bridge House Estates and solely in the charity’s best interests:

- i) Approve the Bridge House Estates Principal Risk Register at Appendix 2.
- ii) Note the next steps to undertake an extensive review of all the charity’s risks prior to April 2022.

Main Report

Background

1. Trustees should regularly review and assess the risks faced by their charity in all areas of its work and plan for the management of those risks. Risk is an everyday part of charitable activity and managing it effectively is essential to achieving the charity's objectives and safeguarding the charity's fund and assets.
2. In May 2021, at the inaugural meeting of the BHE Board, the Board approved a new Risk Management Protocol for the charity, which sets out its method for assessing and managing risks. The BHE Protocol reflects the City Corporation's general approach to risk management as set out in its own Risk Management Strategy approved by the Audit and Risk Management Committee. The BHE Protocol can be accessed online [here](#)¹. Additionally, the BHE Protocol reflects the guidance set out in CC26 Charities and Risk Management Guide issued by the Charity Commission in 2017² and in the Charity Governance Code³. In accordance with City Corporation best practice, all BHE risks are registered on the Pentana Risk Management System.
3. The BHE Protocol acts as a communication tool to ensure that all those involved in the management of risks for BHE are aware of the purpose of using a formal risk management approach, the roles and responsibilities within the risk management processes, the process that is being adopted, and how the process will be managed and monitored.
4. Alongside approval of the BHE Protocol in May 2021, the Board approved the annual Principal Risk Register. The BHE Board are now recommended to review the risks and confirm that the risks are comprehensive, scored correctly and that appropriate control measures are in place.

BHE Principal Risk Register

5. To assist the BHE Board in reviewing the BHE Principal Risk Register, the City Corporation's Risk Matrix is attached at **Appendix 1** which explains how risks are assessed and scored.
6. The BHE Principal Risk Register can be found at **Appendix 2**. BHE "Principal Risks" refer to the most important risks to the charity as a whole, with specific risks for each operational area of the charity referred to as "Operational Risks".

Review of risks

7. Following presentation of the Principal Risk Register to the BHE Board in November 2021, officers have reviewed the risks to incorporate the detailed

¹ <https://col-vmw-p-mg01.corpoflondon.gov.uk/mgAi.aspx?ID=113627>

² <https://www.gov.uk/government/publications/charities-and-risk-management-cc26>

³ <https://www.charitygovernancecode.org/en/front-page>

comments and feedback that was provided by the Board. At the November 2021 Board meeting, it was highlighted that a more detailed review of the risks facing the charity would be required particularly as BHE works through its TOM proposal to ensure that the responsibility and ownership of the charity's risks were appropriate, and that they were managed correctly. It was recommended that officers should work in collaboration with nominated Members of the Board in between meetings to carry out such a review.

8. This detailed review with Members and officers can now progress as the last two months have seen the successful completion of the TOM BHE Leadership Team consultation, including the assimilation of post holders into existing roles (where appropriate on HR advice) and the appointment of a BHE Chief Operating Officer (COO) and a Head of Strategy & Governance. The COO is particularly relevant as, on behalf of the Managing Director of BHE, they have responsibility for risk management across the charity.
9. The review will have particular regard to the responsibility and ownership of the charity's risk management and will consider a Risk Appetite Statement. The review recommendations will be presented to the April 2022 BHE Board meeting. If endorsed, the Annual Principal Risk Register will then be presented to the Court of Common Council for final approval (as per the Board's current Terms of Reference).

Principal Risks

10. The Principal Risk Register at **Appendix 2** contains nine risks, relating to the areas below. The Risk Register also highlights change in scores since the Board last reviewed the risks in November 2021, as either a result of mitigating actions being implemented or an escalation of risks due to specific circumstances. The nine risks are:

- a. BHE LT 001 – Knowledge of Trustee duties & powers (Green, Score 4)
- b. BHE LT 002 – Conflict of interests (Green, Score 4)
- c. BHE LT 003 – Structural damage to Bridges (Red, Score 16)
- d. BHE LT 004 – Income generation/ diversity of income (Amber, Score 6)
- e. BHE LT 005 – Reputational damage (Amber, Score 8)
- f. BHE LT 006 – Organisational change (Green, Score 4)
- g. BHE LT 007 – Failure to deliver strategy (Green, Score 4)
- h. BHE LT 008 – Key person risk (Green, Score 2)
- i. BHE LT 009 – Management and maintenance of London's River crossings (Amber, Score 8)

11. One risk has been assessed 'Red', scoring 16 (on a risk scale from one to the highest score of thirty-two). Three risks are currently assessed as 'Amber', two scoring 8 and one scoring 6. Five risks are currently assessed as 'Green', with four risks scoring 4 and one risk scoring 2. The City Corporation's Risk Matrix, which explains how risks are assessed and scored is attached at **Appendix 1** to assist with understanding the scorings.

12. Control measures have been identified for each risk, as described on the Principal Risk Register. The current mitigating actions are being taken and are considered

appropriate at this time with a view to either reducing the risk level as soon as is reasonably possible or to maintain the risk at the current level (as the risk is widely accepted).

13. Officers will continue to provide the BHE Board with quarterly risk reports to ensure the effective management of risk on an ongoing basis, consistent with the Trustee's obligations to keep such matters under review. The charity's full risk register will also be presented annually to the BHE Board for endorsement, for onward approval to the Court.

Conclusion

14. The need to systematically manage principal risks across BHE and operational risks at a local level is addressed by the production of the Principal and Operational Risk Registers. The BHE Board are asked to review the Principal Risk Register, looking at the risks, ratings and control measures to ensure they are satisfactory and appropriate. The BHE Board is also asked to confirm that there are no other risks that should be added to the BHE Principal Risk Register or other actions recommended in mitigation against those risks.

Background Papers

- Report to the Bridge House Estates Board, entitled Bridge House Estates Principal Risk Register, dated 24 November 2021, (Item 16).
- Report to the Bridge House Estates Board, entitled Bridge House Estates Risk Management Protocol and Principal Risk Register, dated 04 May 2021, (Item 10).

Appendices

- Appendix 1 – City of London Corporation's Risk Matrix
- Appendix 2 – Bridge House Estates Principal Risk Register

Milly Ehren

Strategic Project Lead, Bridge House Estates

E: amelia.ehren@cityoflondon.gov.uk

City of London Corporation Risk Matrix (Black and white version)

Note: A risk score is calculated by assessing the risk in terms of likelihood and impact. By using the likelihood and impact criteria below (top left (A) and bottom left (B) respectively) it is possible to calculate a risk score. For example a risk assessed as Unlikely (2) and with an impact of Serious (2) can be plotted on the risk scoring grid, top right (C) to give an overall risk score of a green (4). Using the risk score definitions bottom right (D) below, a green risk is one that just requires actions to maintain that rating.

(A) Likelihood criteria

	Rare (1)	Unlikely (2)	Possible (3)	Likely (4)
Criteria	Less than 10%	10 – 40%	40 – 75%	More than 75%

(C) Risk scoring grid

		Impact			
		Minor (1)	Serious (2)	Major (4)	Extreme (8)
Likelihood	X				
	Likely (4)	4 Green	8 Amber	16 Red	32 Red
	Possible (3)	3 Green	6 Amber	12 Amber	24 Red
	Unlikely (2)	2 Green	4 Green	8 Amber	16 Red
	Rare (1)	1 Green	2 Green	4 Green	8 Amber

(B) Impact criteria

Impact title	Definitions
Minor (1)	Service delivery/performance: Minor impact on service, typically up to one day. Financial: financial loss up to 5% of budget. Reputation: Isolated service user/stakeholder complaints contained within business unit/division. Legal/statutory: Litigation claim or find less than £5000. Safety/health: Minor incident including injury to one or more individuals. Objectives: Failure to achieve team plan objectives.
Serious (2)	Service delivery/performance: Service disruption 2 to 5 days. Financial: Financial loss up to 10% of budget. Reputation: Adverse local media coverage/multiple service user/stakeholder complaints. Legal/statutory: Litigation claimable fine between £5000 and £50,000. Safety/health: Significant injury or illness causing short-term disability to one or more persons. Objectives: Failure to achieve one or more service plan objectives.
Major (4)	Service delivery/performance: Service disruption > 1 - 4 weeks. Financial: Financial loss up to 20% of budget. Reputation: Adverse national media coverage 1 to 3 days. Legal/statutory: Litigation claimable fine between £50,000 and £500,000. Safety/health: Major injury or illness/disease causing long-term disability to one or more people objectives: Failure to achieve a strategic plan objective.
Extreme (8)	Service delivery/performance: Service disruption > 4 weeks. Financial: Financial loss up to 35% of budget. Reputation: National publicity more than three days. Possible resignation leading member or chief officer. Legal/statutory: Multiple civil or criminal suits. Litigation claim or find in excess of £500,000. Safety/health: Fatality or life-threatening illness/disease (e.g. mesothelioma) to one or more persons. Objectives: Failure to achieve a major corporate objective.

(D) Risk score definitions

RED	Urgent action required to reduce rating
AMBER	Action required to maintain or reduce rating
GREEN	Action required to maintain rating

Contact the Corporate Risk Manager for further information. Ext 1297

Version date: January 2020

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BHE Principal Risks

Guidance notes:

- All risks are scored on a risk scale from the lowest score one to the highest score of thirty-two.
- The risk score is marked on the matrix with the white circle.
- The risks are shown in order of the highest scored risks to the lowest scored risks.
- The flight path shows the progress of the risk rating (e.g. if the flight path is flat, the risk score has remained the same.)
- Completed actions are not shown on this report.

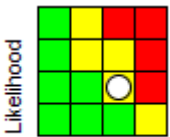




Rows are sorted by Risk Score

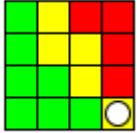
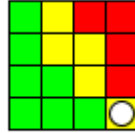
Risk no, Title, Creation date, Owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Flight path
BHE LT 003 Structural damage to bridges 08-Jul-2021 Paul Wilkinson	Cause: Terrorist incidents, natural disasters or engineering failure. Effect: Structural damage to one of the bridges may cause it to become non-operational. Impact: Public not able to access the bridge and cross the River Thames, causing disruption to daily life. Reputational damage. Additional cost to repair. Prevention of river traffic passing under one/ more of the bridges.		16	No change to risk. 31 Jan 2022		6	01-Apr-2022	

Action no, Title,	Action description	Latest Note	Action owner	Latest Note Date	Due Date
BHE LT 003b Counter terrorism activities	Counter terrorism activities - TFL and DBE, the City Police and the MET Police continue to engage with respect to the threat assessments for the bridges.	TFL and DBE, the City Police and the MET Police continue to engage with respect to the threat assessments for the bridges. TFL will be taking the lead in terms of the response. When TFL assess the overall risk, they applied a higher risk impact than the City currently assesses. However, this relates to the overall risk, rather than the element for which the City of London Corporation, and the City Surveyor's Department, is responsible.	Nicholas Gill; Paul Monaghan; Peter Young	28-Oct-2021	01-Apr-2022
BHE LT 003c	Policing on the bridges - The City of London	The City of London Police receive funding from Bridge House Estates to provide policing to the City	Nicholas	28-Oct-2021	01-Apr-2022

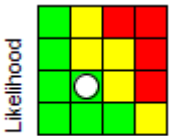
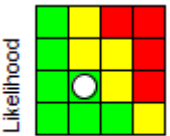
Policing on the bridges	Police receive funding from Bridge House Estates to provide policing to the City Bridges.	Bridges. This has included contributions towards replacing the existing CCTV coverage. A Service Level Agreement between BHE and the City of London Police is currently being developed.	Gill; Paul Monaghan; Peter Young		
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Risk no, Title, Creation date, Owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Flight path
BHE LT 005 Reputation 08-Jul-2021 David Farnsworth	Cause: A range of occurrences outside the direct control of the Trustee, including incidents, events and outcomes which adversely impact upon the charity operation and activities. Effect: Damage to the charity's ability to advance its objects, damage to reputation and position in London's civil society. Impact: Increased risk of breach of legal duties; direct impact upon furtherance of the bridges/primary object; Damage to BHE's reputation; damage to key relationships; decline in visitors to Tower Bridge; decline in impact of City Bridge Trust's activities.	 Likelihood	8	Jan 2022 - no change to risk score. Depending on nature of the issue there is still possibility of major reputational damage on the charity - however, due to effective management of other risks and proactive strategic communications in place the likelihood of the risk is lower. 31 Jan 2022	 Likelihood	4	01-Apr-2022 Reduce	

Action no, Title,	Action description	Latest Note			Action owner	Latest Note Date	Due Date
BHE LT 005a Manage other risks effectively	Manage other risks effectively as reputation risk is largely a consequence of other risk events materialising.	Ongoing activity.			David Farnsworth	31-Jan-2022	01-Apr-2022
BHE LT 005b Proactive strategic communications	Proactive strategic communications detailing the charity's activities, reach and impact.	BHE Communications and Engagement Director is currently working on a clear and purposeful influencing strategy for the charity.			David Farnsworth	31-Jan-2022	31-Mar-2022

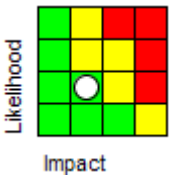
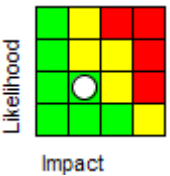

Risk no, Title, Creation date, Owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Flight path
BHE LT 009 Management and maintenance of London's River Crossings 29-Oct-2021 David Farnsworth	Cause - External bodies seeking interest/ ownership of the five BHE Thames bridges as a result of the London Transport Assembly Inquiry into the Management and Maintenance of London's River Crossings. Event - Ownership of Bridges transferred to another external body. Effect - Charity is unable to fulfil its primary object.	Likelihood  Impact	8	No change to risk. Chair of BHE Board responded to the London Assembly's Report in January 2022 - keeping a close eye on future developments but have offered to share expertise. 31 Jan 2022	Likelihood  Impact	8	31-Mar-2022	
							Accept	

Action no, Title,	Action description	Latest Note	Action owner	Latest Note Date	Due Date


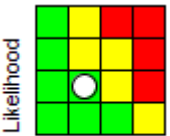

Risk no, Title, Creation date, Owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Flight path
BHE LT 001 Knowledge of Trustee duties & powers 01-Jul-2021 Amelia Ehren; David Farnsworth	Cause: Lack of understanding by Members and officers of the duties and powers of the City Corporation as Trustee of BHE Effect: Elected Members and officers may not be aware/ have knowledge of the particular Trustee duties which apply to governance of BHE; or may not be aware/ have knowledge of the powers (and limitations) available to the City Corporation when acting as Trustee of BHE in administering the charity. Effect: Non-compliance with the charity's governing document, and the relevant duties and powers; non-compliance with the relevant charity law applicable to the activities, size and structure of BHE; poor administration of the charity; BHE does not achieve its strategic objectives; risk to the charity's assets; reputational damage.	 Likelihood	4	Jan 2022 - no change to risk score. 31 Jan 2022	 Likelihood	4	01-Apr-2022 Accept	

Action no, Title,	Action description	Latest Note	Action owner	Latest Note Date	Due Date
BHE LT 001b Officer Charity Governance Training	Design and implement appropriate training and corporate governance information resources for officers to ensure proper understanding of the charity's governance and the role of the City Corporation as trustee – specifically, knowledge of the general charity regulatory framework, the charity's own governing document, and how the charity operates and is administered within the City Corporation's corporate governance framework.	The Members' BHE Handbook is also available as a resource to officers to support with their continued training. Further training to be delivered in 2022 following recruitment of BHE Head of Strategy & Governance Post.	Amelia Ehren	31-Jan-2022	31-Mar-2022
BHE LT 001c Develop strong procedures for	Implement clear and strong procedures to ensure the skills, knowledge and experience required on the Board are appropriate and	BHE Board continues to keep its arrangements under review. Detailed review of its governance arrangements will be undertaken at February BHE Board meeting. Following this meeting, any recommendations agreed will be implemented.	Amelia Ehren	31-Jan-2022	31-Mar-2022



new BHE Board	relevant.				
BHE LT 001d Implement Governance Procedures and Frameworks	Implement corporate governance procedures and frameworks, including revising corporate documents such as Standing Orders, Officer Delegations and Financial Regulations.	Under continuous review by the BHE Board - granting of Supplemental Royal Charter is soon expected which will support with enhancing governance procedures and frameworks.	Amelia Ehren	31-Jan-2022	31-Mar-2022

Risk no, Title, Creation date, Owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Flight path
BHE LT 002 Conflict of interests 08-Jul-2021 David Farnsworth	Trustees have a duty to act in the best interest of the charity, and understand the duties and powers of the City Corporation as Trustee of BHE.		4	Jan 2022 - likelihood and impact of risk reviewed by the BHE Board in November 2021 and likelihood and impact was subsequently reduced from 24 which was considered an unrealistically high rating. Mitigations in place have helped to reduce the risk rating. 31 Jan 2022		4	01-Apr-2022 Reduce	

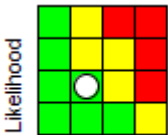
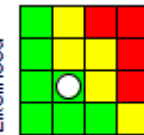

Action no, Title,	Action description	Latest Note	Action owner	Latest Note Date	Due Date
BHESLT 002b Seek Supplemental Charter	Seek Supplemental Royal Charter to expressly confirm authorisation of conflicts of interest/loyalty for the City Corporation, and to provide a framework for managing them.	The grant of the Supplemental Royal Charter is expected in Spring 2022. BHE Board have been informed that the PCO and Charity Commission are content with the changes sought. If granted, a new conflicts of interest policy will be developed for the charity.	David Farnsworth	31-Jan-2022	31-Mar-2022
BHE LT 002c Implement Conflicts of Interest Policy	Implement a Conflicts of Interest Policy and incorporate other relevant changes in the City Corporation's corporate governance framework to support this outcome.	Officers have begun mapping out the changes required following the expected grant of the Supplemental Royal Charter in Spring 2022 - this includes developing a new conflicts of interest policy.	Amelia Ehren	31-Jan-2022	31-Mar-2022

Risk no, Title, Creation date, Owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Flight path
BHE LT 004 Insufficient Income generation 08-Jul-2021 David Farnsworth	Cause: Positive returns from investment activities are not achieved to enable the charity to maintain its asset value and support its charitable activities. Not maintaining and keeping under adequate review a properly balanced asset portfolio appropriate for the permanently endowed charity having regard to suitability and diversity across the portfolio. Effect: Lack of return/ diversity of investment portfolio could result in loss of income and asset growth. Impact: Insufficient income to maintain operations at appropriate level of spend - inability to meet maintenance/ replacement costs of the Bridges both now and in the future; reduced spending on ancillary object; reputational risk.	 Likelihood	6	Gains on financial investments for 2020/21 were recognised at £178.7m (£147m above budget), with £159.6m of this increasing the value of free reserves. Due to this stronger than expected performance, BHE is in an improved position However income streams have performed below expectations as a result of the pandemic. 31 Jan 2022	 Likelihood	4	01-Apr-2022 Accept	


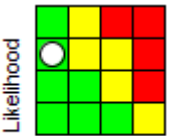

Action no, Title,	Action description	Latest Note	Action owner	Latest Note Date	Due Date
BHE LT 004a Monitor investments held against the 'transitional' Investment Strategy. Implement a new Investment Strategy and regularly review to ensure that the investments are suitable and appropriately diverse (i.e. appropriate levels of asset allocation between asset types and within funds held by the charity).	Stronger performance of gains from financial investments than expected over 2020/21. Investment income streams below expectations due to impacts of Covid. Review of Investment Strategy due to take place in 2022 following grant of Supplemental Royal Charter. The Charter is intended to provide a new total return accounting power which will be a key mitigation to this risk.	Karen Atkinson;	31-Jan-2022	31-Mar-2022	
BHE LT 004b Financial scenario planning.	Ongoing activity. Medium Term Financial Plan presented to the BHE Board in February 2022	Karen Atkinson	31-Jan-2022	31-Mar-2022	

Risk no, Title, Creation date, Owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Flight path
BHE LT 007 Failure to delivery strategy 08-Jul-2021 Amelia Ehren; David Farnsworth	Cause: Lack of support for strategic vision. Effect: The charity's strategy, Bridging London, 2020-2045, is not successfully implemented. Impact: The charity drifts with no clear vision, aims, priorities of plans.	 Likelihood Impact	4	Jan 2022 - no change. Strategy continues to be implemented and promoted internally and externally - expected that impact/likelihood of this risk is further reduced over next 12 months as further implementation of the strategy is completed. 31 Jan 2022	 Likelihood Impact	4	01-Apr-2022	
							Accept	

Action no, Title,	Action description	Latest Note	Action owner	Latest Note Date	Due Date
BHE LT 007c	Deliver an appropriate structure of strategies, policies and plans which sit under the overarching strategy to ensure that the charity is administered effectively, to first ensure the advancement of the primary object and allow for the advancement of the ancillary object.	Ongoing and continuous action. Will be a priority in 2022 to review all BHE strategies and policies in alignment with overarching BHE Strategy - Bridging London.	David Farnsworth	31-Jan-2022	31-Mar-2022

Risk no, Title, Creation date, Owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Flight path
BHE LT 006 Organisational change 08-Jul-2021 David Farnsworth	Cause: Changes to operational structure resulting from TOM process. Effect: Failure to execute organisational change and transformation programmes effectively. Impact: Lack of information flow and poor decision-making procedures; uncertainty as to roles and responsibilities; decisions made at inappropriate level or excessive bureaucracy; inefficient use of charity's resources.	 Likelihood	4	Jan 2022 – No change to risk. From 4 January 2022, new BHE Leadership Team came into effect for the charity. However, some new roles are yet to be recruited and BHE remains in transition which is why risk not yet reduced. 31 Jan 2022	 Likelihood	4	01-Apr-2022	
							Accept	

Action no, Title,	Action description	Latest Note	Action owner	Latest Note Date	Due Date
BHE LT 006a	Effective planning and implementation of a project and change management programme.	BHE Leadership Team continues to be implemented, with recent successful recruitment of the Chief Operating Officer and Head of Strategy and Governance Post. The Chief Funding Officer role is yet to be recruited on a permanent basis, with plans to advertise the role in March 2022. Continue to review the resourcing arrangements of the rest of the charity and deliver an effective change programme.	David Farnsworth	31-Jan-2022	31-Mar-2022

Risk no, Title, Creation date, Owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Flight path
BHE LT 008 Key person risk 08-Jul-2021 David Farnsworth	Cause: Loss of key staff with detailed knowledge and key skills needed to support the charity. Effect: Loss of institutional knowledge. Impact: Experience or skills lost; operational impact on key projects and priorities; loss of corporate knowledge/ relationships	 Likelihood	2	Jan 2022 - reduction of risk due to creation of new BHE Leadership Team in January. Reduces key person risk across the charity and spreads risk across the leadership team. 31 Jan 2022	 Likelihood	3	01-Apr-2022 Accept	

Action no, Title,	Action description	Latest Note			Action owner	Latest Note Date	Due Date
BHE LT 008b Staff Development	Upskill a wider pool of staff in key processes and procedures relating to BHE and the relationship with the City Corporation as corporate Trustee.	New Leadership Team agreed in January 2022 - further work to embed changes and deliver training in 2022.			David Farnsworth	31-Jan-2022	31-Mar-2022
BHE LT 008a Workforce planning and succession documents	Develop comprehensive workforce planning and succession documents.	New Leadership Team in place supports with workforce planning. Continuous review in 2022 of the charity's wider resourcing needs.			David Farnsworth	31-Jan-2022	01-Apr-2022

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Agenda Item 9

Committees: Bridge House Estates Board Court of Common Council – for decision	Dates: 16 February 2022 10 March 2022
Subject: Bridge House Estates (BHE) (Reg. Charity No. 1035628) – Revenue Budget 2022/23 and Medium-Term Financial Plan	Public
Which outcomes in the <i>BHE Bridging London 2020 – 2045</i> Strategy does this proposal aim to support?	1, 2 and 3
Does this proposal require extra revenue and/or capital spending?	No
Report of: The Managing Director of BHE and The BHE & Charities Finance Director (representing the Chamberlain)	For decision
Report Author: Karen Atkinson, BHE & Charities Finance Director	

Summary

This report updates on the 2021/22 latest forecast and presents the 2022/23 revenue budget and Medium-term Financial Plan (MTFP), covering financial years 2023/24 – 2025/26, for Bridge House Estates (BHE).

The past year has been one of significant change for the charity in terms of its governance, with the establishment of the BHE Board. Operationally, the focus has been on managing the impacts of the pandemic, be that with the reopening of Tower Bridge as a visitor attraction in May 2021, keeping on track with our bridge maintenance programme or reviewing our funding programmes to meet specific needs of Londoners. Economic factors, such as increasing inflation, low interest rate levels and the impacts of the Government's plans to address the pandemic continue to cause uncertainties for the cost of various projects, the Tower Bridge visitor operations and the ability of our investments to raise sufficient income to undertake plans.

The previous and ongoing prudent management of unrestricted income funds by the City of London Corporation acting as BHE trustee has ensured that the charity continues to have sufficient funds available to meet its primary objective - the support and maintenance of its five Thames bridges. In considering its ancillary purpose, that of charitable funding for broad charitable purposes for the general benefit of the inhabitants of Greater London under the charity's *Bridging Divides 2018-23* policy, this report presents a revised approach to the longer-term release of surplus income for this purpose; noting the requirement for a charity to utilise its free reserves on a timely basis.

In line with the agreed Climate Action Strategy, options are presented to designate a sum within unrestricted income funds to progress the work to achieve the targets set for Net Zero,

considering improving the charity's investment property portfolio's sustainability alongside a focus on projects supporting our bridges.

Options are provided in respect of the level of free reserves to be maintained across the planning period: the recommendation being that an amount above the agreed minimum policy level of £35m should be held, as a risk mitigation (with scenario planning suggesting that these funds may be required to meet the primary objective). Members should note the future opportunity available to BHE in utilising investment growth within the permanent endowment fund as income, upon the express grant of relevant powers within the new Supplemental Royal Charter.

Recommendations

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

1. Note the latest revenue forecast for 2021/22 (paragraphs 7 to 10);
2. Approve the 2022/23 revenue budget and Medium-Term Financial Plan for period 2023/24 – 2025/26 (paragraphs 11 to 14);
3. Approve the creation of a designated fund for the Climate Action Strategy and consider the options for the amount to be moved to this fund from the Unrestricted Income Reserves. The amount held within this designated fund to be reviewed on an annual basis with permitted spend in any year to be within the full balance available in the designated fund (paragraph 14(m));
4. Consider the options for the level of free reserves to be maintained over and above the agreed minimum policy of £35m across the period of the Medium-Term Financial Plan as a mitigation against the uncertain period in which the charity is operating (paragraph 15);
5. Approve the 2022/23 capital and supplementary revenue project budgets, which have been included within the calculations for reserves (paragraph 19);
6. Approve that all departments within the City Corporation managing budgets on behalf of BHE prepare these for 2023/24 under a zero-based budgeting basis (paragraph 21);
7. Note that a revised Medium-Term Financial Plan for the charity will be developed, once the power for total return accounting for endowed charities is granted by Supplemental Royal Charter, currently under final approval by the Privy Council's Office (paragraph 18); and,
8. Endorse this report for onward approval to the Court of Common Council.

Main Report

Background

1. BHE is an unincorporated charitable trust and a registered charity (Registered Charity Number 1035628). The charity is permanently endowed which imposes particular restrictions and legal duties on the charity's trustee.
2. In acting as charity Trustee, the City Corporation has a legal obligation to always act solely in the best interests of BHE. Consistent with their duties, trustees are required to:
 - a. administer their charity with reasonable care and skill; and
 - b. act responsibly and honestly and demonstrate that they are complying with the law.

As a result of the Covid Pandemic, the Charity Commission issued guidance advising trustees to keep their charity's operations and finances under regular review and take any additional actions as necessary¹. As we continue to deal with the pandemic, our regulator expects both this and their routine guidance to be applied with regular assessment and monitoring of the overall financial position and funds being used to deliver the charity's objects.

3. This report presents an update on the latest forecast for 2021/22, the budget for 2022/23 and the Medium-Term Financial Plan (MTFP) covering the period 2023/24 – 2025/26. These have been prepared in line with the policy guidelines and assumptions as set out in **Appendix 1**.
4. The over-arching strategy for BHE '*Bridging London*' has the vision that '*Every person in London becomes truly connected*'. To achieve this vision, BHE delivers upon its primary object by supporting and maintaining its five Thames bridges and utilises any available surplus income each year to advance its ancillary purposes – being charitable funding under the '*Bridging Divides 2018-23*' funding policy aimed at tackling inequality. Prior to confirming the level of surplus income, appropriate free reserves must be agreed and maintained (e.g. £35m was approved by Members in March 2020 with an additional £55m for 2021/22).
5. The Board will be aware that this continues to be a transitional period for BHE, as we await approval of the Supplemental Royal Charter (see **Appendix 5**), embed the BHE Leadership Team structure (effective from 04 January 2022) and continue to review the resourcing needs and operating costs across the charity. Building upon the lessons

¹ Charity Commission Guidance "Manage financial difficulties in your charity caused by coronavirus"

learned in 2021, BHE will continue to fulfil its role in bridging and connecting London, for the benefit of Londoners today and for generations to come. BHE will use a joined up strategic approach to advance its primary and ancillary objects, collaborating more cohesively as one charity across all its activities, and working closely with the City Corporation as its Trustee. The charity will:

- continue to keep its operating governance structure under review to ensure that it operates effectively and efficiently; and, in accordance with best practice in charity governance;
 - deliver excellent bridge engineering management services for all five Bridges; and
 - utilise its expertise in charitable funding to support a reduction in inequality in London and to foster stronger, more resilient and thriving communities.
6. The budget and medium-term plan presented today are well placed to support this strategy.

Current Position – update on 2021/22 budget

7. The original 2021/22 budget anticipated an in-year deficit of £115.1m, with total funds of the charity being £1,383.4m of which free reserves were budgeted at £81.5m. Subsequent to the budget being approved, the opening free reserves were agreed at a higher level, with the gains on investments for 2020/21 recognised at £178.7m (£147m above budget). Due to this stronger than expected performance, BHE was better placed at the starting point for the current year than expected.
8. The latest forecast presents an in-year deficit of £37.5m, with **Table 1** depicting the summarised revenue position alongside detail of the funds of the charity. The in-year dashboard presenting the financial position as at 31 December 2021 is included at **Appendix 2**. Note that total funds brought forward at 1 April 2021 has been updated within the original budget to match the actual amount held. The income of the charity was unusually high in 2020/21 due to the receipt of £13.1m of grants for distribution under the London Community Response Fund.

Table 1
Current position - update on 2021/22 budget
Statement of Financial Activities

	2020/21	2021/22	2021/22
	Actual	original budget	latest forecast
	£m	£m	£m
Income	47.4	33.2	32.5
Expenditure	(89.6)	(148.3)	(70.0)
	(42.2)	(115.1)	(37.5)
Gains/(losses) on investments/pension scheme	149.0	69.3	69.3
Net movement in funds	106.8	(45.8)	31.8
Funds b/fwd as at 01 April	1,536.4	1,643.2	1,643.2
Total funds c/f	1,643.2	1,597.4	1,675.0
Funds of the charity:			
Permanent endowment funds	979.5	946.0	1,022.6
Restricted Funds	3.8	0.0	0.4
Designated funds	445.6	355.9	445.7
Free reserves	214.3	295.5	206.3
	1,643.2	1,597.4	1,675.0

9. The most significant change in-year has been within charitable funding, with commitments & associated costs expected to be £75m lower than budget. An interim review of the Bridging Divides programme led to a revised timeline with increased commitments now anticipated to be spread across a 4-year period (2021/22 – 2024/25), reducing back to a lower amount from 2025/26 onwards.

10. Other changes to note include:

- a. Income: investment income reduced by a net £1.1m (Properties - £1.4m/Securities, SIF & cash +£0.3m), with the reduction in rental & service charge income reflecting rent free periods, exercise of lease breaks & property voids due to the delayed completion of refurbishments, in particular Candlewick House (120 Cannon Street) due to factors including the pandemic; partially mitigated by Tower Bridge visitor activities uplift of £0.4m following stronger than anticipated visitor numbers.
- b. Expenditure on raising funds: net increase of £0.9m, driven by increased management fees on securities due to higher values of assets held. Netted against this is savings on various operational costs within the property portfolio.
- c. Expenditure on charitable activities: in addition to the reduction in grant commitments noted above, bridges expenditure is reporting a total decrease of £4.4m driven by a delay in the timeline for the High Voltage System replacement at Tower Bridge and for the refurbishment of Blackfriars Bridge, alongside

savings at Millennium Bridge with work on the retention cables not required as anticipated.

2022/23 Revenue budget and Medium-term forecast position

Forecast position within current governance arrangements

11. BHE delivers upon its primary object by supporting and maintaining its five Thames bridges and utilises any available surplus income to advance its ancillary purposes. Only the gains made on investments representing the unrestricted income funds are available to support the primary and ancillary objectives.

12. An overview of the proposed budget for 2022/23 and across the medium-term planning horizon is shown in **Table 2** below, with **Appendix 3** providing further detail:

Table 2

**2022/23 Budget & Medium Term Financial Plan
Statement of Financial Activities**

	2021/22 latest forecast £m	2022/23 budget £m	2023/24 forecast £m	2024/25 forecast £m	2025/26 forecast £m
Surplus/(Deficit) prior to charitable giving	(2.0)	(14.6)	(4.5)	(9.2)	10.6
Charitable giving	(35.5)	(108.5)	(101.3)	(78.4)	(47.4)
	(37.5)	(123.1)	(105.8)	(87.6)	(36.8)
Gains/(losses) on investments/pension scheme	69.3	93.3	87.5	69.4	68.0
Net movement in funds	31.8	(29.8)	(18.2)	(18.3)	31.2
Funds b/fwd as 1 April	1,643.2	1,675.0	1,645.2	1,627.0	1,608.7
Total funds c/fwd	1,675.0	1,645.2	1,627.0	1,608.7	1,639.9
Funds of the charity:					
Permanent endowment funds	1,022.6	1,077.3	1,129.7	1,166.2	1,202.9
Restricted Funds	0.4	0.0	0.0	0.0	0.0
Designated funds	445.7	362.1	305.0	265.9	275.1
Free reserves	206.3	205.8	192.3	176.6	161.9
	1,675.0	1,645.2	1,627.0	1,608.7	1,639.9

13. The 22/23 budget and future forecast has been produced in a period of economic uncertainty, with inflation running high and the government's varying plans to address the pandemic having impacted on many aspects of daily life. In part due to this, the central contingency² held has been increased by £2.2m to £3.3m to provide for potential risks that may arise, as detailed in para 14 (i). However, BHE's strong reserves position has enabled the charity to continue to pursue its current strategy, supported by a higher than expected level of free reserves held as at April 2021 together with continued strong performance within gains on the investments that represent these reserves.

² 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.

14. A revenue deficit of £123.1m is presented for 2022/23. The Grant commitments included are funded from the grant-making designated fund, which includes the balance of the £200m allocated by Court in March 2020. Deficits are reported across each year under review, with the grants designated fund planned to reduce to £40m by 2025/26. Assumptions and key risks for 2022/23 and the planning period include:

Income

- (a) A breakeven position is forecast for Tower Bridge tourism activities, ahead of accounting for all applicable central recharges from other departments. This places income at 60% of levels experienced prior to the pandemic. With international travel remaining limited as a result of the pandemic, this cautious approach remains appropriate as the charity works towards the continued recovery of Tower Bridge's tourism and education offering.
- (b) Investment property income is included at levels forecast by the City Surveyor, which reflects expected delays in the reletting of refurbished properties following the impact of the pandemic on the occupational market. Notable is the impact from Candlewick House (120 Cannon Street) with the increased vacancy period reducing rental income that would have been received in 2022/23 by £1.4m.
- (c) The majority of financial investments are held on a total return basis, with growth recognised 'below the line' within gains. For those holdings that do generate income, a return of 1.1% has been incorporated.
- (d) Voluntary income, at £0.1m, includes grants from known partnerships at the time of preparation of the budget. Should further collaborations arise during the year, adjustments will be made within future forecasts.

Expenditure

- (e) Key projects within the bridges' maintenance expenditure include the repainting and refurbishment of Blackfriars Bridge, a project that commenced in 2021/22 with a total budgeted works cost of £12m across 3 years; continuation of the high voltage system replacement project at Tower Bridge, with timing for this extended into 2022/23; alongside enhancements to the security systems across the bridges. Addressing several outstanding maintenance issues within operational buildings linked to Tower Bridge is further included in the budget at £1.5m.
- (f) As noted in paragraph 9, plans for commitments against the surplus income allocated to the grant-making designated fund are now spread across a four-year period. Expenditure is expected to peak across both 2022/23 and 2023/24 at close to £100m in each year. With CBT adopting a more collaborative approach, timings may vary as plans are developed with other funders. As to be expected, the costs associated with funding activity increase across this period. These remain within 10% of commitments made.

- (g) The costs of managing the investments of the charity remain fairly stable across the planning period. 2021/22 saw an increase in the cost of managing the financial investment portfolio, with fees being based upon performance levels. Should returns continue to grow at similar levels, fees will increase. The analysis of contingency balances at Para 14(i) notes a provision for refurbishment costs should property void levels increase.
- (h) 2022/23 will be the first full year with the BHE leadership team established, with the budget assuming all roles being covered on either a permanent or interim basis. The costs of this team, alongside other central BHE roles, are recharged across the expenditure headings of the charity in accordance with activity levels. Analysis of the needs for staffing to support the leadership team is yet to commence, with possible impacts upon resourcing to be considered in due course. A full review of the operational costs of the charity, including those recharged from the City Corporation, is planned to commence during 2022/23.
- (i) As stated in para 13, the contingency balances held within the 2022/23 budget have been reviewed in light of the ongoing impacts of the pandemic. Following discussions, consistency has been sought where appropriate in the treatment of potential issues that are common across all Funds managed by the City Corporation. The following contingency balances are held by BHE:

Table 3

Summary of BHE contingencies for budget & MTFP

	21/22	22/23	23/24	24/25	25/26
	£000	£000	£000	£000	£000
Central contingency	850	850	867	884	902
Apprentices	175	142	145	148	151
Contribution pay	-	-	50	51	52
Joint projects with other Funds of the City Corporation	50	50	51	52	53
Properties - refurbishment of void spaces	-	500	-	-	-
Climate action strategy	-	500	2,000	2,000	2,000
Inflationary increases	-	1,259	742	394	402
	1,075	3,301	3,854	3,529	3,560

Additional sums have been set aside to enable refurbishments to take place should there be an increase in void periods within the property portfolio, enabling the Board to release these against future forecasts should the need arise without the need to reconsider other plans. Regarding inflation, the budget is based upon an uplift of 2%, with a central contingency providing for an additional 3% across relevant expenditure in 22/23. Provision for up to 4 apprentices has been included. £500k has been included to provide the charity with the option to advance works within its directly managed investment property portfolio to address the targets set within its Climate Action Strategy, in particular achieving EPC 'B' by 2030 and net zero carbon by 2040. Further

flexibility is proposed with the establishment of a designated fund for the Climate Action Strategy (para 14(m)). The central contingency retained for as yet unknown requests has been held at £850k, noting that £610k of the balance for 2021/22 has been utilised to date. Inflationary uplifts are applied to future years across the planning period.

- (j) The above 2022/23 budget and MTFP have assumed that the full £125m approved for the Bridging Divides policy over five years (2018 – 2023) will be committed, alongside the additional £200m allocation approved by Court in March 2020. Noting the value of free reserves available, an increased annual allocation to £40m is proposed for the following three years of the MTFP period, noting the requirement for the charity to utilise surplus income funds.

Funds

- (k) Alongside the bridges expenditure included within the revenue budget, annual transfers to both the Bridges' Repair and Bridges' Replacement designated funds are provided for, to ensure that the charity maintains these funds at appropriate levels to meet future need. Increased inflation at 5% & 3% respectively has been applied to the amounts set aside for 2022/23 & 2023/24.
- (l) The 2022/23 budget and MTFP include an assumption of 6.11% growth (gross of fees) in financial investments, with the majority of this driving gains within the unrestricted income fund due to the basis upon which these investments are held. To note:
 - a. Reductions in this rate of return have minimal impact on the annual deficit however result in lower gains and therefore less unrestricted income funds available to fund the activities of the charity.
 - b. Reductions create an immediate need to increase amounts set aside within certain designated funds, notably that for bridge replacement, to ensure that sufficient provision is held for the future in a lower return environment.
 - c. The cumulative nature of the bridge replacement fund means that if current/future growth levels reduce, a higher base amount is required to be held.

Appendix 4 sets out the financial impact of reductions in returns from financial securities for a couple of scenarios of future levels of charitable funding.
- (m) To enable BHE to further progress and potentially accelerate delivery of its Climate Action Strategy (CAS), it is proposed that Members of the Board consider establishing a designated fund within the unrestricted income reserves of the charity. Members have indicated they are supportive of early achievement of the targets to reach Net Zero. Where possible, the charity would look to advance work required to reach our ambitious targets, notably - but not exclusively - within our directly managed investment property portfolio. Funds set aside within this designated fund would provide the charity with the flexibility to fast forward works where deemed by the BHE Board to be effective and appropriate. Surveys are currently being undertaken across our property portfolio.

Earlier reports suggested the potential for costs of approx. £9m to achieve the 2030 deadline, although these used benchmark costs applied across floor area which are not considered to be sufficiently accurate, hence the need for the surveys of each building. Whilst some of these costs may be incorporated within refurbishment projects, Members may consider designating funds to cover actions resulting from the surveys that can be addressed at an earlier timeline. Detailed work on the needs of our bridges as we move to Net Zero is yet to be undertaken to inform this decision. The options presented for consideration in moving unrestricted income funds to this designated fund are:

- a. Option 1: to move £5m, as an initial provision towards costs relating to the investment property portfolio
- b. Option 2: to move £10m, to provide for the initial estimate relating to the investment property portfolio, alongside a contribution towards projects relating to the bridges
- c. Option 3: to move £15m, to provide as stated in Option 2 with a further statement of intent to cover projects within the charity

Timelines and specific projects for utilisation of this designated fund can be developed in line with progress of this challenging strategy. The decision for Members is whether they wish to prioritise funding Climate Action requirements ahead of other potential usage of surplus income under the Bridging Divides funding policy, with the aim of earlier achievement of Net Zero targets. Future additions or reductions to designated funds can be approved within the annual budget setting process.

Officers recommend Option 2, which designates an amount based upon previous work undertaken to assess requirements within the property portfolio noting that this full balance would not be required for immediate expenditure plans.

- (n) Whilst £500k has been included within the contingency budget for both 2022/23 and future years across the planning period, the CAS designated fund will be available to manage additional requirements identified during both this and subsequent years. The BHE Board will be presented with a proposal on the operation of this fund, should the designation be recommended for approval, which will include the approval of individual bids.

15. The above analysis of potential impacts highlights that the charity continues to exist within an uncertain environment, albeit with the benefit of currently holding free reserves above the latest target set of £90m. Minor movements in key assumptions impact directly upon the level of free reserves held, alongside the amounts of unrestricted income required to be held within the established designated funds – notably for future needs of the bridges. The scenarios stated in **Appendix 4** lead to the recommendation for Members to consider various options in retaining between £29 -

74m of unrestricted income reserves over and above the minimum policy requirement for free reserves of £35m, as agreed by Court in March 2020, as a mitigation against potential income and growth uncertainties across the planning period. The options for consideration are:

- a. Option 1: to hold additional free reserves of £29m, reflecting a reduction in financial investments growth of 1% giving a total of £64m
- b. Option 2: to hold additional free reserves of £74m, reflecting a reduction in financial investments growth of 2% giving a total of £103m
- c. Option 3: to hold additional free reserves of £55m, maintaining the current approved level of free reserves of £90m

Officers recommend Option 3, to maintain the current level of free reserves within the reserves policy of the charity noting that a further review will take place once the new Supplemental Royal Charter is in place.

Impact of future changes to the Charity's governing documents

16. As stated in **Appendix 5**, it is anticipated that BHE will be granted the power to adopt total return accounting for endowment funds within the new Supplemental Royal Charter. The total return accounting approach to investments held within a permanent endowment fund allows any of the increase in the value of the capital investment to be utilised as income. Funds are invested to maximise the return on investment without regard to whether that return is in the form of income or capital appreciation. The trustees decide each year how much of that total return within the endowment fund is released to income for spending against the objectives and how much is retained for investment (within the scope of the powers available to the charity). The allocation is made on an equitable basis to balance the need to fund current activities as well as to invest returns for the future. Trustees can therefore unlock capital gains which would otherwise be retained within the endowment. The decision on how much to spend is subject to an ongoing duty for the trustees to manage their investments in a manner that enables the charity to further its aims both now and in the future, and appropriate limits have been incorporated into the drafting of the new Supplemental Charter provisions.

17. Where a charity holds permanent endowment funds, but does not adopt total return accounting, rigid rules are in place whereby capital gains are reinvested and are unavailable to be spent on objectives. A charity can become less able to meet current needs when income from dividends, rentals etc is low, yet capital gains are high. The term 'asset rich, yet cash poor' would apply, with the potential for less optimal investment decisions being made as a result. This is the current position for BHE, as presented in **Table 2** and in **Appendix 3**, with the permanent endowment fund

continuing to grow in proportion to the value of total funds held, and the unrestricted income fund reducing.

18. Once the power for total return accounting for endowment funds is in place within the charity's governing documents, revised financial modelling will be developed for BHE. This will reflect the express duty for the Trustee to act in good faith in a manner that will not prejudice the charity's ability to deliver the primary objective now and in the future. Members are therefore requested to note that a revised MTFP will be prepared for BHE following approval of the new Supplemental Royal Charter. Revisions would also reflect any changes as a result of the revised Investment Strategy Statement to be adopted for BHE with the next steps for this having been agreed at the November 2021 Board meeting. This will include consideration of matters such as diversification of investment assets and the weighting across each of the funds held by the charity. Consideration of the required level of free reserves to be held will form part of these considerations, including proposals to meet the target level proposed.

Capital and supplementary revenue project forecast expenditure

19. The BHE capital and supplementary revenue project budgets comprise forecasts of expenditure which have been approved for various capital projects, alongside indicative costs of future projects. The majority of this expenditure relates to the programme of improvements relating to the charity's investment property portfolio, which includes potential costs relating to the Climate Action Plan (some of which Members may decide are to be funded from within the designated fund for Climate Action, should this be approved). The total anticipated costs are as stated in **Table 4**. Bridge repair costs are incorporated within annual revenue budgets, to match statutory reporting requirements.

Table 4: Capital & Supplementary Revenue Projects

	2021/22	2022/23	2023/24	2024/25	2025/26	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Investment Properties	28,783	30,856	13,689	15,390	-	88,718
Shared projects with CoL	448	126	132	471	471	1,648
Bridges Repairs	6,549	13,775	5,292	460	-	26,075
	35,779	44,757	19,113	16,321	471	116,441

Risk

20. There are risks to the achievement of the budget and forecasts presented, as noted within paragraph 14. Continued careful monitoring of reserve levels is required in mitigation, noting that the income funds available for the ancillary object (charitable funding) will only be that assessed within a financial year as being surplus to that

required for the primary object (that required for the maintenance and support of the five bridges now and in the future).

Future basis of budget preparation

21. At present, the basis upon which the budget presented to you is prepared under varying styles for the different activities within BHE. Zero based budgeting is adopted for some – notably for Tower Bridge and CBT – where the starting place is effectively a blank sheet of paper, building up the planned activities for the year against the approved strategy with all amounts requiring justification. For other areas, the traditional approach within the City Corporation is to commence with the previously approved budget and adjust for known changes. Zero based budgeting has a number of advantages, including increased transparency and a clearer link to the latest strategy. Members are recommended to approve that all departments within the City Corporation managing budgets on behalf of BHE prepare these for 2023/24 under a zero-based budgeting basis, being consistent with a change recommended by the Finance Committee of the City Corporation.

Conclusion

22. The above sets out the continued uncertain times within which this budget and forecast is presented and reflects on the fact that this is a transitional period for BHE as we await approval of the Supplemental Royal Charter and embed the new leadership team. Members are recommended to approve the revenue budget for 2022/23 and the MTFP for the period 2023/24 – 2025/26, alongside the capital and supplementary revenue spend budgets. As a further mitigation against risk, Members are recommended to consider maintaining unrestricted income funds at between £29 - 74m above the approved reserves policy of £35m, dependent upon the preferred option recommended. Members are also recommended to consider designating a sum in support of the delivery of the Climate Action Strategy. The MTFP proposed is subject to redevelopment once the new governance powers are in place, following granting of the Supplemental Royal Charter, with the reserves policy also to be reconsidered.

Appendices

- Appendix 1 – Financial plan strategy & assumptions
- Appendix 2 – Financial Reporting Dashboard as at 31 December 2021
- Appendix 3 - 2022/23 budget & medium-term financial plan
- Appendix 4 – Potential scenarios based on reduced growth rates on financial securities
- Appendix 5 – BHE Strategic Governance Review

Medium Term Financial Strategy & Assumptions

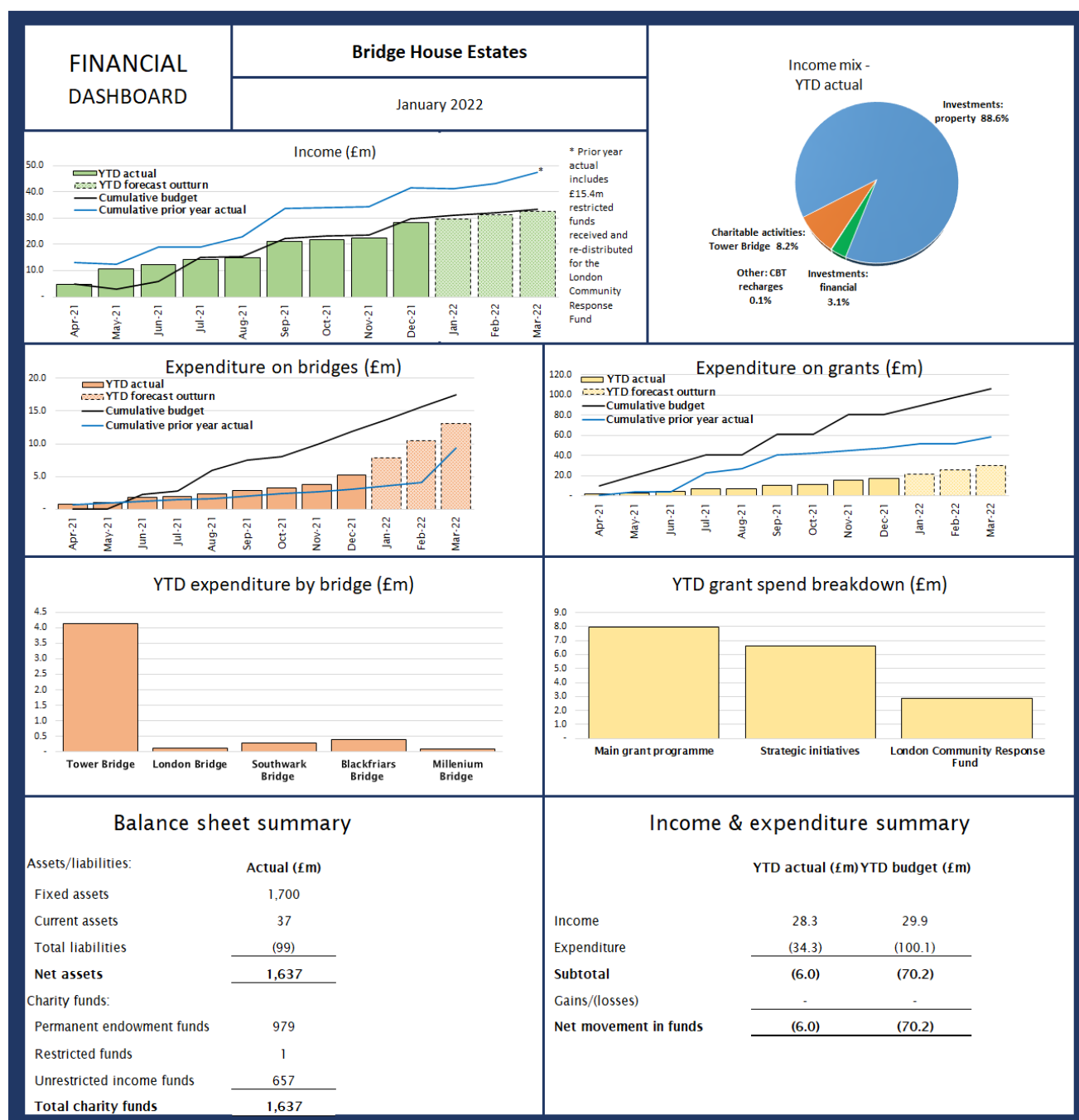
The strategy and assumptions in relation to Bridge House Estates (BHE) are all anchored in the best interests of the charity and are as follows:

1. Adhering to a planning framework which focuses on ensuring efficiency and effectiveness within all expenditure, rather than the budget reductions and savings programmes applied to other funds of the City Corporation.
2. With the maintenance and support of the five Thames bridges being the primary object of the charity, sufficient net income is required to be generated over the medium term to finance both ongoing support and maintenance needs, and to set aside sufficient funds to cover the eventual replacement costs of each bridge (save for Tower Bridge which is differently maintained due to its' world class status) in the long term.
3. After the responsibilities relating to the bridges have been met, free reserves are to be maintained at a minimum of £35m with surplus income being available to be utilised for other charitable purposes, undertaken by the City Bridge Trust (CBT).
4. Continuing to seek property investment opportunities to enhance income/provide capital appreciation during the year subject to any financing being met from the BHE Designated Sales Pool (DSP). Requirements under the Climate Action Plan that are related to investment properties to be funded from both the DSP and any potential designated sum to be agreed by the BHE Board, subject to approval.
5. Assumptions relating to inflation (as applied to costs relating to the bridges) and investment growth included within the main budget (additional provision for inflation held within contingencies):

	21/22	22/23	23/24	24/25	Ongoing
Inflation	2.00%	2.00%	2.00%	2.00%	2.00%
Bank base rate - average	0.10%	0.93%	1.25%	1.50%	1.63%
Securities growth	4.47%	6.11%	6.11%	6.11%	6.11%
Securities fees	0.75%	0.61%	0.61%	0.61%	0.61%
Property growth	4.36%	5.00%	5.00%	3.10%	3.10%
Property yields	Forecast	Forecast	Forecast	Forecast	Flat

Note: Forecast for property yields is based on the latest rent estimates provided by the City Surveyor.

Financial Reporting Dashboard as at 31 December 2021



Appendix 3

Medium term financial plan

	2020/21 actuals £m	2021/22 latest forecast £m	2022/23 budget £m	2023/24 forecast £m	2024/25 forecast £m	2025/26 forecast £m
Voluntary income	15.4	0.2	0.1	0.0	0.0	0.0
Charitable activities - Tower Bridge	0.5	3.1	4.1	5.0	6.0	6.2
Investment income:						
- Property Investments	27.0	25.5	24.5	25.3	28.8	32.5
- Financial Investments	2.5	3.2	2.9	3.0	3.0	3.0
- Interest receivable	0.9	0.3	0.3	0.5	0.6	0.9
Total Investment income	30.4	29.0	27.7	28.8	32.5	36.4
Other income	1.1	0.2	0.3	0.0	0.0	0.0
Total income	47.4	32.5	32.2	33.8	38.5	42.6
Raising funds:						
- Property Investments	(9.1)	(8.7)	(8.6)	(8.7)	(8.9)	(9.1)
- Financial Investments	(5.9)	(6.7)	(6.0)	(6.0)	(5.7)	(5.4)
Total expenditure on raising funds	(15.0)	(15.4)	(14.6)	(14.8)	(14.7)	(14.5)
Charitable activities:						
- Repair & maintenance of bridges	(9.4)	(13.1)	(22.4)	(14.3)	(24.0)	(8.2)
- Tower Bridge	(4.3)	(4.5)	(5.3)	(4.2)	(4.3)	(4.4)
- Charitable funding	(58.6)	(35.5)	(108.5)	(101.3)	(78.4)	(47.4)
Total expenditure on charitable activities	(72.3)	(53.1)	(136.2)	(119.8)	(106.8)	(60.0)
Other expenditure - pension scheme costs	(2.3)	(1.1)	(1.1)	(1.1)	(1.1)	(1.2)
Other expenditure - contingencies	0.0	(0.4)	(3.3)	(3.9)	(3.5)	(3.6)
Total expenditure	(89.6)	(70.0)	(155.2)	(139.6)	(126.1)	(79.4)
Net (expenditure)/income	(42.2)	(37.5)	(123.1)	(105.8)	(87.6)	(36.8)
Gains/(losses) on investments/pension scheme	149.0	69.3	93.3	87.5	69.4	68.0
Net movement in funds	106.8	31.8	(29.8)	(18.2)	(18.3)	31.2
Funds b/f as 01 April	1,536.4	1,643.2	1,675.0	1,645.2	1,627.0	1,608.7
Total funds c/f	1,643.2	1,675.0	1,645.2	1,627.0	1,608.7	1,639.9
Funds of the charity:						
Permanent endowment funds	979.5	1,022.6	1,077.3	1,129.7	1,166.2	1,202.9
Restricted Funds	3.8	0.4	0.0	0.0	0.0	0.0
<i>Designated funds:</i>						
Bridges repairs	48.1	49.0	36.0	30.0	19.7	27.6
Bridges replacement	168.7	155.4	161.2	167.3	173.7	180.5
Grant-making	206.9	209.2	133.1	77.7	44.2	40.4
Climate Action	0.0	10.0	9.5	7.5	5.5	3.5
Social investment fund	21.5	21.7	21.9	22.1	22.4	22.7
Property dilapidations/service charges	0.4	0.4	0.4	0.4	0.4	0.4
	445.6	445.7	362.1	305.0	265.9	275.1
General funds	242.0	241.8	249.3	243.9	236.3	230.1
Pension reserve	(27.7)	(35.5)	(43.4)	(51.5)	(59.8)	(68.2)
Free reserves	214.3	206.3	205.8	192.3	176.6	161.9
	1,643.2	1,675.0	1,645.2	1,627.0	1,608.7	1,639.9

Appendix 4

Potential scenarios based on reduced growth rates on financial securities & differing levels of grant commitments

Scenario	Annual deficit	Change in unrealised gains	Designated Funds	Free reserves
Financial investment growth reduced by 1%, grantmaking at £40m	Minimal	Reduction of £6 -7m per year	Year 1 increase in value of 29.2m needed	Free reserves remain positive throughout MTFP
Financial investment growth reduced by 1%, grant commitments at £30m	Minimal to 2023/24 then annual reduction of £10m p.a.	Reduction of £6 -7m per year	Year 1 increase in value of 29.2m needed	Free reserves remain positive throughout MTFP
Financial investment growth reduced by 2%, grant commitments at £40m	Minimal	Reduction of £13-14m per year	Year 1 increase in value of 74.1m needed	Free reserves remain positive but fall below baseline £35m target in 25/26
Financial investment growth reduced by 2%, grant commitments at £30m	Minimal to 2023/24 then annual reduction of £10m p.a.	Reduction of £12-13m per year	Year 1 increase in value of 74.1m needed	Free reserves remain positive throughout MTFP

BHE Strategic Governance Review: relevant updates

The BHE Strategic Governance Review was initiated to assess how the governance of BHE could be enhanced, to ultimately increase the reach and impact of the charity's activities and to model good practice. Relevant updates for this report are:

Reconstitution of the permanent endowment fund

During the financial year 2017/18, BHE undertook a review of its funds held. This concluded that a substantial portion of the charity's assets were held as permanent endowment, a fund which was reconstituted within the financial statements of the charity. These capital funds must be retained and cannot be spent on the charity's purposes. At present, the endowment fund is invested in property, together with approximately 13% of financial securities held by BHE. Under the current governance powers held by BHE, any capital gains made on the assets that represent the endowment are required to be reinvested and are unavailable to be spent on its objectives. As a result, changes in the value of the investments held within the endowment fund do not impact upon the funding available for activities undertaken by BHE.

Supplemental Royal Charter

The current focus of the Strategic Governance Review is on the additional powers being sought through the Privy Council's Office (PCO) by grant of a new Supplemental Royal Charter. The changes being pursued intend to:

- (a) provide clarity or remove obsolete provisions;
- (b) provide greater flexibility in the application of funds;
- (c) provide more modern and flexible powers in relation to administration; and
- (d) reflect good governance practice.

Relevant to this report is the power being sought to take a total return approach to investments held within the permanent endowment fund, so enabling access to an element of the capital gains that have accrued over recent years. Paragraph 16 of the main report explains the concept of 'total return accounting for endowed charities' and clarifies the impact on a future MTFP. Alongside this is the request for the power to borrow in relation to projects related to the bridges, so providing increased flexibility to BHE in the manner in which it could decide to fund future significant expenditure.

Committee	Date
Bridge House Estates Board	16 February 2022
Subject: BHE Contingency Fund Request - Investment Property Portfolio surveys to understand Climate Action needs	Public
Which outcomes in the <i>BHE Bridging London 2020 – 2045 Strategy</i> does this proposal aim to support?	2 & 3
Does this proposal require extra revenue and/or capital spending?	Yes
If so, how much?	£150k
What is the source of Funding?	BHE Central Contingency Fund
Has this Funding Source been agreed with the Chamberlain’s Department?	Yes
Report of: The BHE & Charities Finance Director (representing The Chamberlain)	For decision
Report Author: Sachin Shah (BHE Transformation Project Accountant)	

Summary

This report requests the approval of a 2021/22 forecast expenditure increase of £150k to cover the expenditure required to undertake surveys across BHE’s directly managed investment property portfolio. The surveys will assess the requirements to comply with the government’s energy performance certificate (EPC) minimum ratings target of ‘B’ for non-domestic properties by 2030 in addition to contributing to meeting the Climate Action Strategy (CAS) carbon emissions targets, in particular achieving net zero by 2040. Funding for this activity has previously been identified as being from within the BHE Designated Sales Pool, in line with recommendations from the Property Investment Board. Allowing these costs to be met through the BHE Central Contingency Fund (unrestricted funds) would facilitate the Designated Sales Pool (permanent endowment fund) spend to focus on the direct improvements required across the BHE property investment portfolio.

Recommendation

It is recommended that the Bridge House Estates Board:

- i. Approve funding of £150k from the BHE Central Contingency Fund, to enable the cost of the surveys of the directly managed investment property portfolio required to assess the works required to achieve EPC ‘B’ by 2030 and net zero in carbon emissions by 2040, to be met from BHE revenue funds rather than from within the Designated Sales Pool.

Main Report

Background

1. The Climate Action Strategy (CAS) aims are to:
 - a. Support the achievement of net zero
 - b. Build climate resilience
 - c. Champion sustainable growth
2. In order to take stock of how the investment properties currently contribute towards carbon reduction and also to determine the extent of the measures required across

the investment property portfolio, detailed surveys have been approved to be undertaken.

3. The funds required to undertake these surveys are currently allocated from within the Designated Sales Pool, within the permanent endowment fund. However, as part of the overall CAS commitment in achieving net zero, it is requested that the cost of these property surveys be now met through revenue funds from the uncommitted balance of the BHE Central Contingency Fund. Funds held within the Designated Sales Pool are therefore retained for direct improvements to the investment properties held.

Corporate and Strategic Implications

4. Strategic implications: The activities of the CAS support the aims and objectives of BHE's overarching strategy, *Bridging London 2020 – 2045*. The surveys support identification of the improvements required across the property portfolio as part of the aim of achieving net zero carbon emissions.
5. Resource implications: Funding of £150k is requested from the BHE Contingency Funds 2021/22 allocation. The remaining uncommitted balance held within the Central Fund, prior to this request, at the end of January 2022 is £240k.
6. Legal implications: nil.
7. Equalities implications: BHE is committed to equal opportunities in service provision and for all its employees and promotes equity, diversity and inclusion in its employment practices.
8. Financial implications: A budget uplift for 2021/22 of £150k for surveys undertaken across the BHE investment property portfolio to be approved, funded from the BHE Central Contingency fund. As this amount has been granted solely for this specific purpose it will be held within the City Surveyor's central risk budget for BHE. Any underspend as a result of timing of the project can be requested under the carry forward process.
9. Climate implications: nil
10. Security implications: nil

Conclusion

11. The recommendation to approve an increase of £150k to the City Surveyor's 2021/22 revenue budget held on behalf of BHE, will enable the funding of the property survey costs relevant to the CAS to be met through the BHE unrestricted income funds, leaving the Designated Sales Pool (held within the permanent endowment fund) to be utilised for direct improvements to the BHE investment property portfolio.

Sachin Shah

BHE Transformation Project Accountant

E: sachin.shah@cityoflondon.gov.uk

Committee	Date
Bridge House Estates Board	16 February 2022
Subject: Update on BHE Contingency Funds	Public
Which outcomes in the <i>BHE Bridging London 2020 – 2045 Strategy</i> does this proposal aim to support?	All
Does this proposal require extra revenue and/or capital spending?	No
Report of: The BHE & Charities Finance Director (representing The Chamberlain)	For information
Report Author: Sachin Shah, BHE Transformation Project Accountant	

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 January 2022, there have been no bids approved under urgency. A separate request is being presented at this meeting for consideration relating to surveys across the investment property portfolio to understand climate action needs for £150k.

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 £150k is being requested from the central contingency provision at Paper 10 on the agenda for surveys of the investment property portfolio to assess the works required to contribute to achieving the charity's Climate Action Strategy (CAS) net zero carbon emissions target (para 5).

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.

- 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 its portion of any such joint project.

Current position

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

2021/22 Central Contingencies - Uncommitted Balances 16 February 2022					
	Central Fund	Contribution Pay	Apprentice costs	Joint Projects with City Corporation	Total
	£'000	£'000	£'000	£'000	£'000
Contingencies:					
2021/22 Provision approved		40	175	50	265
2021/22 Provision uplift approved	810				810
2021/22 Transfers	40	(40)			0
Total Provision	850	0	175	50	1,075
Previously agreed allocations @ Jan 2022	(610)	0	(24)	(31)	(665)
Approved under Urgency post 11 Jan 2022	0	0	0	0	0
Pending request on Feb 2022 agenda	(150)	0	0	0	(150)
Total commitments	(760)	0	(24)	(31)	(815)
Uncommitted Balances @ Feb 2022	90	0	151	19	260

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

- Within the reports presented at this meeting, a request is being made for surveys of the investment property portfolio in 2021/22 relevant to the CAS net zero carbon targets of £150k.
- 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

- 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*.
- Resource implications: nil.
- Legal implications: nil.
- Equalities implications: nil.
- 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.

12. Climate implications: nil

13. Security implications: nil

Conclusion

14. Members are asked to note the current contingency budgets held by BHE, and to note the request at Item 10 for £150k from the contingency fund for surveys of the investment property portfolio to assess the works required to contribute to achieving the charity's Climate Action Strategy (CAS) net zero carbon emissions.

Sachin Shah

BHE Transformation Project Accountant

E: sachin.shah@cityoflondon.gov.uk

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Committee: Bridge House Estates Board	Dated: 16 February 2022
Subject: Delegated authority request: Funding Applications over £500,000	Public
Which outcomes in the BHE Bridging London 2020-2045 Strategy does this proposal aim to support?	1, 2 & 3
Does this proposal require extra revenue and/or capital spending?	No
If so, how much?	£n/a
What is the source of Funding?	CBT Grants Budget
Report of: Managing Director of BHE	For Decision
Report author: Tim Wilson, Funding Director and Social Investment Fund Manager, BHE	

Summary

In March 2022 the Grants Committee of the Bridge House Estates Board will receive three funding proposals for awards of £500,000 and above. Under the BHE Board's terms of reference, any recommendations for grants of this level must be approved by this Board. Since the subsequent BHE Board does not take place until the new financial year, this paper requests that authority be delegated to the Managing Director, in consultation with the Chair and Deputy Chair, to approve the three awards described in this paper (paragraphs 4 – 7) before the end of financial year 2021-22, if recommended by the BHE Grants Committee at its meeting on 9 March 2022

Recommendation

The Bridge House Estates Board are asked to:

- Delegate authority to the Managing Director, in consultation with the Chair and Deputy Chair, to approve awards recommended by the March Grants Committee of £500,000 and above, within the current financial year.

Main Report

Background

1. The Grants Committee of the BHE Board is responsible for implementing the policy settled by the Trustee for the application of funds allocated to further Bridge House Estates' ancillary object. This includes determining the application of funds for all decisions less than £500,000. Decisions of funding grants, projects, or activities above this amount and relevant to the ancillary object are reserved to this Board.
2. The next scheduled meeting of the Grants Committee is 9th March, whilst this Board meets next on 27th April. Given these dates fall in two different financial years, officers request that the Board delegate authority to the Chair and Deputy Chair, in consultation with the Managing Director, to approve any funding recommendations of £500,000 and above which are recommended by the Grants Committee in March. This will benefit those organisations with timely

communication of funding decisions and support BHE's forecast annual grant spend for 2021-22.

3. Officers expect to put three recommendations to March Grants' Committee with a total value of, or slightly above, £5.5m. One supports the work of London Youth, and four relate to cross-funder collaborations led by Trust for London, the John Lyon's Charity, and the United St Saviour's Charity.

Proposals

4. Trust for London recommendations will be around £3.5m and fall in scope of BHE's Alliance Partnerships. These collaborations, relevant to the ancillary object, are grants awarded to established funders for further distribution. This is usually as a series of smaller grants (onward grant making), but potentially also involving non-grant support (such as technical assistance or advice). The organisation receiving BHE's funds must be able to ring-fence these monies adequately for use as onward grant making only and solely for work which benefits Londoners. Trust for London is an endowed charity which funds only in London, with which your grant-making arm, City Bridge Trust, has a long collaborative history.
5. Alliance Partnership funding was subject of a paper to December 2021 Grants Committee to expend some of BHE's identified uplift in funds in a way that maximises collaboration and learning. Funding is awarded towards grant programmes which are in development, or recently begun, and which have a finite end point. Any programme supported through an Alliance award must be based on significant scoping / evidence review work, and where the recipient funder has specialist knowledge of or access to the funding theme that is additional to City Bridge Trust's own reach.
6. The two recommendations for Trust for London relate to Disability Justice (£1.5m) and Racial Justice (£2m). £3.5m matches the investment that Trust for London has itself committed. TFL is also seeking co-funding from other, non-City Bridge Trust sources. The Disability Justice Fund will work to strengthen the disability movement in London by supporting organisations led by Deaf and/or disabled people to grow in effectiveness, power, and influence. The Racial Justice Fund aims to address racial injustice with a specific focus on increasing economic empowerment amongst London's Black and minoritized communities. Both programmes will launch between March and May 2022, and both have been developed by an advisory panel made up of appropriately qualified people with lived experience of the issues the funds seek to address (people of colour and disabled people respectively), having been informed by learning from previous programmes (which City Bridge Trust also co-funded) and wider movements.
7. The John Lyon's Charity is a long-established funder supporting children and young people's projects in eight west and north-west London boroughs (as well as the City of London). City Bridge Trust and JLC have worked in partnership several times to date, and this proposal will also fall in scope of the Alliance awards. It will address the disproportionate impact of the pandemic period on the children and young people's sector via a Recovery Fund for organisations who are now in a financially precarious position but critical to their local areas. The Grants

Committee will be recommended to provide £1m to boost JLC's £5m pot. This will allow the Recovery Fund to reach a wider number of organisations, target support where there has been increased demand for services alongside falling incomes (e.g., organisations working with disabled people) and provide technical support for business planning and restructuring.

8. The United St. Saviour's Charity recommendation (also an Alliance award) will be for £500,000 towards meeting support needs in the London Borough of Southwark. The Grants Committee will be asked to support increased demand from USSC's beneficiary organisations on the basis that all funds awarded will be distributed to those groups, with USSC covering grant administration costs.
9. The London Youth recommendation will be for £500,000 and concerned with post-pandemic support for young Londoners. London Youth represents and supports 640 members working with over 100,000 young people. More than half of these young Londoners live in areas characterised by poverty. Member organisations give young people somewhere safe to go, space to form long-term relationships with trusted adults, and opportunities to develop skills that enhance their personal and social development. Covid has had a disproportionate health and economic impact on London's poorer communities, and many of the young people served by London Youth's network have experienced lost education which is expected to result in an even greater attainment gap with their peers. March Grants Committee will receive a core funding proposal to help London Youth underpin current levels of delivery and sustain it as an anchor organisation for the capital's youth sector.

Corporate & Strategic Implications

10. Strategic implications: The funding recommendations will support all three Bridging London strategic aims. They will be for work in line with City Bridge Trust's Bridging Divides Funding Strategy. Additionally, the recommendations support the City Corporation's first four outcomes under its Corporate Plan where it is deemed in the best interest of the charity to support.
11. Financial implications: Funding will come from City Bridge Trust's grants' budget for 2021-22.
12. Resource implications: Grant assessment and management will be delivered by CBT Officers, with financial due diligence supported by the BHE & Charities Finance Team.
13. Legal implications: None
14. Risk implications: None
15. Equalities implications: Funding recommendations seek to address the ways in which Covid has amplified pre-existing inequalities through supporting positive action with communities protected by current equality legislation.
16. Climate implications: All grant funding recommendations are made in line with City Bridge Trust's value of being environmentally responsible.
17. Security implications: None

Conclusion

18. This report summarises proposed awards to Trust for London, John Lyon's Charity, United St. Saviour's Charity, and London Youth which are in line with City Bridge Trust's Bridging Divides funding strategy. Grant recommendations are currently underway with full proposals due to the March Grants Committee. To avoid a situation where funding decisions are made in the next financial year, officers seek permission to delegate authority on these awards to the Managing Director in consultation with the Chair and Deputy Chair of the BHE Board.

Appendices

None

Tim Wilson

Funding Director and Social Investment Fund Manager

T: 020 4526 1217

E: tim.wilson@cityoflondon.gov.uk

Committee: Financial Investment Board Bridge House Estates Board	Date: 9 February 2022 16 February 2022
Subject: Treasury Management Strategy Statement and Annual Investment Strategy 2022/23	Public
Report of: The Chamberlain	For Decision
Report author: James Graham – Chamberlain’s Department	

Summary

The attached document sets out the Corporation’s Treasury Management Strategy Statement and Annual Investment Strategy (TMSS) for 2022/23. The Treasury Management Strategy and Annual Investment Statement for 2022/23 has been updated taking account of the latest information concerning the organisation’s capital plans and external factors, such as the prospects for interest rates.

The document includes various Treasury and Prudential Indicators required to be set for the City Fund to ensure that the Corporation’s capital investment plans are affordable, prudent and sustainable and to help the organisation identify and control the risks around its treasury management activity.

As has historically been the case, this report covers the treasury management activity carried out across the organisation, including in respect of City’s Cash and Bridge House Estates. As City’s Cash borrowing is not covered by the regulatory framework established for local authorities, the City has adopted its own formal policy in 2018/19 via the City’s Cash Borrowing Policy Statement which is included in the TMSS at Appendix 8.

The main proposals within the document are incorporated within the separate report entitled “City Fund 2022/23 Budget” being considered by the Finance Committee on 15 February 2022 and by the Court of Common Council on 10 March 2022.

Responsibility for approving the Corporation’s borrowing plans remains with the Court of Common Council, not the Financial Investment Board.

The Bridge House Estates Board is responsible for approving the TMSS on behalf of the Bridge House Estates. The Charity does not currently have borrowing powers and thus the most relevant section for the BHE Board is section 5, the Annual Investment Strategy, which sets out how surplus cash balances will be managed in the forthcoming year (it does not apply to the Charity’s longer term investments which are subject to the BHE Investment Strategy Statement). By adopting in the Corporation’s treasury management policies, the BHE Board can ensure that treasury risks associated with the Charity’s surplus cash balances are managed efficiently and effectively.

The key areas to highlight are:

Changes to the Treasury Management and Prudential Codes

CIPFA published revised versions of the Treasury Management Code of Practice and the Prudential Code for Capital Finance in Local Authorities on 20th December 2021.

The revised Codes make several changes, including an explicit ban on borrowing to invest primarily for financial return, as well as other revisions to key definitions and reporting requirements.

Given the timing of the revised Codes' publication, CIPFA has stated that formal adoption is not required until 2023/24 and therefore the City's Treasury Management Strategy Statement for 2022/23 has been prepared in accordance with the pre-existing editions of the Codes.

Capital financing and borrowing

- The Corporation's capital plans create a borrowing requirement across both the City Fund and City's Cash. City's Cash has partially addressed this borrowing requirement through the issuance of £450m market debt in recent years.
- The City Fund borrowing requirement is expected to increase to £216.2m by 2023/24. For the City Fund, there is no immediate requirement to take on external borrowing as it is expected that the City Fund can continue to temporarily use its own cash balances (internal borrowing) for the foreseeable future. Any new external borrowing would serve to increase cash balances and create additional revenue pressures through a "cost of carry", as the rate payable on external borrowing is higher than the interest receivable from treasury management investment activity. Therefore, the proposed treasury management strategy recommends that the City Fund borrowing requirement is managed through the prudent use of internal resources during 2022/23.
- The benefits of this strategy (lower financing costs and reduced counterparty risk) need to be carefully evaluated against the risk of incurring higher borrowing costs in future. Interest rates are expected to rise gradually over the next few years but there is considerable uncertainty surrounding the forecast, particularly around how the Bank of England acts to reduce inflation. Interest rates are monitored daily and should circumstances change, the Chamberlain will maintain the flexibility to meet some or all of the City Fund borrowing requirement through external borrowing. As such the operational boundary and authorised limit for external debt (Appendix 2 of the TMSS) have been revised to enable the Corporation to secure external debt to meet some or all of the borrowing requirement.
- Local authorities are legally required to set aside a prudent amount for the provision of the repayment of prudential borrowing from revenue each year. It should be noted that this requirement applies for all unfunded City Fund capital expenditure (i.e. spending that is not immediately financed through capital grants, capital receipts etc.) not just for actual external borrowing. The Minimum Revenue Provision (MRP) Policy Statement for 2022/23 sets out this policy for the forthcoming year and is included at Appendix 2 in the TMSS.

Investments

- As at 31 December 2021, the Corporation has cash balances totalling £1,302.2m. Cash is expected to decrease in 2022/23 as the Corporation progresses spending on the major projects programme. Most of the treasury cash balances pertain to the City Fund and comprise of liabilities on City Fund's balance sheet (cash that needs to be paid out to third parties or used for a specific purpose at some point in the future) together with cash backed reserves.

- The Corporation currently manages significant short term investment balances. Although these balances are expected to decline in the next few years as the capital programme progresses, a significant level of core cash will persist for the next ten years based on current financial plans. One of the most acute challenges within the treasury management strategy is preventing the gradual erosion of the real value of these long-term cash balances from the effects of inflation. This is particularly important in the current external environment which is characterised by relatively high inflation and low investment returns. Officers have reviewed various longer term investment options with the Corporation's treasury consultant, Link, and recommend the introduction of multi-asset funds to the list of permitted non-specified investments. Multi-asset funds have higher expected returns and exhibit higher volatility compared to the investment categories currently used and thus would only be suitable for cash that is expected to be available for investment for at least 3-5 years. Multi-asset fund investments would be subject to an overall limit of £50m to ensure the Corporation's liquidity needs are satisfied. If the proposal is adopted officers will work with Link to identify a shortlist of suitable funds that meet the Corporation's requirements.
- Officers have considered other options for longer term investment beside multi-asset funds. Property funds have been a popular investment for local authorities in recent years. However, given the Corporation's existing direct exposure to this asset class, officers have discounted this option for the time being. Equity funds offer higher expected returns than multi asset funds but with more volatility and therefore are not considered appropriate at this stage. Officers have also discounted the option of investing in longer term fixed income products, which would likely involve either additional credit risk through investment in lower quality bonds or additional interest rate risk through investment in longer dated bonds.
- No other changes to the Corporation's creditworthiness policy (as set out in section 8.2. of the main report) are proposed. Officers judge that the current criteria allow the Corporation to achieve adequate diversification amongst a range of high-quality counterparties.
- The revised CIPFA Codes include a requirement to specify the organisation's approach to ESG factors alongside traditional creditworthiness policy. Officers have proposed an initial policy on ESG risks at paragraph 5.4 of the Treasury Management Strategy Statement. This policy includes a requirement to incorporate monitoring of relevant ESG risks into ongoing due diligence. Officers will identify suitable indicators with our treasury management consultant Link. It is anticipated that this policy will be further developed over time

The main changes to the document from last year's version are highlighted in yellow and underlined.

Recommendations

It is recommended that the Financial Investment Board reviews and approves the attached Treasury Management Strategy Statement and Annual Investment Strategy for 2022/23, and submits it to the Finance Committee and the Court of Common Council as part of the City Fund 2022/3 Budget Report for formal adoption.

It is recommended that the Bridge House Estates Board reviews and approves the Treasury Management Strategy Statement and Annual Investment Strategy for 2022/23 on behalf of Bridge House Estates.

Annex

Treasury Management Strategy Statement and Annual Investment Strategy 2022/23

James Graham

Group Accountant – Pensions & Treasury Management

T: 07759 842328

E: James.Graham@cityoflondon.gov.uk

TREASURY MANAGEMENT STRATEGY STATEMENT

AND

ANNUAL INVESTMENT STRATEGY

2022/23

**Issue Date: 09/02/2022
Agreed by Court of Common Council: XX/XX/2022**

Treasury Management Strategy Statement and Annual Investment Strategy 2022/23

1. Introduction

1.1. Background

The City of London Corporation (the City) is required in its local authority capacity to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the City's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of capital expenditure plans. These capital plans provide a guide to the borrowing needs of the City, essentially the longer-term cash flow planning, to ensure that the organisation can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans where permitted for individual Funds of the City, or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet risk or cost objectives.

Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day to day treasury management activities.

1.2. The Treasury Management Policy Statement

The City defines its treasury management activities as:

The management of the organisation's investments and cash flows, its banking, money market and capital market transaction; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

The City regards the security of its financial investments through the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

The City acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

1.3. Reporting Requirements

The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised November 2009) was adopted by the Court of Common Council (the Court) on 3 March 2010, and is applied to all Funds held by the City.

The primary requirements of the Code are as follows:

- (i) The City of London Corporation will create and maintain, as the cornerstones for effective treasury management:
 - A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities
 - Suitable treasury management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
- (ii) This organisation (i.e. the Court of Common Council) will receive reports on its treasury management policies, practices and activities, including as a minimum an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close.
- (iii) The Court of Common Council delegates responsibility for the implementation and regular monitoring of its treasury management policies to the Finance Committee and the Financial Investment Board (which currently acts in an advisory capacity on behalf of the BHE Board); the execution and administration of treasury management decisions is delegated to the Chamberlain, who will act in accordance with the organisation's policy statement and TMPs and, if he/she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.
- (iv) The Court of Common Council nominates the Audit and Risk Management Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

The CIPFA 2017 Prudential Code for Capital Finance in Local Authorities and Treasury Management Code of Practice require all local authorities to prepare a capital strategy. The capital strategy provides a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services as well as an overview of how the associated risk is managed and the implications for future financial sustainability. The Treasury Management Strategy Statement is reported separately from the Capital Strategy. This ensures the separation of the core treasury function under security, liquidity and yield principles from the policy and commercial investments usually driven by expenditure on an asset. It is considered good practice by the City to include all of its Funds within these strategies.

1.4. Recent changes to the CIPFA Treasury Management and Prudential Codes

CIPFA published revised versions of both the Treasury Management Code of Practice and the Prudential Code for Capital Finance in Local Authorities on 20th December 2021. Formal adoption is not required until the 2023/24 financial year and the Treasury Management Strategy for 2022/23 has been prepared in accordance with the 2017 editions of both Codes.

The revised codes will have the following implications:

- All investments and investment income must be categorised into one of three types:

Treasury management

Arising from the organisation's cash flows or treasury risk management activity, this type of investment represents balances which are only held until the cash is required for use. Treasury investments may also arise from other treasury risk management activity which seeks to prudently manage the risks, costs or income relating to existing or forecast debt or treasury investments.

Service delivery

Investments held primarily and directly for the delivery of public services including housing, regeneration and local infrastructure. Returns on this category of investment which are funded by borrowing are permitted only in cases where the income is "either related to the financial viability of the project in question or otherwise incidental to the primary purpose".

Commercial return

Investments held primarily for financial return with no treasury management or direct service provision purpose. Risks on such investments should be proportionate to a local authority's financial capacity – i.e., that 'plausible losses' could be absorbed in budgets or reserves without unmanageable detriment to local services. An authority must not borrow to invest primarily for financial return.

- a requirement to adopt a new debt liability benchmark treasury indicator to support the financing risk management of the capital financing requirement;
- clarify what CIPFA expects a local authority to borrow for and what they do not view as appropriate. This will include the requirement to set a proportionate approach to commercial and service capital investment;
- address ESG issues within the Capital Strategy;
- require implementation of a policy to review commercial property, with a view to divest where appropriate;
- create new Investment Practices to manage risks associated with non-treasury investment (similar to the current Treasury Management Practices);
- ensure that any long term treasury investment is supported by a business model;

- a requirement to effectively manage liquidity and longer term cash flow requirements;
- a requirement to address ESG policy within the treasury management risk framework;
- amendment to the knowledge and skills register for individuals involved in the treasury management function - to be proportionate to the size and complexity of the treasury management conducted by each council;
- a new requirement to clarify reporting requirements for service and commercial investment, (especially where supported by borrowing/leverage).

As this Treasury Management Strategy Statement and Annual Investment Strategy deals solely with treasury management investments, the categories of service delivery and commercial investments will be dealt with as part of the Capital Strategy report.

Furthermore it should be noted that any new requirements are mandatory for the City Fund only.

Members will be updated on how all these changes will impact our current approach and any changes required will be formally adopted within the 2023/24 TMSS report.

1.5. Treasury Management Strategy for 2022/23

The Local Government Act 2003 (the Act) and supporting regulations require the City to 'have regard to' the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice to set Prudential and Treasury Indicators for the next three years to ensure that the City's capital investment plans are affordable, prudent and sustainable. The City's Prudential Indicators are set in its annual Budget Report and Medium-Term Financial Strategy, while Treasury Indicators are established in this report (Appendix 2).

The Act requires the Court of Common Council to set out its treasury strategy for borrowing (section 4 of this report) and to prepare an Annual Investment Strategy (section 5 of this report). The Investment Strategy sets out the City's policies for managing its investments and for giving priority to the security and liquidity of those investments.

The suggested strategy for 2022/23 in respect of the required aspects of the treasury management function is based upon the treasury officers' views on interest rates, supplemented with leading market forecasts provided by the City's treasury adviser, Link Asset Services, Treasury Solutions.

The strategy covers:

- the capital expenditure plans and the associated prudential indicators
- the minimum revenue provision (MRP) policy
- the current treasury position
- treasury indicators which limit the treasury risk and activities of the City

- prospects for interest rates
- the borrowing strategy
- policy on borrowing in advance of need
- debt rescheduling
- the investment strategy
- creditworthiness policy
- policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, the DLUHC MRP Guidance, the CIPFA Treasury Management Code and the DLUHC Investment Guidance.

1.6. Current Portfolio Position

The City's treasury portfolio position at 31 December 2021 compared to the position at 31 March 2021 comprised:

	Actual	Actual	Current	Current
	31/03/21	31/03/21	31/12/21	31/12/21
	£m	%	£m	%
Treasury investments				
Banks	£495.0	52%	£655.0	50%
Building societies (rated)	£25.0	3%	£60.0	5%
Local authorities	£15.0	2%	£10.0	1%
Liquidity funds	£138.5	17%	£278.8	21%
Ultra-short dated bond funds	£112.6	12%	£137.6	11%
Short dated bond funds	£161.0	17%	£160.8	12%
Total treasury investments	£947.1	100%	£1,302.2	100%
Treasury external borrowing				
LT market debt (City's Cash)	£250.0	100%	£450.0	100%
Total external borrowing	£250.0	100%	£450.0	100%

2. Capital Expenditure Plans and Prudential Indicators

2.1. City Fund

The City's capital expenditure plans are a key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist Members' overview and confirm capital expenditure plans.

The City's capital expenditure plans in respect of its local authority functions (the City Fund) are detailed in the 2022/23 Budget Report and Medium-Term Financial Strategy, which also contains the City's Prudential Indicators. The Prudential Indicators summarise the City Fund's annual capital expenditure and financing plans for the medium term.

Estimate of Capital Expenditure and Financing (City Fund)

Table 2	2020/21 Actual £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
Capital Expenditure:					
Non-HRA	48.5	104.0	164.9	283.2	260.3
HRA	13.2	52.6	52.2	15.1	0.1
Total	61.7	156.6	217.1	298.3	260.4
Financed by:					
Capital grants	16.4	74.4	83.0	50.1	34.6
Capital reserves	20.4	52.4	12.4	90.3	288.4
Revenue	15.7	29.8	68.5	43	14.4
Total	52.5	156.6	163.9	183.4	337.4
Net financing need:	9.2	0.0	53.2	114.9	-77.0

The Prudential Indicators also establish the City Fund's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the City Fund's indebtedness and so its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource (the net financing need in Table 2), will increase the CFR.

Estimate of the Capital Financing Requirement (City Fund)

Table 3	2019/20 Actual £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m
Non-HRA	53.4	45.6	78.3	188.2	114.2
HRA	0	6.1	24.8	28.0	23.8
Total	53.4	51.7	103.1	216.2	138.0

Minimum Revenue Provision (City Fund)

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's life, and so charges the economic consumption of capital assets as they are used. The City's MRP Policy is detailed in Appendix 2.

2.2. City's Cash

As with the City Fund, any capital expenditure incurred by City's Cash which has not immediately been paid for through a revenue or capital resource, will increase the City's Cash borrowing requirement. The medium term financial plan for City's Cash

includes an increase in capital expenditure in the coming years, primarily relating to the major projects programme. All projected capital expenditure in 2022/23 will be financed from the existing £450m stock of debt or other sources. Table 3 summarises the planned City’s Cash borrowing over the next few years.

Table 4	2020/21 Actual £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
Borrowing	£250m	£450m	£450m	£450m	£450m

A debt financing strategy will be established to ensure borrowing for City’s Cash is reduced gradually over time as set out in the City’s Cash Borrowing Policy Statement (Appendix 8).

2.3. Bridge House Estates

The Bridge House Estates’ financial plans focus on the charity’s primary object, namely the support and maintenance of the five Thames bridges that the charity owns, alongside their future replacement. Any surplus income each year is available for its ancillary purposes, namely charitable funding undertaken in the name of the City Bridge Trust. The charity’s revenue expenditure plans over the short and medium term are funded from ongoing income and the returns on investments held within the unrestricted income fund. Capital spend on the charity’s investment property portfolio is funded from the designated sales pool, with receipts from disposals or lease premiums being available for this. The current governing documents for BHE do not include powers to access the gains on investments held within the endowment fund, nor to undertake borrowing. The charity is anticipating approval of its Supplemental Royal Charter during 2022, which will amend these powers. This strategy will reflect these new powers once in place.

2.4. Treasury Indicators for 2022/23 – 2024/25

Treasury Indicators (as set out in Appendix 2) are relevant for the purposes of setting an integrated treasury management strategy.

3. Prospects for Interest Rates

The City of London has appointed Link Asset Services (Link) as its treasury advisor and part of their service is to assist the City to formulate a view on interest rates. Appendix 1 draws together a number of forecasts for both short term (Bank Rate – also known as “the Bank of England base rate”) and longer term interest rates. The following table and accompanying text below gives the Link central view.

	Bank Rate ¹ %	PWLB Borrowing Rates % (including certainty rate adjustment)			
		5 year	10 years	25 year	50 year
Dec 2021	0.25	1.40	1.60	1.80	1.50
Mar 2022	0.25	1.50	1.70	1.90	1.70
Jun 2022	0.50	1.50	1.80	2.00	1.80
Sep 2022	0.50	1.60	1.80	2.10	1.90
Dec 2022	0.50	1.60	1.90	2.10	1.90
Mar 2023	0.75	1.70	1.90	2.20	2.00
Jun 2023	0.75	1.80	2.00	2.20	2.00
Sep 2023	0.75	1.80	2.00	2.20	2.00
Dec 2023	0.75	1.80	2.00	2.30	2.10
Mar 2024	1.00	1.90	2.10	2.30	2.10
Jun 2024	1.00	1.90	2.10	2.40	2.20
Sep 2024	1.00	1.90	2.10	2.40	2.20
Dec 2024	1.00	2.00	2.20	2.50	2.30
Mar 2025	1.25	2.00	2.30	2.50	2.30

Over the last two years, the coronavirus outbreak has had a significant impact on the UK economy and on economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged before raising it to 0.25% at its meeting on 16th December 2021, and again to 0.50% on 3rd February 2022.

As shown in the forecast table above, the forecast for Bank Rate now includes three further increases (see footnote 1 below), one in quarter 1 of 2023 to 0.75%, then in quarter 1 of 2024 to 1.00% and, finally, one in quarter 1 of 2025 to 1.25%.

Since the start of 2021, we have seen a lot of volatility in gilt yields, and hence PWLB rates. As the interest forecast table for PWLB certainty rates above shows, there is forecast to be a steady, but slow, rise in gilt yields during the forecast period to March 2025, though there will doubtless be a lot of unpredictable volatility during this forecast period.

3.1. Significant risks to the forecasts

There is a high level of uncertainty surrounding the forecast tabled above. Some of the key risks to the forecasts are as follows:

- **Mutations** of the virus render current vaccines ineffective, and tweaked vaccines to combat these mutations are delayed, or cannot be administered fast enough to prevent further lockdowns. The pace and extent of vaccine take up may also have an impact.
- **Labour and supply shortages** prove more enduring and disruptive and depress economic activity.

¹ Link's forecast was compiled on 21 December 2021 and as such does not take account of the Bank of England's change to Bank Rate at its meeting on 3 February 2022, which at the time of writing was expected to occur in quarter 2.

- **The Monetary Policy Committee** acts too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate. Alternatively, the MPC tightens monetary policy too late to ward off building inflationary pressures.
- **The Government** acts too quickly to cut expenditure to balance the national budget.
- **UK / EU trade arrangements** – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in resolving significant remaining issues.
- **Longer term US treasury yields** rise strongly and pull gilt yields up higher than forecast. While monetary policy in the UK will have a major impact on gilt yields, there has traditionally been a positive correlation between US and UK borrowing rates. Inflationary pressures and erosion of surplus economic capacity look much stronger in the US compared to those in the UK, which would suggest that the Federal Reserve's actions to suppress inflation, are likely to be faster and stronger than Bank Rate increases in the UK. This is likely to put upward pressure on treasury yields which could then spill over into putting upward pressure on UK gilt yields.
- **Major stock markets** e.g., in the US, become increasingly judged as being over-valued and susceptible to major price corrections. Central banks become increasingly exposed to the "moral hazard" risks of having to buy shares and corporate bonds to reduce the impact of major financial market selloffs on the general economy.
- **Geopolitical risks**, for example in Ukraine, Iran, North Korea, but also in Europe and Middle Eastern countries; on-going global power influence struggles between Russia/China/US. These could lead to increasing safe-haven flows.

3.2. Investment and borrowing rates

- Investment returns are expected to improve in 2022/23. However, while markets are pricing in a series of Bank Rate increases, actual economic circumstances may see the MPC fall short of these expectations.
- Borrowing interest rates fell to historically very low rates as a result of the COVID crisis and the quantitative easing operations of the Bank of England. Borrowing rates have also been impacted by changes in Government policy. In November 2020, the Chancellor announced the conclusion to a review of margins over gilt yields for PWLB rates which had been increased by 100 bps in October 2019. The standard and certainty margins were reduced by 100 bps but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three-year capital programme.
- Because borrowing rates are expected to be higher than investment rates, any new borrowing undertaken by the City will have a "cost of carry" (the difference between higher borrowing costs and low investment returns) to any new borrowing that causes a temporary increase in cash balances.

3.3. Interest Rate Exposure

The City is required to set out how it intends to manage interest rate exposure.

This organisation will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements and management information arrangements.

It will achieve this by the prudent use of its approved instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates.

4. Borrowing Strategy

The borrowing strategy is developed from the capital plans and prospect for interest rates outlined in sections 2 and 3 above, respectively.

For both the City Fund and City's Cash, the capital expenditure plans create borrowing requirements and the borrowing strategy aims to make sure that sufficient cash is available to ensure the delivery of the City's capital programme as planned. Bridge House Estates, as stated in section 2.3, does not currently hold the power to borrow.

The City can choose to manage the borrowing requirements through obtaining external debt from a variety of sources; through the temporary use of its own cash resources ("internal borrowing"); or via a combination of these methods.

4.1. City Fund

The City Fund has a positive Capital Financing Requirement, and this is expected to grow over the next few years (see table 2 above). As the City Fund currently has no external debt, it is therefore maintaining an under-borrowed position which is forecast to increase if the City Fund does not acquire external debt. This means that the capital borrowing need is being managed within internal resources, i.e. cash supporting the City Fund's reserves, balances and cash flow is being used as a temporary measure. This strategy is prudent because it helps the City Fund to minimise borrowing costs in the near term and because it leads to lower investment balances which reduces counterparty risk. Against these advantages the City is conscious of the increased exposure to interest rate risk that is inherent in internal borrowing (i.e. the risk that the City Fund will need to replace internal borrowing with external borrowing in the future when interest rates are high).

Therefore, against this background and the risks within the economic forecast, caution will be adopted with the 2020/21 treasury operations. The Chamberlain will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances. For example,

- *if it was felt that there was a significant risk of a sharp FALL in long and short term rates, (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowing will be postponed.*
- *if it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast, perhaps arising from an acceleration in the rate of increase in central rates in the USA and UK, an increase in world economic activity, or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.*

Any decisions will be reported to the Finance Committee and the Court of Common Council at the next available opportunity.

The City must set two treasury indicators representing the upper limits for the total amount of external debt for City Fund. These limits are required under the Prudential Code in order to ensure borrowing is affordable and is consistent with the City Fund's capital expenditure requirements.

- The **operational boundary for external debt** should represent the most likely scenario for external borrowing. It is acceptable for actual borrowing to deviate from this estimate from time to time. The proposed limit is set to mirror the estimated CFR for the forthcoming year and the following two years.
- The **authorised limit for external debt** is the maximum threshold for external debt for over 2022/23, 2023/24 and 2024/25. This limit is required by the Local Government Act 2003 and is set above the operational boundary to ensure that the City is not restricted in the event of a debt restructuring opportunity.

The proposed limits for 2022/23 are set out in Appendix 2.

The City is also required to set a treasury indicator in respect of the maturity structure of external debt to ensure that the external debt portfolio remains appropriately balanced over the long term. Under the revised Treasury Management Code of Practice, the City is required to set limits for all borrowing (i.e. both fixed rate and variable debt), and the proposed limits are detailed in Appendix 2.

4.2. City's Cash

The capital expenditure plans for City's Cash also create a borrowing requirement. City's Cash has issued fixed rate market debt totalling £450m to fund its capital programme. **Of this total, £250m was received in 2019/20 and the remaining £200m was received in 2021/22. City's Cash is likely to have a further temporary borrowing requirement arising in 2023/24. It is not anticipated that any new external borrowing will be acquired by City's Cash in 2022/23.** However, the Chamberlain will keep this position under review and in doing so will have regard for liquidity requirements, interest rate risk and the implications for the revenue budget.

The regulatory framework established through the CIPFA professional codes and MHCLG guidance pertains to the City's local authority function, the City Fund. To facilitate effective management of the City's Cash borrowing requirement, this

organisation has adopted the City's Cash Borrowing Policy Statement (Appendix 8), which sets out the principles for effectively managing the risks arising from borrowing on behalf of City's Cash. Under this framework, the City has resolved to establish two further treasury indicators, which will help the organisation to ensure its borrowing plans remain prudent, affordable and sustainable:

- **Estimates of financing costs to net revenue stream.** This indicator is given as a percentage and establishes the amount of the City's Cash net revenue that is used to service borrowing costs.
- **Overall borrowing limits.** This indicator represents an upper limit for external debt which officers cannot exceed.

The proposed indicators for 2022/23 are set out in Appendix 2 alongside the City Fund treasury indicators.

4.3. Bridge House Estates

Bridge House Estates does not currently hold the power to borrow. The changes to its governing documents being sought by way of a Supplemental Royal Charter will address this, enabling borrowing to take place for specific purposes relating to its primary objective. There are no current plans for borrowing to take place in the short to medium term.

4.4. Policy on borrowing in advance of need

The City will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the City can ensure the security of such funds.

4.5. Debt rescheduling

The City does not anticipate any debt rescheduling in the near term. However, should any opportunities for debt rescheduling arise (through a decrease in borrowing rates, for instance), such cases will need to be considered in the context of the current treasury position and the size of the cost of debt repayment (i.e. any penalties incurred).

The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

All rescheduling will be reported to the Court of Common Council, at the earliest meeting following its action.

4.6. Sources of borrowing

Historically, the main source of borrowing for UK local authorities has been the PWLB. Any new loans issued by the PWLB are subject to the PWLB's revised

lending arrangements with effect from 26 November 2020. Currently the PWLB Certainty Rate is set at gilts + 80 basis points for new loans. Local authorities have recourse to other sources of external borrowing including financial institutions, other local authorities and the Municipal Bonds Agency. Our advisors will keep us informed as to the relative merits of each of these alternative funding sources

5. Annual Investment Strategy

The Annual Investment Strategy sets out how the City will manage its surplus cash balances for the forthcoming year (i.e. investments held for treasury management purposes). It does not apply to other long-term investment assets, which are dealt with variously by other strategy documents (for instance the Capital Strategy for City Fund, or the Investment Strategy Statement for Bridge House Estates).

5.1. Investment Policy

The Department of Levelling Up, Housing and Communities (DLUHC - this was formerly the Ministry of Housing, Communities and Local Government (MHCLG)) and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This strategy deals solely with treasury (financial) investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy, (a separate report).

The City of London's investment policy will have regard to the DLUHC's Guidance on Local Government Investments ("the Guidance"), the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectorial Guidance Notes 2017 ("the CIPFA TM Code") and CIPFA Treasury Management Guidance Notes 2018.

The City's investment priorities are:

- (a) security; and
- (b) liquidity.

The City will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The risk appetite of the City is low in order to give priority to the security of its investments.

The borrowing of monies purely to invest or on-lend and make a return is unlawful and the City will not engage in such activity.

In accordance with the above guidance from the DLUHC and CIPFA, and in order to minimise the risk to investments, the City applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.

Ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions

operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration, the City will engage with its advisors to maintain a monitor on market pricing such as “credit default swaps” and overlay that information on top of the credit ratings.

Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties. Investment instruments identified for use in the financial year are listed in Appendix 3 under the ‘specified’ and ‘non-specified’ investments categories.

- **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year.
- **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use. Once an investment is classed as non-specified, it remains non-specified all the way through to maturity i.e. an 18-month deposit would still be non-specified even if it has only 11 months left until maturity.

The City will also set a limit for the amount of its investments which are invested for longer than 365 days (see Appendix 2).

5.2. Expected investment balances

The City’s medium term financial plans for City Fund and City’s Cash imply that total investment balances within the treasury investment portfolio are expected to decline over the next few years as the capital programme is progressed (Bridge House Estates’ cash balances are expected to remain consistent) but to remain above a minimum constant level of £422m.

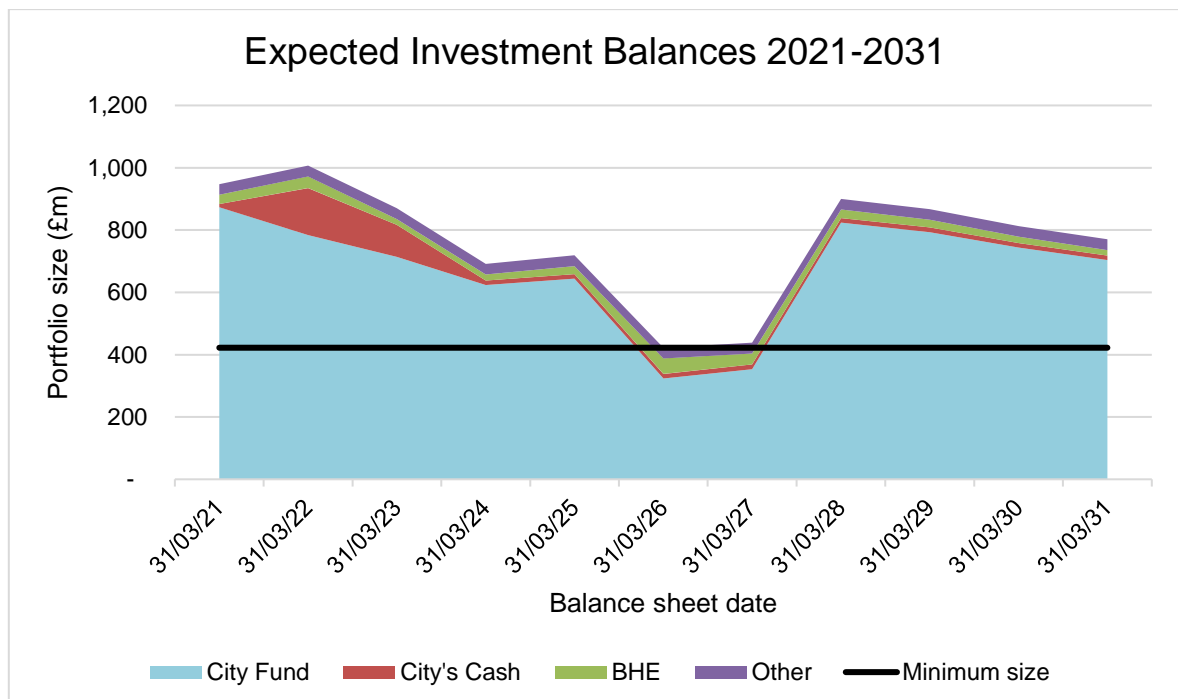


Figure 1 shows projected investment balances across the three funds and others over the coming years as at the end of each financial year.² Most of the investment balances relate to City Fund and it should be noted that generally investment balances are expected to be higher between reporting dates.

As the City, and the City Fund in particular, is expected to maintain significant cash balances over the forecast horizon, the treasury management strategy will duly consider how best to protect the capital value of resources, particularly in the context of elevated inflation and low (by historical standards) investment returns. This will include, where appropriate, exposure to investments with an expected investment horizon in excess of one year such as short dated bond funds and multi asset funds. Such investments will only be conducted following a thorough assessment of the City's liquidity requirements and will be subject to ongoing monitoring practices as specified in paragraph 5.13 below.

5.3. Creditworthiness policy

The primary principle governing the City's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle, the City will ensure that:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security.
- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the City's prudential indicators covering the maximum principal sums invested.

The Chamberlain will maintain a counterparty list in compliance with the following criteria and will revise these criteria and submit them to the Financial Investment Board for approval as necessary. These criteria are separate to those which determine which types of investment instruments are classified as either specified or non-specified as it provides an overall pool of counterparties considered high quality which the City may use, rather than defining what types of investment instruments are to be used.

Regular meetings are held involving the Chamberlain, the Deputy Chamberlain, Corporate Treasurer and members of the Treasury team, where the suitability of prospective counterparties and the optimum duration for lending is discussed and agreed.

Credit rating information is supplied by Link Asset Services, our treasury advisors, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating Watches (notification of a likely change), rating Outlooks (notification of a possible longer-term bias outside the central rating view) are provided to officers almost immediately after they occur and this information is

² "Other" refers to other entities for whom the City provides treasury management services.

considered before dealing. For instance, a negative rating Watch applying to a counterparty would result in a temporary suspension, which will be reviewed in light of market conditions.

All credit ratings will be monitored daily. The City is alerted to credit warnings and changes to ratings of all three agencies through its use of the Link creditworthiness service.

The criteria for providing a pool of high quality investment counterparties (both specified and non-specified investments) are:

- Banks 1 – good credit quality – the City will only use banks which:
 - (i) are UK banks; and/or
 - (ii) are non-UK and domiciled in a country which has a minimum sovereign long-term rating of AA+ (Fitch rating)

and have, as a minimum the following Fitch, credit rating:

- (i) Short-term – F1
 - (ii) Long-term – A-
- Banks 2 – Part nationalised UK banks – Royal Bank of Scotland ring-fenced operations. This bank can be included if it continues to be part nationalised, or it meets the ratings in Banks 1 above.
- Banks 3 – The City's own banker (Lloyds Banking Group) for transactional purposes and if the bank falls below the above criteria, although in this case, balances will be minimised in both monetary size and duration.
- Bank subsidiary and treasury operation - The City will use these where the parent bank has provided an appropriate guarantee or has the necessary ratings outlined above. This criteria is particularly relevant to City Re Limited, the City's Captive insurance company, which deposits funds with bank subsidiaries in Guernsey.
- Building Societies – The City may use all societies which:
 - (i) have assets in excess of £10bn; or
 - (ii) meet the ratings for banks outlined above
- Money Market Funds (MMFs) Constant Net Asset Value (CNAV)* – with minimum credit ratings of AAA/mmf
- Money Market Funds (MMFs) Low-Volatility Net Asset Value (LVNAV)* – with minimum credit ratings of AAA/mmf
- Money Market Funds (MMFs) Variable Net Asset Value (VNAV)* – with minimum credit ratings of AAA/mmf
- Ultra-Short Dated Bond Funds with a credit rating of at least AAA/f (previously referred to as Enhanced Cash Plus Funds)

- Short Dated Bond Fund – These funds typically do not obtain their own standalone credit rating. The funds will invest in a wide array of investment grade instruments, the City will undertake all necessary due diligence to ensure a minimum credit quality across the funds underlying composition is set out within initial Investment Manager Agreements and actively monitor the on-going credit quality of any fund invested.
- Multi-Asset Funds – these funds have the potential to provide above inflation returns with a focus on capital preservation, thus mitigating the erosion in value of long-term cash balances by investing in a range of asset classes that will typically include equities and fixed income. The value of these investments will fluctuate and they are not suitable for cash balances that are required in the near term. Before any investment is undertaken a rigorous due diligence process will be undertaken to identify funds that align with the City’s requirements.
- UK Government – including government gilts and the debt management agency deposit facility.
- Local authorities

A limit of £400m will be applied to the use of non-specified investments.

*Under EU money market reforms implemented in 2018/19, three classifications of money market funds exist:

- Constant Net Asset Value (“CNAV”) MMFs – must invest 99.5% of their assets into government debt instruments and are permitted to maintain a constant net asset value.
- Low Volatility Net Asset Value (“LVNAV”) MMFs – permitted to maintain a constant dealing net asset value provided that certain criteria are met, including that the market net asset value of the fund does not deviate from the dealing net asset value by more than 20 basis points.
- Variable Net Asset Value (“VNAV”) MMFs – price assets using market pricing and therefore offer a fluctuating dealing net asset value

5.4. Environmental, Social and Governance Risks

The City of London Corporation is committed to being a responsible investor. It expects this approach to protect and enhance the value of the assets over the long term. The City recognises that the failure to identify and manage financially material environmental, social and governance risks can lead to adverse financial and reputational consequences. The City will incorporate ESG risk monitoring into its ongoing counterparty monitoring processes, alongside traditional creditworthiness monitoring. This risk analysis will be consistent with the City’s investment horizon, which in many cases will be short term (under one year) in nature.

5.5. Use of additional information other than credit ratings.

Additional requirements under the Code require the City to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, negative rating Watches/Outlooks) will be applied to compare the relative security of differing investment counterparties

5.6. Time and monetary limits applying to investments.

The time and monetary limits for institutions on the City's counterparty list are as follows (these will cover both specified and non-specified investments):

	Minimum Creditworthiness Criteria	Money Limit	Time Limit
Banks 1 higher quality	Fitch Rating Long Term: A+ Short Term: F1	£100m	3 years
Banks 1 medium quality	Fitch Long Term Rating Long Term: A Short Term: F1	£100m	1 year
Banks 1 lower quality	Fitch Long Term Rating Long Term: A- Short Term: F1	£50m	6 months
Banks 2 – part nationalised	N/A	£100m	3 years
Banks 3 – City's banker (transactions only, and if bank falls below above criteria)	N/A	£150m	1 working day
Building Societies higher quality	Fitch Long Term Rating A or assets of £150bn	£100m	3 years
Building Societies medium quality	Fitch Long Term Rating A- or assets of £10bn	£20m	1 year
UK Government (DMADF, Treasury Bills, Gilts)	UK sovereign rating	unlimited	3 years
Local authorities	N/A	£25m	3 years
External Funds*	Fund rating	Money and/or % Limit	Time Limit
Money Market Funds CNAV	AAA	£100m	liquid

Money Market Funds LVNAV	AAA	£100m	liquid
Money Market Funds VNAV	AAA	£100m	liquid
Ultra-Short Dated Bond Funds	AAA	£100m	liquid
Short Dated Bond Funds	N/A	£100m	liquid
Multi Asset Funds	N/A	£50m	liquid

*An overall limit of £100m for each fund manager will also apply.

A list of suitable counterparties conforming to this creditworthiness criteria is provided at Appendix 4. The Chamberlain will review eligible counterparties prior to inclusion on the approved counterparty list and will monitor the continuing suitability of existing approved counterparties.

5.7. Country limits

The City has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA+ (Fitch) or equivalent. The country limits list, as shown in Appendix 5, will be added to or deducted from by officers should individual country ratings change in accordance with this policy. The UK (which is currently rated as AA-) will be excluded from this stipulated minimum sovereign rating requirement.

5.8. Local authority limits

The City will place deposits up to a maximum of £25m with individual local authorities. In addition the City imposes an overall limit of £250m for outstanding lending to local authorities as a whole at any given time. Although the overall credit standing of the local authority sector is considered high, officers perform additional due diligence on individual prospective local authority borrowers prior to entering into any lending.

5.9. Investment Strategy

In-house funds: The City's in-house managed funds are both cash-flow derived and also represented by core balances which can be made available for investment over a longer period. Investments will accordingly be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.

Investment returns expectations: Based on our treasury consultant's latest forecasts, Bank Rate is projected to rise incrementally from 0.50% to 1.25% over the medium term. In these circumstances it is likely that investment earnings from money market-related instruments will increase from the very low levels experienced in recent years. Bank Rate forecasts for financial year ends (March) are:

- 2021/22 0.50%

- 2022/23 0.75%
- 2023/24 1.00%
- 2024/25 1.25%

5.10. Investment Treasury Indicator and Limit

Total principal funds invested for greater than 365 days are subject to a limit, set with regard to the City's liquidity requirements and to reduce the need for an early sale of an investment, and are based on the availability of funds after each year end. The Board is asked to approve the treasury indicator and limit:

Maximum principal sums invested for more than 365 days (up to three years)			
	2021/22	2022/23	2023/24
	£M	£M	£M
Principal sums invested >365 days	500	400	300

5.11. Investment performance benchmarking

The City will monitor investment performance against Bank Rate and 3- and 6-month compounded SONIA (Sterling Overnight Index Average).

5.12. End of year investment report

At the end of the financial year, the City will report on its investment activity as part of its Annual Treasury Report.

5.13. External fund managers

A proportion of the City's funds, amounting to £577.2m as at 31 December 2021, are externally managed on a discretionary basis by the following fund managers:

- Aberdeen Standard Investments
- CCLA Investment Management Limited
- Deutsche Asset Management (UK) Limited
- Federated Investors (UK) LLP
- Invesco Global Asset Management Limited
- Legal and General Investment Management
- Payden & Rygel Global Limited
- Royal London Asset Management

The City's external fund managers will comply with the Annual Investment Strategy, and the agreements between the City and the fund managers additionally stipulate guidelines and duration and other limits in order to contain and control risk.

The credit criteria to be used for the selection of the Money Market fund manager(s) is based on Fitch Ratings and is AAA/mmf. The Ultra-Short Dated Bond Fund managers (including the Payden & Rygel Sterling Reserve Fund, Federated Sterling Cash Plus Fund and Aberdeen Standard Liquidity Fund (Lux) Short Duration Sterling Fund) are all rated by Standard and Poor's as AAA.

The City also uses two Short Dated Bond Funds managed by Legal and General Investment Management and Royal London Asset Management. Both funds are

unrated (as is typical of these instruments). The funds offer significant diversification by being invested in a wide range of investment grade instruments, rated BBB and above and limiting exposure to any one debt issuer or issuance.

The City fully appreciates the importance of monitoring the activity and resultant performance of its appointed external fund managers. In order to aid this assessment, the City is provided with a suite of regular reporting from its managers. This includes monthly valuations and fund fact sheets as well as quarterly and annual reports. In addition to formal reports, officers also meet with representatives of the fund manager on a regular basis. These meetings allow for additional scrutiny of the manager's activity as well as discussions on the outlook for the fund as well as wider markets.

6. Policy on the use of external service providers

The City uses Link Asset Services, Treasury Solutions as its external treasury management advisers.

The City recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon its external service providers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The City will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.

7. Scheme of Delegation

Please see Appendix 6.

8. Role of the Section 151 officer

Please see Appendix 7.

9. Training

The CIPFA Code requires the responsible officer to ensure that Members with responsibility for treasury management receive adequate training in treasury management. The training needs of members and treasury management officers are periodically reviewed. Training was most recently undertaken by Members in February 2019 and will be renewed in 2022/23.

APPENDICES

1. Interest Rate Forecasts 2022-2025
2. Treasury Indicators 2022/23 – 2024/25 and Minimum Revenue Provision Statement
3. Treasury Management Practice (TMP1) – Credit and Counterparty Risk Management
4. Current Approved Counterparties
5. Approved Countries for Investments
6. Treasury Management Scheme of Delegation
7. The Treasury Management Role of the Section 151 Officer
8. City's Cash Borrowing Policy Statement

LINK INTEREST RATE FORECASTS 2022 – 2025 (Dated 2021-12-21)

Link Group Interest Ra 20.12.21													
	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.30	0.50	0.50	0.60	0.70	0.80	0.90	0.90	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.00	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.70	0.70	0.70	0.80	0.90	1.00	1.10	1.10	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
10 yr PWLB	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
25 yr PWLB	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
50 yr PWLB	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30
Bank Rate													
Link	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
Capital Economics	0.50	0.75	0.75	1.00	1.25	1.25	1.25	1.25	-	-	-	-	-
5yr PWLB Rate													
Link	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
Capital Economics	1.80	1.90	2.10	2.20	2.20	2.30	2.40	2.40	-	-	-	-	-
10yr PWLB Rate													
Link	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
Capital Economics	2.00	2.10	2.20	2.30	2.30	2.40	2.50	2.50	-	-	-	-	-
25yr PWLB Rate													
Link	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
Capital Economics	2.20	2.30	2.50	2.70	2.70	2.70	2.80	2.90	-	-	-	-	-
50yr PWLB Rate													
Link	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30
Capital Economics	1.90	2.00	2.20	2.40	2.50	2.60	2.70	2.90	-	-	-	-	-

Note: The current PWLB rates and forecast shown above have taken into account the 20 basis point certainty rate reduction effective since 1st November 2012.

TREASURY INDICATORS 2022/23 – 2024/25 AND MINIMUM REVENUE PROVISION STATEMENT

TABLE 1: TREASURY MANAGEMENT INDICATORS	2020/21	2021/22	2022/23	2023/24	2024/25
	actual	probable outturn	estimate	estimate	estimate
	£m	£m	£m	£m	£m
Authorised Limit for external debt (City Fund) -					
Borrowing	153.4	151.7	203.1	316.2	238.0
other long-term liabilities	13.7	13.6	13.5	13.4	13.3
TOTAL	167.1	165.3	216.6	329.6	251.3
Operational Boundary for external debt (City Fund) -					
Borrowing	53.4	51.7	103.1	216.2	138.0
other long-term liabilities	13.7	13.6	13.5	13.4	13.3
TOTAL	67.1	65.3	116.6	229.6	151.3
Actual external debt (City Fund)*	0	0			
Upper limit for total principal sums invested for over 365 days (per maturity date)	£500m	£500m	£400m	£400m	£300m

*Actual external debt at the end of the financial year

TABLE 2: Maturity structure of borrowing during 2021/22	upper limit	lower limit
- under 12 months	50%	0%
- 12 months and within 24 months	50%	0%
- 24 months and within 5 years	50%	0%
- 5 years and within 10 years	75%	0%
- 10 years and above	100%	0%

TABLE 3: CITY'S CASH BORROWING INDICATORS	2020/21	2021/22	2022/23	2023/24	2024/25
	actual	probable outturn	estimate	estimate	estimate
	%	%	%	%	%
Estimates of financing costs to net revenue stream	7.7%	9.4%	7.5%	6.9%	8.0%
	£m	£m	£m	£m	£m
Overall borrowing limits	250	450	450	450	450

MINIMUM REVENUE PROVISION (MRP) POLICY STATEMENT 2022/23

To ensure that capital expenditure funded by borrowing is ultimately financed, the City Fund is required to make a Minimum Revenue Provision (MRP) when the Capital Financing Requirement (CFR) is positive. A positive CFR is indicative of an underlying need to borrow and will arise when capital expenditure is funded by 'borrowing', either external (loans from third parties) or internal (use of cash balances held by the City Fund).

MHCLG regulations have been issued which require the Court of Common Council to approve **an MRP Statement** in advance of each year. The regulatory guidance recommends four options for local authorities. Options 1 and 2 relate to government supported borrowing prior to 2008. As the City Fund does not have any outstanding borrowing from this period, these options are not relevant. For any prudential borrowing undertaken after 2008, options 3 and 4 apply:

- **Option 3: Asset life method** – MRP will be based on the estimated life of the assets, in accordance with the regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction);
- **Option 4: Depreciation method** – MRP will follow standard depreciation accounting procedures;

For any new borrowing under the prudential financing system, the City Fund will apply the asset life method over the useful economic life of the relevant assets. MRP commences in the financial year following the one in which the expenditure was incurred. When borrowing to provide an asset, the asset life is deemed to commence in the year in which the asset first becomes operational. Therefore, MRP will first be made in the financial year following the one in which the asset becomes operational. 'Operational' here means when an asset transfers from Assets under Construction to an Assets in Use category under normal accounting rules.

As in previous years, the City will continue to apply a separate MRP policy for that portion of the CFR which has arisen through the funding of capital expenditure from cash received from long lease premiums which are deferred in accordance with accounting standards. This deferred income is released to revenue over the life of the leases to which it relates, typically between 125 and 250 years.

The City's MRP policy in respect of this form of internal borrowing is based on a mechanism to ensure that the deferred income used to finance capital expenditure is not then 'used again' when it is released to revenue. The amount of the annual MRP is therefore to be equal to the amount of the deferred income released, resulting in an overall neutral impact on the bottom line.

MRP will fall due in the year following the one in which the expenditure is incurred, or the year after the asset becomes operational.

The MRP liability for 2021/22 is £1.2m and is estimated at £1.2m for 2022/23.

TREASURY MANAGEMENT PRACTICES (TMP 1) – Credit and Counterparty Risk Management

SPECIFIED INVESTMENTS: All such investments will be sterling denominated, with **maturities up to maximum of 1 year**, meeting the minimum ‘high’ quality criteria where appropriate.

	Minimum ‘High’ Credit Criteria	Use
Debt Management Agency Deposit Facility	--	In-house
Term deposits – local authorities	--	In-house
Term deposits – banks and building societies, including part nationalised banks	Short-term F1, Long-term A-,	In-house via Fund Managers
Money Market Funds CNAV	AAA/mmf (or equivalent)	In-house via Fund Managers
Money Market Funds LVNAV	AAA/mmf (or equivalent)	In-house via Fund Managers
Money Market Funds VNAV	AAA/mmf (or equivalent)	In-house via Fund Managers
Ultra-Short Dated Bond Fund	AAA/f (or equivalent)	In-house via Fund Managers
UK Government Gilts	UK Sovereign Rating	In-house & Fund Managers
Treasury Bills	UK Sovereign Rating	In-house & Fund Managers
Sovereign Bond issues (other than the UK government)	AA+	Fund Managers

NON-SPECIFIED INVESTMENTS: These are any investments which do not meet the Specified Investment criteria. A maximum of £400m will be held in aggregate in non-specified investment.

A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made it will fall into one of the categories set out below.

	Minimum Credit Criteria	Use	Maximum	Maximum Maturity Period
Term deposits – other LAs (with maturities in excess of one year)	-	In-house	£25m per LA	Three years
Term deposits, including callable deposits – banks and building societies (with maturities in excess of one year)	Long-term A+, Short-term F1,	In-house and Fund Managers	£300m overall	Three years
Certificates of deposits issued by banks and building societies with maturities in excess of one year	Long-term A+, Short-term F1,	In-house on a buy-and-hold basis and fund managers	£50m overall	Three years
UK Government Gilts with maturities in excess of one year	AA-	In-house on a buy-and-hold basis and fund managers	£50m overall	Three years
UK Index Linked Gilts	AA-	In-house on a buy-and-hold basis and fund managers	£50m overall	Three years
Short Dated Bond Funds	--	In-house via Fund Managers	£100m per Fund	n/a*
Multi Asset Funds	--	In-house via Fund Managers	£50m overall	n/a*

*Short Dated Bonds Funds and Multi Asset Funds are buy and hold investments with no pre-determined maturity at time of funding, liquidity access is typically T + 3 or 4.

APPROVED COUNTERPARTIES AS AT 31 DECEMBER 2021

UK BANKS AND THEIR WHOLLY OWNED SUBSIDIARIES

FITCH RATINGS		BANK*	LIMIT PER GROUP	DURATION
A+	F1	Barclays Bank PLC (NRFB) Barclays Bank UK PLC (RFB)	£100M	Up to 3 years
A+	F1			
A+	F1	Goldman Sachs International Bank	£100M	Up to 3 years
AA	F1+	Handelsbanken PLC	£100m	Up to 3 years
AA-	F1+	HSBC (RFB) HSBC (NRFB)	£100M	Up to 3 years
AA-	F1+			
A+	F1	Lloyds Bank Corporate Markets PLC (NRFB) Lloyds Bank PLC (RFB) Bank of Scotland PLC (RFB)	£150M	Up to 3 years
A+	F1			
A+	F1			
A+	F1	NatWest Markets PLC (NRFB) National Westminster Bank PLC (RFB) Royal Bank of Scotland PLC (RFB)	£100M	Up to 3 years
A+	F1			
A+	F1			
A+	F1	Santander UK PLC (RFB)	£100M	Up to 3 years

*Under the ring-fencing initiative, the largest UK banks are now legally required to separate the core retail business into a ring-fenced bank (RFB) and to house their complex investment activities into a non-ring-fenced bank (NRFB).

BUILDING SOCIETIES

FITCH RATINGS		BUILDING SOCIETY	ASSETS	LIMIT PER GROUP	DURATION
A	F1	Nationwide	£285Bn	£100M	Up to 3 years
A-	F1	Yorkshire	£49Bn	£20M	Up to 1 year
A-	F1	Coventry	£53Bn	£20M	Up to 1 year
A-	F1	Skipton	£29Bn	£20M	Up to 1 year
A-	F1	Leeds	£21Bn	£20M	Up to 1 year

FOREIGN BANKS

(with a presence in London)

FITCH RATINGS		COUNTRY AND BANK	LIMIT PER GROUP	DURATION
		AUSTRALIA (AAA)		
A+	F1	Australia and New Zealand Banking Group Ltd	£100M	Up to 3 years
A+	F1	National Australia Bank Ltd	£100M	Up to 3 years
		CANADA (AA+)		
AA-	F1+	Bank of Montreal	£100M	Up to 3 years
AA-	F1+	Royal Bank of Canada	£100M	Up to 3 years
AA-	F1+	Toronto-Dominion Bank	£100M	Up to 3 years
		GERMANY (AAA)		
A+	F1+	Landesbank Hessen-Thueringen Girozentrale	£100M	Up to 3 years
		NETHERLANDS (AAA)		
A+	F1	Cooperatieve Rabobank U.A.	£100M	Up to 3 years
		SINGAPORE (AAA)		
AA-	F1+	DBS Bank Ltd.	£100M	Up to 3 years
AA-	F1+	United Overseas Bank Ltd.	£100M	Up to 3 years
		SWEDEN (AAA)		
AA-	F1+	Skandinaviska Enskilda Banken AB	£100M	Up to 3 years
A+	F1	Swedbank AB	£100M	Up to 3 years
AA	F1+	Svenska Handelsbanken	£100M	Up to 3 years

MONEY MARKET FUNDS

FITCH RATINGS	MONEY MARKET FUNDS Limit of £100M per fund	DURATION
AAA/mmf	CCLA	Liquid
AAA/mmf	Federated Short-Term Sterling Prime Fund*	Liquid
AAA/mmf	Aberdeen Sterling Liquidity Fund	Liquid
AAA/mmf	Invesco	Liquid
AAA/mmf	Deutsche Liquidity Fund	Liquid

ULTRA SHORT DATED BOND FUNDS

FITCH RATINGS (or equivalent)	ULTRA SHORT DATED BOND FUNDS Limit of £100M per fund	DURATION
AAA/f	Payden Sterling Reserve Fund	Liquid
AAA/f	Federated Sterling Cash Plus Fund*	Liquid
AAA/f	Aberdeen Standard Investments Short Duration Managed Liquidity Fund**	Liquid

*A combined limit of £100m applies to balances across the Money Market Fund and Ultra Short Dated Bond Fund both managed by Federated and Aberdeen Standard

SHORT DATED BOND FUNDS

FITCH RATINGS (or equivalent)	SHORT DATED BOND FUNDS Limit of £100M per fund	DURATION
-	Legal and General Short Dated Sterling Corporate Bond Index Fund	Liquid
-	Royal London Investment Grade Short Dated Credit Fund	Liquid

LOCAL AUTHORITIES

**LIMIT OF £25M PER
AUTHORITY AND £250M
OVERALL**

Any UK local authority

APPROVED COUNTRIES FOR INVESTMENT

This list is based on those countries which have sovereign ratings of AAA and AA+ from Fitch Ratings as at 28 January 2022.

AAA

- Australia
- Denmark
- Germany
- Netherlands
- Singapore
- Sweden
- Switzerland
- United States

AA+

- Canada
- Finland

AA-

- United Kingdom

TREASURY MANAGEMENT SCHEME OF DELEGATION

The roles of the various bodies of the City of London Corporation with regard to treasury management are set out below. Financial Investment Board and the Audit & Risk Management Committee current hold on oversight role on behalf of Bridge House Estates in line with formal references agreed with the Bridge House Estates Board.

(i) Court of Common Council

- Receiving and reviewing reports on treasury management policies, practices and activities
- Approval of annual strategy.

(ii) Financial Investment Board and Finance Committee

- Approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices
- Budget consideration and approval
- Approval of the division of responsibilities
- Receiving and reviewing regular monitoring reports and acting on recommendations
- Approving the selection of external service providers and agreeing terms of appointment.

(iii) Audit & Risk Management Committee

- Reviewing the treasury management policy and procedures and making recommendations to the responsible body.

THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER

The Chamberlain

- Recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
- Submitting regular treasury management policy reports
- Submitting budgets and budget variations
- Receiving and reviewing management information reports
- Reviewing the performance of the treasury management function
- Ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- Ensuring the adequacy of internal audit, and liaising with external audit
- Recommending the appointment of external service providers.

CITY'S CASH BORROWING POLICY STATEMENT

1. The City Corporation shall ensure that all of its City's Cash capital expenditure, investments and borrowing decisions are prudent and sustainable. In doing so, it will take into account its arrangements for the repayment of debt and consideration of risk and the impact, and potential impact, on the overall fiscal sustainability of City's Cash.
2. Borrowing shall be undertaken on an affordable basis and total capital investment must remain within sustainable limits. When assessing the affordability of its City's Cash investment plans, the City Corporation will consider both the City's Cash resources currently available and its estimated future resources, together with the totality of its City's Cash capital plans, income and expenditure forecasts.
3. To ensure that the benefits of capital expenditure are matched against the costs, a debt financing strategy will be established.
4. To the greatest extent possible, expected finance costs arising from borrowing are matched against appropriate revenue income streams.
5. The City Corporation will organise its borrowing on behalf of City's Cash in such a way as to ensure that financing is available when required to manage liquidity risk (i.e. to make sure that funds are in place to meet payments for capital expenditure on a timely basis). The City Corporation will only borrow in advance of need on behalf of City's Cash on the basis of a sound financial case (for instance, to mitigate exposure to rising interest rates).
6. The City Corporation will ensure debt is appropriately profiled to mitigate refinancing risk.
7. The City Corporation will monitor the sensitivity of liabilities to inflation and will manage inflation risks in the context of the inflation exposures across City's Cash (e.g. the City Corporation will be mindful of the potential impact of index-linked borrowing on the financial position of City's Cash).
8. The City Corporation will seek to obtain value for money in identifying appropriate borrowing for City's Cash. Where internal borrowing (i.e. from City Fund or Bridge House Estates) is used as a source of funding, the City Corporation will keep under review the elevated risk of refinancing.
9. All borrowing is expected to be drawn in Sterling. Where debt is raised in foreign currencies, the City Corporation will consider suitable measures for mitigating the risks presented by fluctuation in exchange rates.
10. Interest rate movement exposure will be managed prudently, balancing cost against likely financial impact.
11. The City Corporation will maintain the following indicators which relate to City's Cash borrowing only:
 - Estimates of financing costs to net revenue stream
 - Overall borrowing limits

Committee(s)	Dated:
Financial Investment Board (FIB) Bridge House Estates Board (BHE Board)	9 February 2022 16 February 2022
Subject: Quarterly Update on Financial Investments workstream under the Climate Action Strategy	Public
Which outcomes in the City Corporation’s Corporate Plan does this proposal aim to impact directly.	1, 5, 7, 10, 11, 12
For BHE, which outcomes in the <i>BHE Bridging London 2020 – 2045</i> Strategy does this proposal aim to support?	1,2,3
Does this proposal require extra revenue and/or capital spending?	No
If so, how much?	NA
What is the source of Funding?	NA
Has this Funding Source been agreed with the Chamberlain’s Department?	NA
Report of: The Chamberlain	For Information
Report author: James Graham, Group Accountant, Chamberlains Kate Limna, Corporate Treasurer, Chamberlains Simi Shah, Project Director, Innovation and Growth	

Summary

This report sets out the updates on quarterly progress for the Financial Investments workstream under the Climate Action Strategy (CAS).

Recommendations

The Financial Investment Board and Bridge House Estates Board are each recommended as relevant to their terms of reference to:

1. Note quarterly activity in the financial investments workstream of the Climate Action Strategy.

Main Report

Background

1. The Climate Action Strategy (CAS), was adopted by the Court of Common Council on the 8 October 2020 for all activities and Funds including as Charity Trustee for BHE and other various funds and as Trustee for the Pension Fund.
2. Upon adoption the strategy stated a minimum goal of 60% of the portfolios to be net zero. A stretch target of 100% by 2030 was also named. In the inaugural year, investigation was to take place on the highest ambition that could be pursued under fiduciary duties. Decisions for each of the Funds was to be taken independently in each’s best interests. This was encapsulated in the Year 1 plan which was adopted by FIB for all funds except BHE on 21 May 2021 and by BHE Board on 14 July 2021.

3. On 14 and 15 September respectively, FIB and BHE Board adopted the following recommendations:
 - A new minimum target of 100% net zero by 2040 across the financial investment portfolios for each Fund with named interim targets starting in 2024- 2025.
 - An Investor Statement on Climate Change which integrates the targets into expectations for fund managers.
 - A proposed engagement strategy including a bespoke approach to engagement with the London Collective Investment Vehicle (London CIV) who at the time held a 2050 target and managed 23% of the Pension Fund assets.
4. It was also noted that:
 - Officers will bring a dedicated climate solutions allocation into asset allocation discussions with the new investment consultant before the end of the Financial Year;
 - Additional in-house capacity will be added within Chamberlains to execute the engagement strategy and monitor progress against targets; and,
 - Officers were preparing the City Corporation's inaugural Taskforce for Climate Disclosure (TCFD) for publication.
5. On October 14 the Policy and Resources Committee noted the revised climate targets for financial investments and resulting need to integrate new interim targets into the aggregate programme level targets.

Current Position

6. The new 2040 target was announced by the Chair of Policy on 19 October 2021 as part of the UK Government's Global Investor Summit. The investor statement on climate change and TCFD report were published on the same date.
7. All fund managers received official notification of the new expectations for fund managers in October 2021. This includes new lines of reporting which will inform our measure of progress as expressed in the previously adopted CAS KPIs for financial investments which are outlined in **Appendix 1** for reference. Progress on addressing climate related risk is a standing agenda item on all subsequent engagement meetings with fund managers, with a particular focus on managers with high carbon intensities.
8. The previous approved post for a Responsible Investment Engagement Manager has been highlighted within the Chamberlain's TOM and will report to the Group Accountant, Treasury Management, and Investments. Recruitment for the position is scheduled to commence in February 2022. This position will lead the engagement strategy on behalf of all Funds with fund managers and key investor networks and monitor progress against targets.
9. Preparations are in place to represent KPI data across the CAS on a public facing Dashboard. Data for financial investments are expressed by Fund. The Dashboard prototype is currently being tested at the operational level. It is

planned to go live internally in the new financial year with an aim to have the public feed up by the summer.

10. The new targets and implementation actions were factored into the tender process for the new investment consultant. Mercer, as the successful bidder, has full access to the analysis from Aon conducted over the past year. We will need to rely heavily on the retained consultant to support implementation.
11. On 30 September 2021 we welcomed the news that LCIV had made a commitment to net zero emissions by 2040 as both a company and as an entity throughout its supply chain.

Next Steps

12. The next carbon footprint exercise across the Climate Action programme will commence in April 2022 using the position on 31 March 2022. The financial investments were last footprinted using the position of 31 March 2021 as part of the exploration of transition pathways. However, this will be the first time the entire programme will be assessed since the 31 March 2019 position used as the baseline for the strategy.
13. Exploration with the investment consultant regarding options to bring a dedicated climate solutions into the Strategic Asset Allocation can now begin. However due to a variety of reasons this is not anticipated to be complete before end of the financial year. Also, the asset allocation processes for each Fund vary and are dependent on external factors and timescales such as the timings of the grant of the Supplemental Royal Charter for BHE. Relevant progress updates will be included in future quarterly updates.

Conclusion

14. Progress continues on the work of aligning our financial investments with net zero. Activities under this strategy ensure that the City Corporation and the funds in which it is a Trustee can leverage the unique capabilities. This is intended to achieve outsized impact by accelerating progress among the wider investment management community and peer asset owners.

Appendices

- **Appendix 1 – Key Metrics of Climate Related Financial Risk**

Contact Details:

James Graham, Group Accountant, Chamberlains
E: james.graham@cityoflondon.gov.uk

Kate Limna, Corporate Treasurer, Chamberlains
E: kate.limna@cityoflondon.gov.uk

Simi Shah, Project Director, Innovation and Growth and Interim Deputy SRO,
Climate Action Strategy
E: simi.shah@cityoflondon.gov.uk

Appendix 1: Key Metrics of Climate Related Financial Risk

This chart outlines the key metrics agreed in the Year 1 plan for the financial investments workstream under the Climate Action Strategy. These will be collected regularly and reported publicly on the Climate Action Dashboard. Information will be displayed by fund and by asset class where relevant.

Fund manager maturity*	Covering four categories alignment, engagement, risk management, data. Fund managers will also be asked for firm level commitments.	Annually – for internal progress only, not external
# of engagement meetings	# of engagement by Fund Managers meetings related to the climate impact of our portfolio	Quarterly
Portfolio Paris-alignment	% of portfolio in investments that are SBTI Paris-aligned	Quarterly
Portfolio carbon footprint	Annual snapshot of Scope 1,2 and 3 emissions on 31 March of each year	Annually
Weighted average carbon intensity (WACI)	Aggregate of scope 1,2, and 3 emissions of each holding company set against fund financial performance	Annually -WACI reported publicly but fund performance for internal progress only
Portfolio temperature alignment	Projected temperature rise associated with the investment holdings and their projected transition pathway	Annually
Investment in green or transition assets	% of portfolio invested in green/transition assets	Annually

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