

Committee	Date
Bridge House Estates Board	27 April 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
Report of: David Farnsworth, Managing Director of BHE	For Decision

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 February 2022 and outlines upcoming activities for the Board to note. Specifically, the report provides updates on: the Bridges, including specific activities at Tower Bridge, Blackfriars Bridge and Southwark Bridge, City Bridge Trust funding updates including a recommendation to extend the Bridging Divides Strategy, developments relating to responsive grant offers, the LocalMotion collaboration, the Bridge Programme and Collaborative Action for Recovery (CAR) (provided in a non-public appendix at Item 24), updates and activities relating to a refreshed skills audit for Members, a proposed review of the charity’s Risk Register, the progress of the implementation of the BHE Operating Model, and matters relating to the charity’s finances and investment portfolios.

Recommendations

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

- i) Endorse the proposal to the Court of Common Council, upon the recommendation of the Grants Committee of the BHE Board, to re-commit to the overarching vision and mission of the Bridging Divides funding strategy and extend the funding strategy for a further five years from 2023 to 2028 (with the Charity Commission being formally notified, subject to agreement of the Court);
- ii) Express their interest, or nominate Members, to support with a detailed review of the charity’s Risk Register as highlighted at paragraph 18; and,
- iii) Note the further 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 BHE Board will continue to be updated on bridge engineering matters through ongoing reporting to the Board.
2. Tower Bridge – The Board will be aware of the latest wave of Extinction Rebellion protest activity across London, from 8 – 17 April, then weekends of 23 April, 30 April and 7 May. Although there was no prior indication of Tower Bridge being targeted, activity took place on the morning of Friday 8 April which saw a banner

drop from the carriageway, with protestors abseiling and tying themselves underneath the Bridge's bascules. The Bridge was subsequently closed to road users and pedestrians, after which close working with the City of London Police resulted in the banner being seized and protestors retrieved from the underspan, before reopening fully a few hours later. Although there is no specific intelligence to suggest the Bridge will be targeted again within the current campaign, the team at Tower Bridge are in close and frequent contact with the Met and City Police forces for daily updates, and remain vigilant with regard to the potential for further disruptive protest activity.

3. The visitor attraction and venue hire business at Tower Bridge has seen positive recovery, with higher than expected levels of income over the last months of 2021/22. In particular, the events business saw exceptional bookings in the first three months of the calendar year, including its busiest March on record. Business performance for the full financial year will be reported in detail at a later meeting of the Board.
4. Major projects continue at Tower Bridge, with the year-long High Voltage system replacement in progress and currently due for completion in December 2022. Although not a critical matter and bridge lifts remain operational, an issue has also been identified with the alignment of the Bridge's bascules. This matter is currently being investigated by the Environment Department, the Tower Bridge operational team and specialist contractors, with remedial works likely to take place later this year.
5. Blackfriars Bridge - Work on the Blackfriars Bridge Refurbishment Project began in the New Year. The parapet on Span 2 of the Bridge has been dismantled and is now being refurbished off site. The first sections of painting are underway, giving us glimpses of the restored, rich red colour of the Bridge. Although there have been some additional repairs identified, the project team have undergone a Value Engineering exercise as requested and identified some significant savings. The project remains on time and within budget. Details of this will be covered in a report at the next Board meeting.
6. On Saturday 15 April Extinction Rebellion formed in small groups utilising swarming tactics, with groups taking over junctions for a short time (4-5 minutes) then moving on. Having been elsewhere in the Westminster footprint, they moved towards a number of bridges, to join two other protests at Shell and Tate Modern. Extinction Rebellion protestors gathered at Lambeth Bridge, Blackfriars Bridge, Westminster Bridge and Waterloo Bridge. The protests caused disruption to busses and TfL as well as fire and ambulance services, who were forced to reroute. By 8:00pm protestors left Blackfriars Bridge and the events did not affect the current painting works in any way.
7. Southwark Bridge - After some delay due to adjacent developments, the contract for the re-waterproofing of Southwark Bridge approaches has now been awarded to FM Conway and work is due to start in June 2022.

8. 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 will be provided in the non-public session.
9. Security – A verbal update on Bridge security matters will be provided in the non-public session.

City Bridge Trust (CBT) Funding Updates

10. Bridging Divides Strategy – It is recommended that the overarching vision and mission of the funding strategy *Bridging Divides 2018-2023* is extended for a further five years. This proposal was considered by the BHE Grants Committee in September 2021 and the recommendation was arrived at through the interim review of the Bridging Divides Strategy. The BHE Board is asked to endorse the extension of Bridging Divides to 2028, upon the recommendation of the Grants Committee of the BHE Board, for onward approval to Court in May 2022.
11. Updating CBT's responsive grant offer – In March 2022, the Grants Committee asked officers to update CBT's funding programmes for children and young people, older Londoners, and deaf and disabled people, reflecting lessons learned during the pandemic. The Grants Committee also agreed to receive proposals on a new mental health funding programme. This work will be completed for the June Grants Committee, at which point CBT will have revised its responsive funding offer, having reviewed the entire pre-covid offer and new phase in London's recovery.
12. LocalMotion – LocalMotion is a collaboration between CBT and five other funders, joining forces to tackle economic, environmental, and social inequality in six places, utilising the resources of all six funders and places to have an impact which is greater than the sum of its parts. Barley Communications, a branding and communications partner, and new learning partner IG Advisors have been appointed and a learning report covering initial phases of work has been published (available on request).
13. LocalMotion is coordinated by a dedicated Director of Collaboration and a group of Directors from each of the funders (DD Group). Officer Sam Grimmer Batt (Funding Director) has agreed to Chair the DD Group following the departure of the previous Chair.
14. Bridge Programme update – CBT's "Funder Plus" offer, The Bridge Programme, connects CBT grant funded organisations with a range of free, non-financial support to help address specific issues they have, whilst enhancing capacity, resilience, and longer-term stability. Areas of support include fundraising and business planning, management systems, HR, and governance. The current pilot has been extended by six months to 30 September 2022, this extension is possible within the existing budget so further financial commitment is not required. The extension will allow more organisations already in the application pipeline to benefit from the programme. The evaluation of the programme along with an internal review will inform future recommendations to the Grants Committee.

15. Collaborative Action for Recovery (CAR) – An update on this area of activity is provided at Appendix 1 in the non-public section to this report at Item 24.

Governance & Strategy Updates

16. Governance arrangements – Several reports are presented to the BHE Board today which set out matters to support the Board in the ongoing effective administration and governance of the charity. As three new Members have been appointed to the BHE Board, officers will undertake a refreshed Skills & Effectiveness Audit by the Summer so that the information is relevant and up to date.
17. Risk Management – Previously, the BHE Board endorsed the proposal for officers, in collaboration with the Board, to undertake an extensive review of the charity's risk register, particularly in regard to the responsibility and ownership of the charity's risk management. It was agreed that such a review would take place following the recruitment of the BHE Chief Operating Officer (COO), who is the lead officer for risk management of the charity. The COO was successfully recruited in February 2022. In February, however, a decision was taken to wait to arrange the meeting following the City Corporation's Elections. Following the Elections, the membership of the BHE Board has changed and two of the Members who previously expressed interest in supporting the review process were not re-elected. It was then agreed it would be preferable to arrange the risk review meeting following appointment of Members to the three vacant positions on the Board.
18. It is now the intention of officers to arrange a Risk Review meeting in May 2022, supported by the former Corporate Risk Manager, Paul Dudley, who is working with BHE on a consultancy basis to help with the review. Expressions of interest from Members who are keen to be involved in the Risk Review meeting are sought today. It is anticipated that the initial time-requirement would be no more than a one-off 2-hour session. The review recommendations will then be presented to the July 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) and kept under regular review.
19. BHE Operating Model – In January 2022, the new BHE Leadership Team structure became effective following the Phase 1 Target Operating Model (TOM) process. The final post to recruit in the new structure is the Chief Funding Director, and the intention is to launch this recruitment campaign in May 2022, supported by an external search-agency ensuring diversity, equity and inclusion (DEI) considerations are front and centre of the recruitment.
20. With the exception of the BHE & Charities Finance Team (a proposal in relation to this team can be found in the confidential section of the agenda today) it is proposed that Phase 2 of the TOM process will be initiated in September/ October 2022. Phase 2 will look at the wider resourcing needs of the charity across the following teams: COO Directorate, Tower Bridge, Communications and Engagement, CBT Funding, and the Philanthropy Team (including the Central Grants Unit). As there are several interdependencies across the teams'

restructures, it is proposed that they are all reviewed at the same time. The proposed initiation in September/ October 2022 will also allow sufficient time for the new BHE Leadership Team to be fully embedded, with the return of the COO from Shared Parental Leave in June and an anticipated start date of the Chief Funding Director in September. The BHE Board will continue to be kept up to date on the implementation of the operating model over the coming months. For now, an updated and current organisational chart can be found at Appendix 2.

Communications Updates

21. Website – The current CBT website is being replaced by a BHE website. The website will represent all teams within BHE and showcase their work, with a highly visible link to Tower Bridge, but will predominantly feature the CBT grants open for applications on the home page. It will have a strong focus on ensuring the grant application process is clear and accessible, in engaging yet plain English. The wireframing and infrastructure architecture development has begun, as well as testing ‘user journeys’ – a way of ensuring current and potential funded organisations can find the information they need quickly. A final draft of the website design will be shared with the Chair and Deputy Chair of the BHE Board for discussion and approval in the coming weeks.
22. BHE Brand Positioning – Work continues to develop the BHE brand position. Following on from developing the positioning statement and key messages, CBT and Tower Bridge communications staff joined together in a workshop to begin developing tone of voice principles and communication style. A session will be scheduled for Board Members during the Summer to discuss and agree on the brand position thus far and debate the final stage: design and brand identity. It will then be tested with BHE’s key audiences, with an eye to have the project finalised by Autumn 2022.
23. Communicating Bridging Divides – As part of updating BHE’s digital offer, the BHE Communications and Engagement Team have been leading on transforming the language and descriptions of everything CBT has to offer, from funding to non-financial to sector collaborations. The Communications Team have worked closely with the Funding Team and CBT Management Team to ensure end results reflect the recent work on revisions of the Bridging Divides strategy.
24. Media Coverage – Since the last BHE Board meeting on 16 February there have been 55 items of media coverage on City Bridge Trust and other City Corporation charitable giving. Including coverage in *Sky News* of a £174,800 grant to FoodCycle for its community kitchens, *London Live* on a £103,100 grant to Bromley Mencap and stories in *City AM*, *South London Press* and *Ham & High*.

BHE Finance Updates

25. Provisional income and expenditure for 2021/22 is provided in paragraphs 26 to 28 below, which are subject to further accounting and audit adjustments as the year-end review and audit is undertaken.

26. Provisional total income for 2021/22 is £32.6m, a reduction of £14.8m (31.2%) on the previous year. Restricted grant income of £15.0m received from various funders towards the London Community Response Fund last year accounts for the difference between the two years. Following the lifting of pandemic-related restrictions, Tower Bridge tourism income saw a steady recovery with increases in visitor admissions, retail and events. Investment income was stable compared to 2020/21 despite the instability in financial markets in the final quarter of 2021/22. Other income has also decreased due to reduced furlough income compared to what was received in 2020/21.
27. Provisional total expenditure, excluding pension scheme costs, for 2021/22 is £58.4m, a reduction of £28.9m (33.1%) on the previous year. The reduction is mainly attributable to the decrease in grant-making activities compared to the record high of grant commitments for the previous year. A pause in grant-making, whilst an interim review of the Bridging Divides programme took place, led to the reduction in grant commitments for 2021/22. As a result, some grant commitments have been deferred to subsequent years.
28. Delays across two key projects within the 50-year Bridges Maintenance Plan; the Tower Bridge High Voltage System replacement and Blackfriars Bridge refurbishment have also contributed to lower than anticipated spend. Both projects will be completed within agreed timescales. However, in a third key budgeted project, the Millennium Bridge retention cables, an assessment of the rigidity of the cables deemed their condition as being suitable. Therefore, the budgeted spend for these works have been removed in the short to medium term.
29. External Audit Plan 2021/22 – Crowe, BHE's newly appointed external auditors, will present their Draft Audit Plan for the financial year 2021/22 to the Audit and Risk Management Committee (ARM) at their May 2022 meeting for information and comments (as per the reference currently in place). The Audit Plan will include their audit strategy alongside key audit matters such as materiality, audit risks and the timetable for the year under review.
30. Following the May 2022 ARM Committee, the Audit Plan, together with any recommendations from the ARM Committee, will be circulated to BHE Board for information.
31. The external audit field work is scheduled for July 2022. Crowe's Audit Completion Report and BHE draft Annual Report and Financial Statements 2021/22 are expected to be presented to the September 2022 Committee of ARM for their consideration and advice. The BHE Board will be asked to consider any observations from ARM and approve the BHE Annual Report and Financial Statements 2021/22 in early October 2022.

BHE Investment Portfolio Updates

32. Property Investments – At Electra House, 84 Moorgate, where a major refurbishment is underway, an agreement for a lease with Fashion Retail Academy for the whole of the upper floors was completed on 31 March 2022. The lease will

be for term of 15 years at an annual rent of £2.78m (on completion of the refurbishment and after expiry of a rent-free period).

33. The Fashion Retail Academy was established in 2005 by fashion and retail industry leaders, and partners with over 140 businesses from well-known high-street names to high end luxury brands. It offers a range of diplomas, vocationally tailored to prepare students for the next step in their fashion / retail careers. Their current building on Greese Street (close to Tottenham Court Road) can no longer meet the demand or growth ambitions, such that new, modern accommodation was required in order to enable expansion.
34. A new 5-year lease for the 5th floor of 4-7 Chiswell Street has been granted to Augmentum Fintech Management Ltd (a venture capital investor). The rent will be £241,200 pa on expiry of a rent-free period. The floor has recently been refurbished and has achieved an EPC B rating.
35. New leases have been completed for the 4th and 5th floor offices at 24/25 New Bond Street. The 4th floor tenant Stamford Associates (investment consultants) and has taken a 5-year lease at a rent of £108,120 pa following expiry of a rent-free period. The 5th floor was taken by Blink Concept (a financial services company) on a 10-year lease at an initial rent of £105,000 pa, rising to £115,000 pa in year 3 following expiry of a rent-free period. This means that the building is fully let and upon expiry of the rent-free incentives will be generating a total rent of £3.23 m pa.
36. Financial Investments – The market value of the BHE financial investments portfolio as at 28 February 2022 (the latest information available) is estimated to be £870m, which represents a decrease of £35m versus the position as at 31 December 2021 (as reported at the Board's February meeting) and an increase of £29m since the start of the financial year. The change in value over the two months since 31 December 2021 is largely driven by a decline in asset prices across financial markets since the turn of the year, although £5m reflects cash distributions from the alternative assets portfolio. Across financial markets, most asset classes generated negative returns in the first two months of 2022 owing to the expectation that interest rates will need to be higher in future than previously assumed in order to control inflation. Within the portfolio, the impact of these changes is most visible in the growth-oriented areas of the portfolio including the global equity mandates managed by Baillie Gifford and C WorldWide whilst the multi-asset managers have largely held their value (and in the case of Ruffer, increased in value). The overall asset allocation is designed to add value over the full economic cycle and therefore the value of the portfolio is expected to fluctuate in response to cyclical macroeconomic changes. As at 28 February 2022, the portfolio's annualised absolute return over the past 12 months, 3 years and 5 years is +6.4%, +9.3%, and +6.5% respectively. No asset allocation changes have been implemented since the last Board meeting.
37. Social Investment – The quarter ending 31st December 2021 showed a return of 3.33% (0.17% above end September 2021) on £9.5m of monies drawn by investees. In addition to the £9.5m drawn, investees can call on an additional £1.6m of funding, so the Fund had total active commitments of £11.1m at this point

(with some investments maturing before year end), divided almost 60:40 between property and fixed income loans. The most recent quarter finished shortly before the deadline for today's papers and before updates were received from across the portfolio investees. Nonetheless, officers have not seen any notable negative impacts in the period January – March 2022, and one investment (providing accommodation for vulnerable migrants) matured with a greater return than expected. The social impact themes currently supported include homelessness, domestic violence, young carers, LGBTQ+ migrants, and adults with learning disabilities. A verbal update on any material issues from the most recent quarter can be provided at the meeting.

Conclusion

38. This report provides a high-level summary of activities across the whole charity's operations and activities since the Board last met in February 2022. The Board are asked to note the content of the report and the progress made in each activity area over recent months. Further information on any of the updates given 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 Item 24: Collaborative Action for Recovery (CAR)
- Appendix 2 – BHE Team Structure, April 2022

David Farnsworth

Managing Director of Bridge House Estates

E: David.farnsworth@cityoflondon.gov.uk