

<b>Committee(s):</b> Epping Forest and Commons Committee  Hampstead Heath, Highgate Wood and Queens Park Committees  Open Spaces and City Gardens Committee  West Ham Park Committee	<b>Dated:</b>  <b>12/09/2022</b>  <b>05/10/2022</b>  <b>06/10/2022</b>  <b>For information</b>
<b>Subject: Natural Environment Charity Review Report</b>	<b>Public</b>
<b>Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?</b>	<b>4, 5, 8 and 12</b>
<b>Does this proposal require extra revenue and/or capital spending?</b>	<b>N/A</b>
<b>If so, how much?</b>	<b>£</b>
<b>What is the source of Funding?</b>	
<b>Has this Funding Source been agreed with the Chamberlain's Department?</b>	<b>N/A</b>
<b>Report of: Juliemma McLoughlin, Executive Director, Environment Department</b>	<b>For Information</b>
<b>Report author: Sally Agass Director of Natural Environment</b>	

### **Summary**

The Natural Environment Division of the Environment Department owns nine open spaces outside the boundaries of the City of London and manages the nine charities associated with these Open Spaces, the governance of which is via five Grand Committees. The Corporation as the sole trustee of all the charities and has a duty to act in the best interest of the charity and to ensure that each charity is compliant with the Charity Commission requirements for fiscal, governance and statutory duties.

In order to ensure ongoing compliance, the report details the actions to be taken to ensure that our charities are fit for purpose to meet the changing environment in which we operate. It is the first of a series of reports that will be brought to this committee as the review progresses.

## **Recommendation(s)**

Members are asked to:

- Note the information and charity review actions and timescales detailed in this report

## **Main Report**

### **Background**

#### **Corporate Charity Review**

In July 2019, the City Corporation resolved that a comprehensive Corporate Charities Review (CC Review) should be undertaken, building on recommendations from previous corporate Charity Reviews to ensure that each charity within scope of the Review was, and continues to be, well managed and governed, and achieves maximum impact for its beneficiaries. In so doing the CC Review is drawing upon the experience and learning of the separate Bridge House Estates (BHE) Governance Review.

The CC Review project involved reviewing each charity's own governance e.g., whether changes are required to a charity's governing document to modernise it or bring it up to date, whether the charity should be rationalised/closed, or whether changes could be made to the delivery of the charity's activities so that it operates more effectively and generates maximum impact from those charitable funds.

The Natural Environment Charities are in scope of the CC Review but the CC Review concluded that the legal and governance framework for the 10 Open Spaces charities is complex and any substantive review of and potential associated changes to the Open Spaces charities' governing documents would be both costly and time-consuming, largely because the majority of the Open Spaces charities are governed by statute. Any substantive change to the charities' governing documents would therefore require separate consideration as with Bridge House Estates or the Markets. A decision would need to be taken in each charities' best interests having regard to a legal imperative for changes, and whether the changes can be justified as being required for each charity's effective administration having regard to the costs, resources required, and wider factors such as the need for statutory changes and all that entails.

The CC Review reported to the Environment Department in November 2021 that work relating to operational, management, internal City Corporation governance, and associated legal and regulatory compliance affecting the Natural Environment charities should be encompassed within the Corporate Governance Review and the implementation of the Target Operating Model (TOM). The CC Review therefore sought to enhance those outcomes by contributing relevant advice and recommendations which reflected the requirements of charity law, charity good practice and governance. The CC Review recommendations for the charities

included in the reporting were intended to be cognisant of other ongoing corporate reviews such as the Corporate Governance Review, the Fundamental Review and the TOM.

### **CC Review and the Natural Environment Division**

The CC Review Team is supporting the Natural Environment division to plan and implement the divisional charity review, building on the successful charitable review of Bridge House Estates, and the wider work of the CC Review. This draft work sets out the approach and actions to be taken and identifies the four key areas under review and the tasks/actions and resources anticipated to be required to achieve compliance and best value over the next five years. No doubt gaps and additions will be added as we progress, but this is stage 1 of an important process.

### **Current Position**

To date the following areas and key tasks have been shared with the Corporate Charity Review and agreed:

1. Governance
2. Strategic
3. Operations – Finance
4. Operations - Resourcing

The table 1 below illustrates the detailed actions that need to be completed.

<b>Key Areas</b>	<b>Tasks/Actions</b>
Governance	Review the governing documents and make recommendations for the governance for each charity to ensure fit for purpose taking account of Charity Act 2011, Open Spaces Act and Epping Forest Act. Take through Charity Commission process
	Examine regulatory compliance of Corporation acting as sole Charitable Trustee
	Review and make recommendations renumber of charities and opportunities, possible mergers – review governance documents for express power to merge
	Research alternative governance arrangements
	Consider applying to Charity Commission for Uniting Order if mergers considered inappropriate for whatever reason
	Review and make recommendations for Buffer Land and rights to develop, clarify status of buffer lands
	Committee structure – consider the number and membership of the committees
	Reflect the Terms of Reference to include Charitable status obligations and reflect strategic role of Open Spaces & City Gardens
	Examine policy of Conflicts of Interest both within and across the various charities, the committees that service the charities

	Register with Land Registry those open spaces not currently registered
	Options for creating trading companies per charity
	Recommendations re Delegated Authorities
	Examine legal framework for additional purchases of additional land
	Legal duties of Charity Members/ observers to ensure regulatory compliance and accountability
	Provision of training for Members re Charitable duties and responsibilities including understand Member Insurance cover
	Development of best practice policies
	Consistent approach to reporting KPI's and evaluating outcomes against the Charitable objectives to committee
Strategic	Marketing and Branding development plan to identify the 'story' of Natural Environment through its strategies
	Further develop the five draft strategies and take through adoption committees
	Consultation with stakeholders affected
	Consider further strategies in line with corporate strategies and the needs of the open spaces
	Research strategic work undertaken by comparable organisations
	Cost benefit analysis of proposed strategies
Operational Finance	Research and develop models of funding
	Develop Charity Income Strategy
	Develop committee reporting process, timings and formats for reporting each charity actual against budget
	Undertake Review and make recommendations for revenue deficit funding model
	Develop internal SLA's for expenditure
	Agree principles and policy of carry forward for no donation/legacy
	Provide training for staff on finance for non-finance managers and on new/existing systems for reporting and monitoring budgets
	Establish principles of reinvestment of capital receipts
	Agree values and deliverable of internal service level agreements
	Revise programme and presentation of financial information to Committees
	Continue risk management new reporting and classification of risks
	Review and make recommendations for Reserves Policy
	Ensure compliance of Charitable Income Strategy with Corporate Finance Policies and procedures and due diligence tests applied to capital bidding process
	Quantify Social Value elements of service provision
Operational Resourcing	Prepare phase two TOM report including shared services to achieve efficiency and take through Operational Strategy Group
	Establish principle of creating efficiency through the use of IT. Prepare costs of proposals

	Prepare in partnership with AD's the JD's and PS ensuring consistency
	Consult with staff and Trade Unions
	Develop a volunteer/secondment strategy to encourage local commitment to the charity in line with achieving efficiency and service improvement
	Operational Framework to develop a staff development pathway and training programme to ensure minimise staff turnover
	Establish % ratio of operational costs v furthering the activities and objects of charity
	Review and make recommendation for each Charity recharge to corporate for services provided

Table 1

## Timeline

There is no quick fix to the completion of this review, and it is anticipated that 18mths to 2 years will be needed to complete and start the implementation.

Regular reports on progress will be brought back to each charity committee. This will enable Members to monitor progress against a timeline which is being compiled per action and will be reported to committee.

## Support for the process

A project team has been put together under the leadership of the Director of Natural Environment and includes a dedicated charity finance manager, a dedicated HR person soon to join the team for the Operational Resourcing which will deliver the Phase 2, Target Operating Model (TOM), a specialist charity governance advisor has taken up post and will be working with support from City Solicitor's department.

Overall, the process is supported by the Corporate Charity Group as their lessons learn in delivering the changes at the Bridge House Estates and other Corporation Charities is invaluable. The strategic element is being supported by the Natural Environment Assistant Directors who have each adopted a strategy.

## Progress to date

- 1. Governance** - the first major task has been the review of all the governing documents, the statutes and the Acts relating to open spaces as the legislation determines how we frame the revised Terms of Reference for each committee. The first draft of the Terms of Reference for the Open Spaces and City Gardens Committee is with legal to review to ensure compliance with the Corporation governing documents, the legal acts and statutes. The draft Terms of Reference will be reported to the Open Spaces and City Gardens Committee in October 2022 subject to legal agreement. The report will then be amended, if necessary to take account of the individual circumstances per charity and reported to those committees.

It should be noted that whilst each action is listed separately there is considerable overlap between the elements within each of the four sections as well as overlap between the four sections. Therefore, progress on one significant element does mean steps are underway in other areas as well.

## **2. Strategic**

The five strategies:

- Conservation and Nature Resilience
- Visitor, sport and leisure
- Community
- Charity Income
- Education and Learning

that were considered at the Natural Environment Away Day have all been further developed in response to feedback and will be presented to the October 2022 Open Spaces and City Gardens Committee and then on to each Committee.

One change has been the Visitor Strategy now includes Sport and Leisure and consideration is being given to how to include our heritage assets.

## **3. Operational Finance**

A working group including Chamberlains, Corporate Charity Group and the Bridge House Trust is being set up to examine the options to make changes going forward. This has to include the use of capital receipts currently placed on deposit as endowment funds, the use of deficit funding taking account of the ability or otherwise of each individual charity to raise income.

The guiding principle is that the Trustee, the Corporation must act in the best interests of the Charity. As soon as the options are identified a full report will come back to each charity.

## **4. Operation Resourcing**

Good progress has been made on the Phase 2 TOM proposed structures which have been shared informally with the Chairs and are currently being refined by the Assistant Directors. The Assistant Director, Business Services has been appointed to project manage the process which is outlined as follows:

- The draft communication plan includes a video recording for all staff from the Executive Director, a staff comments inbox, posters with FAQs will be sent to the sites regularly, this process will start at the beginning of September 2022 when the majority of staff will be back from leave. Note this is not the formal consultation stage but an opportunity for staff and unions to be kept informed of progress.
- The proposed structures will go before a, to be arranged, Design Principles Panel to ensure compliance with the design principles established and complied with at Phase 1 TOM. Note- the Commons

structure was agreed as part of Phase 1 TOM which means that as far as is practicable, taking account of the differences between our charities, the remaining subdivisions will seek to be consistent across the Natural Environment Division.

- The report will go to the Corporate Services Committee (previously known as Establishment) in December 2022
- The proposed structure will be shared with staff in January 2023 which will be the start of the formal consultation stage and will include the unions.

Until then vacancies will continue to be filled on a FTC basis

## **Options and proposals**

The recommended course of action is for the charity review to progress in order to ensure that each charity has the right resources to deliver the objects of the charities and strategies and is financially enabled to do.

## **Key Data**

Not relevant at this stage but will be reported on as appropriate for each section of the Charity Review

## **Corporate & Strategic Implications**

Strategic implications – Explain and provide assurance about how this proposal aligns with and will support the delivery of the Corporate Plan, any relevant corporate strategies and any relevant regional / national policies / international agreements.

Financial implications

Resource implications

Legal implications

Risk implications

Equalities implications –

Climate implications

Security implications

All of the above will be addressed as the review progresses and will be reported on going forward

## **Conclusion**

This Charity Review is a complex and challenging piece of work that is essential to ensure compliance of the Trustee to the Charity Regulations and the various Acts and Statutes that apply. This review is long overdue and as underway will address

long standing problems and issues the end result of which will be a Natural Environment division of the Environment Department that will address the modern challenges faced by the open spaces

### **Appendices**

None

### **Background Papers**

None

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