

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

### Summary

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

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

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

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

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

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

### **Recommendations**

It is recommended that the Bridge House Estates Board approve:

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

### **Main Report**

#### **Background**

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

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

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<sup>1</sup> Joint Committee on Human Rights, 2020: [Black people, racism and human rights \(parliament.uk\)](https://www.parliament.uk/jchr/2020/06/2020-06-20-black-people-racism-and-human-rights)

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

<sup>3</sup> Equality and Human Rights Commission, 2016: [Healing a Divided Britain: the need for a comprehensive race equality strategy.](https://www.equalityhumanrights.com/en/our-work/2016-06-20-healing-a-divided-britain-the-need-for-a-comprehensive-race-equality-strategy)

<sup>4</sup> MBRRACE-UK, 2019: [Saving Lives, Improving Mothers' Care Lessons learned to inform maternity care from the UK and Ireland Confidential Enquiries into Maternal Deaths and Morbidity 2015-17](https://www.mbrpace.org.uk/2019/06/saving-lives-improving-mothers-care-lessons-learned-to-inform-maternity-care-from-the-uk-and-ireland-confidential-enquiries-into-maternal-deaths-and-morbidity-2015-17)

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

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

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

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

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

6. Barriers to funding include leadership that isn't representative (in 2018 between 92 and 99% of foundation trustees were white<sup>9</sup><sup>10</sup>); decision making processes that underestimate the impact of structural racism in the funding sector (54% of charity staff have experienced discrimination based on their race/ethnicity<sup>11</sup>) and don't sufficiently value lived/direct experience; processes that are extractive and place increased burden on communities; short term funding, and a lack of data (as well as a lack of utilisation of the data) available to understand inequity<sup>12</sup>. Research and data revealing the historic underfunding of BEM led organisations is only now beginning to surface; most of the references in the footnotes to this report relate to work published in the last 24 months or so.

### **About Baobab**

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

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

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

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

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

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

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

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

16. Expected organisational development includes:

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

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

### **Incubator relationship**

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

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

## **Budget and fundraising**

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

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

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

### **Funding History**

27. £300,000 in total to date:

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

### **Financial information**

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

### **Conclusion**

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

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

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

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

**Appendices:**

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

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

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

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

## Appendix 2: Phase 2 objectives

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

Baobab will build its members and their role in the network	<p>Membership increased to 1,000 with regional and intersectional diversity.</p> <p>Stratified membership structure designed and approved.</p> <p>1-2 pilots to test place-based/intersection led fund activity with members.</p>
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### Appendix 3: Running costs budget

Full proposal received from Baobab also available on request.

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



## Appendix 4: Financial assessment

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

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

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

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