

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</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: 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)

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