

Committee	Date
Bridge House Estates Board	6 July 2022
Subject: BHE Investments Working Group – Terms of Reference	Public
Which outcomes in the <i>BHE Bridging London 2020 – 2045</i> Strategy does this proposal aim to support?	1, 2 and 3
Report of: David Farnsworth, Managing Director of Bridge House Estates	For Decision
Report Authors: Karen Atkinson, BHE & Charities Finance Director Milly Ehren, BHE Head of Strategy and Governance	

Summary

At the meeting of the Bridge House Estates Board (“the BHE Board”/ “the Board”) on 27 April 2022, Members agreed to establish a BHE Investments Working Group (“IWG”) to review and make recommendations to the BHE Board on the future management of the charity’s investment portfolio and on the governance arrangements for the BHE Board in relation to the charity’s finance and investment functions. This report now presents for approval to the BHE Board the proposed Terms of Reference of the IWG, as endorsed by the group.

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) Agree the BHE Investment Working Group Terms of Reference as set out at Appendix 1.
- ii) Note the proposed direction of travel to be adopted for the revised Investment Strategy Statement (ISS).

Main Report

Background

1. Following approval from the BHE Board in April 2022 to establish a BHE Investments Working Group (“IWG”/ “the group”), the group met for the first time on 8 June 2022. The purpose of the first meeting was to appoint a Chair, agree the Terms of Reference to recommend to the BHE Board, to participate in a knowledge exchange of relevant information, and to scope the approach to the review of the Investment Strategy Statement and the governance arrangements for the Board in relation to finance and investments.
2. The group elected Deputy Henry Pollard as the Chair of the IWG and endorsed the Terms of Reference as set out at **Appendix 1**. The BHE Board is now asked to approve the Terms of Reference of the IWG.

3. As outlined in the Terms of Reference, the IWG will proceed with making recommendations to the BHE Board on the future management of the charity's investment portfolio, including recommendations on the revision of the charity's Investment Strategy Statement and investment objectives, and on the governance arrangements for the BHE Board in relation to the charity's finance and investment functions.
4. Following their initial meeting, the IWG recommend that the BHE Board note the proposed direction of travel in developing the revised ISS for the charity, with key points of principle being:
 - a. To adopt the power to take a total return accounting approach to investment of the permanently endowment fund so enabling the trustee to invest for the best overall return whether it is income or capital gain (rather than being required to balance capital growth and income return); and to decide what portion of that overall return to spend in a particular year on the charity's purposes.
 - b. For the revised ISS to be more responsible in approach, with a focus on impactful and catalytic investments.
5. Officers have connected with the Impact Investing Institute and are discussing ways to collaborate and share knowledge with other similar charities who have taken a similar approach with their investments. BHE will be represented at the Finance for Impact Summit, being held at Mansion House on 18 July 2022¹, by the BHE & Charities Finance Director and the BHE Chief Operating Officer.

Conclusion

6. The BHE Board are asked to note the progress of the establishment of the BHE IWG and are recommended to approve the proposed Terms of Reference for the group as set out at Appendix 1, alongside noting the proposed direction of travel for the revised ISS.

Appendices

- Appendix 1 – BHE Investments Working Group Terms of Reference

Karen Atkinson

BHE & Charities Finance Director

E: karen.atkinson@cityoflondon.gov.uk

Milly Ehren

BHE Head of Strategy & Governance

E: amelia.ehren@cityoflondon.gov.uk

¹ <https://www.theglobalcity.uk/finance-for-impact>

Appendix 1 - Terms of Reference for the Bridge Houses Estates Investments Working Group

1. Purpose

The Bridge House Estates Investments Working Group (BHE IWG) is an informal Member and officer body, with responsibility for reviewing and making recommendations to the BHE Board on the future management of the charity's investment portfolio and related financial and investment governance arrangements.²

The BHE IWG will:

- 1.1 Oversee the review and update of the charity's Investment Strategy Statement (ISS), considering matters such as guiding principles, investment objectives, return requirements, risk appetite, asset allocation, responsible investment, reporting & monitoring and regulatory requirements.
- 1.2 Ensure alignment with any BHE strategies, including the *Bridging London* strategy, *Climate Action* strategy and the *Bridging Divides* funding strategy.
- 1.3 Consider the implications and make recommendations relating to the adoption of total return accounting for "Total Return Accounting for Permanent Endowed Charities" and the required policies in relation to this.
- 1.4 Review and make recommendations to the BHE Board in respect of BHE's investment strategy, its reserves position, its underlying asset position, and governance matters relating to the interplay of the charity's financial and investment Board functions and any other related matters which it feels appropriate.
- 1.5 Ensure all work is anchored in the Charity Commission's guidance on good governance.
- 1.6 Deliver formal recommendations to the BHE Board relating to investment strategy, approach and governance no later than 31st March 2023.

2. Membership

Name	Job Title
Deputy Henry Pollard (Chair)	Member
Alderman and Sheriff Alison Gowman	Member
Deputy Henry Colthurst	Member
Karen Atkinson	BHE & Charities Finance Director
Simon Latham	Chief Operating Officer
Julia Megone	Charity Accountant
Hikmot Ademosu (Secretariat)	Project Officer
Amelia Ehren (Secretariat)	Head of Strategy and Governance

- 2.1 Other relevant officers, or external experts, will be invited to the meeting as and when required.

3. Decisions

² This covers property, financial and social investments.

3.1 The group will make recommendations to the BHE Board to consider, in respect of its role as acting for the City Corporation as the corporate trustee of BHE.

4. Duration and timings

4.1 IWG meetings will take place in person or remotely every 4-6 weeks, or as required until 31 March 2023, and shall aim to last no more than 90 minutes.

5. Documentation

5.1 Agendas, and any additional documentation, will be produced and circulated to the group one week in advance of the meeting by the Secretariat.

5.2 Minutes and an action and decisions log will be captured at each meeting and circulated within one week of the meeting by the Secretariat.

6. Review of Terms of Reference

6.1 BHE Board will review the future of the BHE IWG no later than 31 March 2023, in the light of its recommendations.

End of document

Endorsed by the BHE Investment Working Group: 8 June 2022

Agreed by: The Bridge House Estates Board [insert date]

Compiled by: Hikmot Ademosu, BHE Project Officer