

Committee	Date
Bridge House Estates Board	04 May 2021
Subject: Managing Director's Update Report	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/ report author: David Farnsworth, Managing Director of Bridge House Estates	For information

Summary

This paper is the first Managing Director's Update Report to the newly constituted Bridge House Estates Board. It is proposed that this report will become a standing item on the Board's agenda and is intended to provide an update on key areas of activity for Bridge House Estates (BHE) (charity no. 1035628), across the whole charity: its primary and ancillary objects, and its support functions. Specifically, this report sets out the strategic operating context for BHE and provides updates on the bridges, City Bridge Trust (the charity's funding arm) and BHE's investment portfolio. It also considers operational resources in the context of its trustee's, the City of London Corporation, Target Operating Model process.

Recommendations

- i. Members are asked to note the report.

Main Report

Background

1. Bridge House Estates (BHE) is an unincorporated, and permanently endowed charitable trust, and a registered charity (no. 1035628). BHE is currently the 7th largest charity in the UK in terms of asset valuation. The City of London Corporation (City Corporation) is the corporate trustee of BHE, and the charity is administered by the City Corporation in accordance with the charity's own governing documents and the City Corporation's usual procedures and governance framework. As charity Trustee, the City Corporation has a legal obligation to always act in the best interests of BHE.
2. The primary object of BHE is to maintain and support five bridges crossing the River Thames - London Bridge, Blackfriars Bridge, Southwark Bridge, Tower Bridge and Millennium Bridge. A cy-près charity scheme of 1995 permits income surplus to that required for the bridges to be used for broader, and more general, charitable purposes within Greater London ("the ancillary object"). The income surplus is distributed in accordance with a policy agreed by the Court of Common Council and notified to the Charity Commission, following consultation with external and internal stakeholders. The current such policy is '*Bridging Divides, 2018-23*' delivered by City Bridge Trust (CBT), the charity's "funding arm".
3. In 2018, the BHE Strategic Governance Review was initiated to assess how the governance, management and administration of BHE could be enhanced, to

ultimately increase the reach and impact of the charity's activities and to model the review. To oversee the BHE Review, an officer Task & Finish Group (TFG) was created, chaired by the Head of the Town Clerk & Chief Executive's Office, to assess and make recommendations to Members. Further details of the scope, membership and progress of the BHE Review can be found at Agenda Item 8. The BHE TFG will work with the Bridge House Estates Board and executive team to drive forward the successful completion and implementation of activities resulting from the Review over the next 12-months.

4. A key outcome of the BHE Review was the formal constitution of the Bridge House Estates Board ("the BHE Board/ "the Board") by the Court of Common Council on 15 April 2021, with the responsibility for the day-to-day management and control of the charity, with certain matters reserved to the Court. The Court remains ultimately responsible for the discharge of BHE's functions and for compliance with the relevant duties of the City Corporation as charity Trustee, and as such the Court is required to retain sufficient oversight of the BHE Board's activities and finances.
5. To support the Board in the discharge of its duties, this report will become a standing item on the agenda for Board meetings going forward. The purpose of the report is to provide an update of key areas of activity across the whole charity: both its primary and ancillary objects and its support functions. It will provide an overview for the charity, referencing its strategic/operational context to enable the Board to consolidate effective governance and management of BHE's activities.

Strategic Context

6. The constitution of the BHE Board is a key moment for the charity and presents BHE with an opportunity to model best practice by enhancing its governance, management and administration, to increase the reach and impact of the charity's activities for its beneficiaries. It also enables BHE to better articulate and communicate what it does and increase the internal and external awareness of its vision and impact.
7. BHE has always existed, and continues to exist, for the benefit of London, and is anchored by the needs of the London's communities. The past year has been one of uncertainty and difficulty for many, and has shone a spotlight on the value and importance of connectivity; whilst also highlighting the vast amount of inequality that still exists in society. BHE's role, therefore, is perhaps more important than ever in bridging and connecting London – both physically via its five bridges, and through supporting causes at the heart of London's communities that help bridge divides in society. Enhancing the governance, management and impact of the charity is vital in ensuring that BHE is a modern and progressive charity that can continue to respond to the issues of today.
8. This commitment to London and BHE's vision of a better-connected London is outlined in the charity's overarching strategy, *Bridging London 2020 – 2045*, which was approved by the Court of Common Council in October 2020. The strategy, attached at **Appendix 1** for information, provides a strategic framework for all of BHE's activities, and outlines the collective impact which it seeks to achieve through furthering its primary and ancillary objects.¹ The Strategy sets out a vision

¹ A designed version of the Bridging London Strategy will be produced later in the year.

for the charity for “*every person in London to become truly connected*”, and outlines three aims to be catalytic, sustainable and impact driven in its approach to becoming a world-class bridge owner, charitable funder and responsible leader.

9. The *Bridging London* Strategy is supported at an operational level by several of the charity’s other existing strategies and plans, including its Bridge Replacement Strategy, 50-year Bridge Maintenance Plan, charitable funding strategy ‘*Bridging Divides 2018 – 2023*’, joint Philanthropy Strategy, joint Climate Action Strategy, its Transitional Investment Strategy and Annual Property Strategy. *Bridging London* is also supportive of the vision set out within its corporate Trustee’s, the City Corporation’s Corporate Plan for 2018-23. BHE is also committed to tackling racial injustice through its Race Action Plan and through support of, and engagement with, the City Corporation’s Tackling Racism Taskforce. Details of these strategies and plans can be found in the Background Papers outlined at the end of this report.
10. To support Members of this Board in discharge of their functions, an induction and training programme will be delivered over the next 12 months, starting with the presentation today by Bates Wells, LLP, a leading charity specialist law firm. The training sets out the regulatory context and governing arrangements for BHE, as well as the core legal duties that Members must comply with when acting on behalf of the City Corporation as Trustee, most notably to act in the best interests of the charity. A Handbook for Board Members is being prepared for circulation after this meeting, informed by decisions taken at this meeting.
11. To provide Members with a strong footing in BHE’s business and activities, later on the agenda Members will receive updates on the progress of the BHE Strategic Governance Review, the financial position of the charity, its approach to risk management and a proposal on internal governance arrangements, including formal arrangements for consultation with other Committees and the proposed establishment of two sub-committees of this Board.
12. This report provides an overview of BHE’s key activities in relation to the bridges, its charitable funding through CBT and its investment portfolio. Also, it describes how the charity’s operational resources are being reviewed to ensure efficiency and efficacy within the context of the City Corporation’s Target Operating Model.

Bridge Activity Update

13. The primary object of BHE is to maintain and support five bridges crossing the River Thames – Tower Bridge, London Bridge, Southwark Bridge, Millennium Bridge and Blackfriars Bridge. This section provides an overview of key activities on all bridges. All bridges have a structural survey undertaken bi-annually by AECOM, a structural engineering consultancy, procured on a 6-year contract to undertake these surveys, register all defects onto Bridge Station (a recognised database system) and produce a repair schedule for the bridges. Currently the bridges are of a good condition with no major structural repairs being required. Maintenance requirements of the bridges are constantly monitored, and planned maintenance is scheduled for a number of the bridges.
14. A project to refurbish the parapets and repaint Blackfriars Bridge is at Gateway 5 and was approved by the Planning & Transportation Committee on the 13th April 2021. The report is on your agenda today for information (see item 18) and is due

to be presented to Court in May 2021. Works are currently proposed to commence late 2021. Repairs are also required to the South Subway which are planned for 2024/25.

15. Southwark Bridge's southern approach requires new waterproofing to be installed to the viaduct, and the project is currently at Gateway 4. This project has been delayed due to access issues due to a private development which has a scaffold on the highway above the viaduct. This private development is due for completion in September 2021, when the waterproofing project will be progressed. Footway strengthening works and a touch-up of the paintwork are also planned between 2023 to 2025.
16. Works to London Bridge to waterproof and resurface the bridge were successfully completed in 2020. No other major repairs are currently scheduled. Additionally, cable re-tensioning and deck repairs are planned for Millennium Bridge which are programmed for 2023/24.
17. A number of major projects are currently in progress at Tower Bridge, including replacement of the service duct covers, the entire replacement of the Bridge's High Voltage electrical system, an extensive hydraulic pipework overhaul and specialist software and hardware upgrades for the Bridge's lifting system. Sprinkler replacement and a paint touch-up are planned for 2022/24.

Tower Bridge

18. Tower Bridge was built over 125 years ago and is both a working bridge and a tourist attraction, ranking 4th in the top visitor attractions in Central London on TripAdvisor in 2020. Prior to the COVID-19 pandemic, Tower Bridge welcomed almost 900,000 visitors per annum, and generated £6.8m in overall annual income (having significantly grown over the past decade). In addition to ticket sales, Tower Bridge's additional income generating activities and services include venue hire, filming, education, cultural events and online and on-site retail.
19. Despite a record year in 2019/20 for the tourism business at Tower Bridge, the impact of the COVID-19 pandemic in 2020/21 has been severe, resulting in a significant downturn in visitors. Tower Bridge was forced to close as a visitor attraction for a total of seven months of the financial year. Efforts were made to reduce losses for the charity, including the utilisation of the Government's Furlough Scheme and significant reductions in variable costs. Although income was severely impacted, its potential was maximised by effectively engaging with a 'hyper-local' and Londoners market rather than the traditional wider domestic and international visitor base.
20. Tower Bridge also adapted its strategy to remain 'digitally open' despite being physically closed. The Bridge's visitor and award-winning education & learning offer was redeveloped digitally to provide meaningful online culture content and learning resources, including school workshops and community engagement collaborations. Tower Bridge has received plaudits for its excellent response to its new Covid-secure operating model and associated measures.
21. Tower Bridge now looks towards the recovery of its tourism business in 2021/22 and future years, including revised visitor figures and income targets, and adapting its strategic marketing plans and operating models according to any changes in

Government advice and/or wider UK/ London visitor economy trends and developments. Tower Bridge's retail facility recently reopened on 12 April 2021 and the attraction will reopen in full from 17 May 2021.

22. The day to day running of Tower Bridge as a working bascule bridge, transport infrastructure and its security provision remained operational throughout the pandemic, as have staff who continue to fulfil the charity's statutory obligation for raising Tower Bridge to allow the navigation of river vessels, and the protection of the Bridge and the public. Tower Bridge's security planning, protocols and facilities recently achieved an NSI Gold Accreditation and commendations from the City of London Police and the National Counter Terrorism Security Office in the context of best practice and exemplary standards in security.

City Bridge Trust Activity Update

23. City Bridge Trust (CBT) is BHE's charitable funding arm and distributes surplus income to that required for the bridges in each year in furtherance of the charity's ancillary object. Funding is distributed in accordance with the agreed policy, currently '*Bridging Divides, 2018 – 2023*'. Funding under that policy is aimed at improving the lives of the inhabitants of Greater London – by working to reduce inequality and foster strong, more resilient and thriving communities in pursuit of a London that serves everyone. *Bridging Divides* sits under and supports the delivery of BHE's overarching strategy, *Bridging London*.
24. *Bridging Divides* is a vision and values led strategy and is underpinned by the CBT Team's PACIER values – which are to be Progressive, Adaptable, Collaborative, Inclusive, Environmentally Responsible and Representative.
25. The previous City Bridge Trust Committee instigated an Interim Review of *Bridging Divides* which was carried out from December 2020 to March 2021, as it was recognised that the internal and external operating context for CBT had changed significantly in 2020 as a result of the outcomes of the BHE Review, the impacts of the COVID-19 pandemic on London's civil society organisations and the changing needs of Londoners.
26. The Interim Review process was highly collaborative and comprehensive and resulted in 11 recommendations being put to the previous City Bridge Trust Committee. The headline recommendation was to re-commit to the overarching vision and mission of *Bridging Divides* and extend the strategy for a further five years to 2028. In March 2021, the City Bridge Trust Committee agreed all 11 recommendations (set out at **Appendix 3**) which provide the opportunity for BHE, through its funding arm, to target and leverage resources most effectively for greater impact in the immediate, medium and longer-term. Due to the confidential nature of the appendices, it is attached in the non-public session. Officers are now developing a detailed implementation plan for those recommendations, including costings, resource implications, priorities and timings. Further updates will be given to the BHE Board in due course, as this key strategic work progresses.

BHE Investment Portfolio Update

27. BHE's investment portfolio activity is fundamental to the charity's ability to deliver its primary and ancillary objects. The investment assets of BHE are held as

properties, financial and social investments. The capital of the endowment fund is invested in 100% of the property portfolio alongside approximately £90m of financial investments. The unrestricted income funds of the charity are invested in financial investments, alongside the social investments. The audited figures for the investment portfolios are yet to be available, with the following information providing an indication of holdings as at 31 March 2021.

28. Property investments - between March 2015 and March 2021, the investment property portfolio increased in value from £531m to £835.4m. In the same period, the rent from the portfolio increased from £19.1m pa to £24.5m (latest outturn figure from the Chamberlain). The March 2021 value of £835.4m has decreased by 1.3% from the March 2020 value of £846.8m due primarily to a fall in value of retail properties as a result of Covid-19, which has reduced estimated rental values and increased rent-free periods. The portfolio is benchmarked by MSCI against Greater London Properties.
29. Financial Investments – the value of financial investments held as at 31 March 2021 is £841m, an increase of £150m (21.7%) compared to the previous year (£691m). The overall portfolio has performed strongly across the year, outperforming the CPI +4% absolute return target. Note that the amount held is after a withdrawal of £20m from the equity allocation during March 2021, to support the charity's day-to-day cash flow requirements.
30. Social Investments - as at 31 March 2021 the BHE social investment fund had active commitments of £14.38m against the £21m available, with £9.67m drawn down by investees. Immediately prior to the year-end, the fund received two large redemptions from City YMCA (£1.6m) and Dartington Hall Trust (£1.25m). The most recent quarterly return is still being calculated (with several portfolio investees yet to report) but is expected to be above the 3.32% IRR reported to the Social Investment Board for the quarter ending 31 December 2020.
31. Given the significance of the charity's investments, further information will be shared with Members on the performance of the portfolio through induction training sessions and deep-dive papers at future Board meetings.

BHE's Target Operating Model

32. Members will recall that in December 2020, the Court of Common Council approved the City Corporation's Target Operating Model (TOM). The TOM describes how the City Corporation will work in the future and has implications for the work of BHE and its administration by the City Corporation as Trustee. The TOM describes BHE as an 'institution', reflecting the status of BHE as a separate registered charity with its own governing documents, and also the City Corporation's particular duties and responsibilities as Trustee of BHE which are separate to and distinct from the City Corporation's other functions, and which require independent consideration in acting as Trustee.
33. As the corporate Trustee of BHE, the City Corporation acting by the Court of Common Council is the legal entity which enters into all contracts, employs all staff and holds the legal title to all of the charity's property etc, with the reasonable costs and expenses of doing so being reimbursed from the charity's funds. The administration of BHE thus remains part of the City Corporation's own leadership

and internal governance framework that extends across all the City Corporation's functions, services and institutional responsibilities, and which must support BHE's effective and efficient administration and management.

34. The TOM arrangements are intended to strengthen accountability to the Court of Common Council and its Committees in acting as Trustee in the charity's best interest, by providing clarity in governance, and mitigating against conflicts of interest which may arise between the City Corporation acting as Trustee of BHE and the City Corporation acting in its other capacities. The arrangements are also intended to support expedient action and decision-making by the Trustee in its overall management of the charity. In this way it is considered that legal compliance will be better supported, and BHE will be better able to operate more effectively and cohesively to fulfil its charitable objectives (having regard to the charity's various and diverse operational needs and activities).
35. At the Court of Common Council on 3 December 2020, Members approved the City Corporation's Tier 1 TOM leadership changes. This included a change to the previous Chief Grants Officer and Director of City Bridge Trust's job title and duties to reflect the officer's express delegated responsibility from the Town Clerk and Chief Executive for the management and oversight of all aspects of BHE's functions, acting upon the advice of the City Corporation's other professional officers. Following the formal constitution of the BHE Board at the Court of Common Council on 15 April 2021, the approved change of job title to "Managing Director of Bridge House Estates" took effect from 16 April 2021.
36. The TOM provides an opportunity for BHE to further consider its optimum management and operational structure, designed in the charity's best interest. It will also enable BHE to drive efficiency, eliminate duplication and enable the charity to better respond to, and be proactive in, anticipating changes in the external context. As such, in February 2021, the Managing Director initiated the BHE TOM process and begun work, in consultation with City Corporation colleagues, to identify the long-term resourcing needs of the charity and explore what the optimal operational and management structure for BHE might look like.
37. The main aims and objectives of the BHE TOM process are to:
 - a. Support the effectiveness of the BHE Board;
 - b. Design an operational and management structure in the best interests of the charity;
 - c. Enable the BHE to successfully achieve the vision, aims, actions and measures of success outlined in the charity's overarching strategy, *Bridging London 2020 – 2045*;
 - d. Embed a strong leadership team for BHE with clear lines of accountability and decision-making; and
 - e. Create a strong team culture across BHE and champion shared values across all functions.
38. The process will be overseen by the BHE Project Team, with input from the corporate TOM Project Team. The re-design process will be carried out in five stages: 1) preparation and setup, 2) assessment of current state, 3) design & consultation, 4) implementation and 5) review.

39. The BHE TOM will start by completing the outlined process above for Tier 2 roles (that is roles that either directly report into the Managing Director or other relevant senior roles that will work closely with the Managing Director). Once the Tier 2 structure is implemented, work will begin on the remaining Tiers. This will ensure that BHE's leadership roles are embedded and engaged closely in the design of their teams in the latter stages. An indicative timeline for the Tier 2 TOM process is set out at **Appendix 2**. The timeline highlights how the BHE Board will be engaged and consulted in the process and on the resource proposals in the coming months, including the proposal being formally presented to the Board in June 2021.

Conclusion

40. The creation of the BHE Board represents an exciting time for the charity, as it looks to enhance its governance, management and administration and its reach and impact across London over the coming years. Members will be informed in their oversight of the charity's strategic and operational activities through a regular Managing Director's Update Report to each meeting of the Board. Officers look forward to working closely with the Board as the charity works to maintain and support the key infrastructure of the five bridges, and otherwise in its activities focussed on building a fairer London.

Background Papers

- Transitional Investment Strategy – Report to Policy and Resources Committee, entitled Bridge House Estates Transitional Investment Strategy Statement, dated 21 January 2021.
- Race Action Plan – Report to City Bridge Trust Committee, entitled Progress Report, dated 26 November 2020.
- Annual Property Strategy – Report to Policy and Resources Committee, entitled Bridge House Estates: Annual Update & 2021 Strategy, dated 21 January 2021.
- Climate Action Strategy – Report to Court of Common Council, entitled Climate Action Strategy, date 8 October 2020.
- 50-year Bridge Maintenance Plan – Report to Planning and Transportation Committee, entitled Bridge House Estates River Crossings Annual Update Report on Structural Inspection and Maintenance, dated 18 February 2020.
- Bridge Replacement Strategy - Report to Policy and Resources Committee, entitled Bridge House Estates Strategic Review – Update Three, dated 12 December 2019.
- Joint Philanthropy Strategy – Report to Court of Common Council, entitled Philanthropy Strategy, dated 21 June 2018.
- Bridging Divides 2018 – 2023 – Report to Court of Common Council, entitled City Bridge Trust Funding Strategy 2018 – 2023, dated 20 July 2017.

Appendices

- Appendix 1 – Bridge House Estate's Strategy: *Bridging London 2020 - 2045*
- Appendix 2 – Bridge House Estates Target Operating Model Tier 2 Timeline
- Appendix 3 – Bridging Divides Interim Review Recommendations (non-public)

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