

Committee: Bridge House Estates Board	Date: 13 September 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 July 2022 and outlines upcoming activities for the Board to note.

Specifically, the report provides updates on: ongoing visitor attraction and maintenance activities at Tower Bridge; City Bridge Trust (CBT), including recruitment of the Chief Funding Director and Cost-of-Living Crisis response, programme updates in respect of LocalMotion, Anchor Programme, Alliance Partnerships, Bridge Programme and wider philanthropy; governance and strategy updates regarding the Board's Strategic Away Half-Day, BHE Operating Model and Charity Commission Guidance; a Communications update covering the new website and brand project; Finance updates in respect of external audit, cashflow, business planning and budgeting, and the Investments Working Group, plus an update on financial investments. There are two appendices provided in the non-public section of the agenda, providing an update on Bridge security matters, and the quarterly monitoring report of investment consultants Mercer, for information.

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) Note the contents of the report, including the non-public appendices at Item 15; and,
- ii) Agree that the BHE Annual Report and Financial Statements 2021/22 be referred to the Audit & Risk Management Committee (ARM) for review and recommendation to the BHE Board for approval.

Main Report

Bridge Updates

1. Bridge Maintenance - 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. As part of the City Corporation's review of all capital projects to assess the impact of inflation and other cost pressures, major projects on the Bridges are being considered and any impacts will be reported back to the Board in due course.

2. Bridge Security - An update on Bridge security matters is provided in a non-public appendix at Item 15 of today's agenda.
3. Tower Bridge – The major High Voltage System Replacement Project, which commenced in December 2021, continues and is due for completion in January 2023. Various other works are progressing including the full condition survey of all areas of the Bridge, and a report for approval to deliver the first phase of working at heights improvements is presented to this committee. The six-monthly review of the works contained in the 50 Year Maintenance Plan, with the next five years held within the BHE Bridge Repairs Designated Fund, will be held in September with all internal departments providing services to Tower Bridge.
4. This summer, Tower Bridge commissioned artist Melissa Scott-Miller to paint the iconic views of London from Tower Bridge's West Walkway. Visitors to Tower Bridge have been able to watch her work, and families have taken part in art-themed activities throughout the summer. Melissa has also worked with City Bridge Trust grantee Arts Network, a community arts charity for adults with mental health support needs, to run Tower Bridge themed art workshops. Three of Melissa's completed pieces will be auctioned by Bonhams in the Modern British Sale on 2 November 2022 with the proceeds going to Arts Network.
5. Tower Bridge continues to perform better than expected with visitor figures at 124% of target year to date, rebounding from the effects of the pandemic quite positively. Retail and events streams of income are doing exceptionally well and are indicative of robust growth and optimistic customer sentiment. However, business levels are still at 60% of pre-pandemic figures (particularly looking at visitor numbers).

Funding Updates

6. Chief Funding Director – An extensive recruitment campaign was initiated in June 2022 for the appointment of the Chief Funding Director. Following first stage interviews and assessments, the final interview panels will take place on 23 September 2022. The final panel will include the Chair of the Grants Committee, the Managing Director of BHE, an external peer from a London Foundation, and a senior representative from HR. The outcome of the recruitment campaign will be reported to the Board in the coming weeks, including an analysis of the process from a DEI perspective.
7. Cost-of-living Crisis and the Charitable Sector - Officers are working with sector partners to develop a cost-of-living proposal to the Grants Committee later in the month. The Board will be aware that UK households are experiencing the sharpest drop in living standards since records began in 1956. Inflation, already high (10.1%, August 2022, ONS), is due to rise further, with the Bank of England expecting 13% by year end and Goldman Sachs forecasting that it may be 22% in January 2023.
8. Regular pay growth of 4.7% (ONS, June 2022) and the 3.1% increase in benefits in Spring 2022 means an increasing gap between incomes and prices, leading to a cost-of-living crisis. The most vulnerable are being hit worst by the crisis because inflation in energy and food prices is especially high, and poorer households spend a greater proportionate share of income on these items. The Institute for Fiscal

Studies has calculated that August's 10.1% inflation rate materialised as an actual rate of 18% for the poorest households.

9. High inflation comes at a time of economic vulnerability for many households, with almost 20% of UK adults holding less than £100 in savings. Data from Citizens Advice, YouGov and others shows rising demand for debt and advice support, more households voluntarily 'self-disconnecting' and living for days without heat, power, or hot water to manage costs, people in payment arrears to their energy provider, even before the fuel-intensive winter months arrive, and people reducing food purchases or missing meals despite being hungry. There is evidence of growing reliance on unsecured credit to cover essential living costs. Research from the Joseph Rowntree Foundation highlights particularly increased poverty risks for disabled people or families with a disabled family member and for lone-parent families.
10. Advice, food, and credit have been the earliest indicators of the current crisis, but City Bridge Trust (CBT) expect to see consequences across a wider range of social issues including domestic violence and mental health. There are concerns across CBT's funded caseload of pressures on staff to meet increased demand, at a time when organisational income is highly stressed, and how this will risk burnout amongst staff already stretched by the impact of the pandemic.
11. As a result of these cost pressures, CBT expect that charities will continue to face rapidly rising demand for services and a squeeze on the inputs that enable them to deliver these services. Inflation will erode the value of existing grants and contracts as well as increasing the costs of service delivery. The sector started this economic downturn in a weak position with depleted reserves from Covid-19. A Charity Commission survey in October 2021 found that two-thirds of organisations expected a threat to their own viability in 2022.
12. On 5 September, the new Prime Minister will be announced, from which point officers expect to receive further clarity on Government's proposed support measures. Officers will report details of CBT's work at the BHE Board November meeting and can circulate a copy of the September Grants Committee proposal once published.
13. 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. The official website launched in July. CBT will provide Bridge Programme support to core group members of the LocalMotion place based in London (Enfield). This will include access to non-monetary capacity building support such as business planning, fundraising support, and access to learning resources.
14. Anchor Programme - The Anchor Programme is a £20m CBT grant programme to provide long-term core grants to London's voluntary and community sector anchor organisations working to deliver systemic change. The Social Innovation Partnership (TSIP) have been appointed as a learning partner to the programme, over the next two years.

15. Alliance Partnerships - On 6th July, the Racial Justice Fund and Disability Justice Fund launched. These are CBT collaborations with Trust for London distributing a total of £7m in the Capital.
16. Levelling Up Report - On 29 June 2022, Centre for London released phase one of its [Levelling Up Report](#), which was funded by both CBT and the City of London Corporation. The launch event was attended by Alderman and Sheriff Alison Gowman, alongside BHE officers.
17. Bridge Programme - CBT's "Funder Plus" offer, The Bridge Programme, connects CBT grant funded organisations with a range of free, non-financial support to help address a specific issue, whilst enhancing their capacity, resilience, and longer-term stability. The current pilot has been extended by six months to 30 September 2022, to 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 direction for the programme and an update paper is planned for the September Grants Committee.
18. CBT Learning Visits - Thank you to Members and Co-opted Members of the BHE Grants Committee who have contributed time and feedback to a trial of Learning Visits with CBT funded organisations between March and July. Feedback included:

"Visits [...allow] us to understand how some of the macro changes happening around us are impacting the work of organisations in specific sectors."
Co-opted Member of the BHE Grants Committee

"Julia Mirkin has always worked hard to establish a balanced relationship with us and we have a good solid, mutually respectful relationship. This visit was no different. This type of relationship engenders trust, honesty and collaborative working. This is a lesson for other funders."
Funded Organisation
19. The learning has informed a new approach, which will be implemented by the Impact and Learning team. Officers believe the new approach will create useful learning for all stakeholders, support trusting relationships, help the ongoing journey to balance power between CBT and funded organisations, bring intangible benefits of funding to life, and enable CBT to role model for other funders.
20. In September, Members of the BHE Board and the Grants Committee (including co-opted Members) will be asked to complete a short survey with their availability, areas of interest and skills to share. Officers will use this to match them to a suitable learning visit from November onward, with pre-visit briefings and debriefs for those participating.
21. Philanthropy - As part of BHE efforts to raise the quality and scale of giving through its Joint Philanthropy Strategy, CBT have seconded a senior Funding Manager to serve as CEO for the Wembley National Stadium Trust (WNST) over a number of years, drawing on their longstanding experience within CBT. WNST distributes funding received from Wembley National Stadium Ltd to support community sports activities. WNST income was severely affected by the closure of the stadium during

the pandemic but, with a return to activity in recent months, new grants are now being made albeit initially on a limited scale. A new [website](#) has been launched accordingly.

22. Many CBT alumni also form part of the Central Grants Unit which is doing excellent work to support greater consistency, rigour and impact in funding activities taking place across the City Corporation.

Governance and Strategy Updates

23. BHE Board Strategic Away Half-Day – The BHE Board’s Strategic Away Half-Day for 2022 will be held on the afternoon of Monday 24 October, at Tower Bridge. Officers are currently liaising with the Chair and Deputy to Chair to plan the session, which is likely to focus on the branding work and work on the Investment Strategy. A final agenda and timings will be confirmed as soon as possible, and any pre-reading will be circulated in advance of the meeting. Travel from Guildhall can also be arranged for Members.
24. BHE Operating Model – Following the completion of Phase 1 of the BHE Target Operating Model (TOM) process, which focused on establishing a new Leadership Team for the charity, Phase 2 has been initiated to assess the wider resourcing needs of the charity. The process will help ensure that BHE has the appropriate resources to deliver its strategies and plans in the best interests of the charity, whilst operating as efficiently and effectively as possible. Whilst the BHE & Charities Finance Team has now completed its Phase 2 restructure, subject to recruitment (see paragraph 25 below), a phased approach may be required for other teams. However, it is currently anticipated that initial proposals will be presented to the BHE Board for consideration and approval in November 2022, with an aim to implement changes by the end of the financial year.
25. Following the Board’s approval in April 2022 for the new BHE & Charities Finance Team structure, the consultation period for the team concluded in July, and subsequently the team has now formally moved to be within the BHE Institution. Several appointments have now been confirmed, with Julia Megone formally appointed as Charities Technical & Strategic Finance Manager, and Nathan Omane and Helen Martins appointed as the Head of Finance and Business Partner: Funding, Philanthropy & Communications respectively following an internal recruitment exercise. The remaining 4.6FTE vacant roles will be advertised externally during September. As a result, the team currently has 3 Interims in place, with some duties relating to the Bridges continuing to be covered by the Financial Services Division within the Chamberlain’s Department until appointments have been made.
26. Charity Commission Guidance – As reported to the BHE Board earlier in the year, the new Charities Act 2022 will be introduced in the autumn this year. Whilst this information is relevant for the Board to know, it should be noted that many of the provisions in the Act apply differently to BHE due to the powers granted within the new Supplemental Royal Charter. Further details can be accessed on the Charity Commission website [here](#).

Communications Updates

27. Website Update - The new BHE website is moving at pace and has moved into build stage, with an initial design of the homepage having been delivered and navigation almost finalised. The new homepage includes clear links to available funding (main call to action), BHE's work and impact, and non-financial support offering, a spotlight feature and latest BHE news, events and jobs. A third, penultimate round of testing with end users has been undertaken, with a final round of user-testing to begin in early September.
28. Brand Project Update - The Brand Positioning Working Group has been confirmed, with colleagues attending from across the organisation. The BHE Board and Grants Committee Members and officers have been invited to a recap session on Wednesday 14 September. This will be recorded and circulated to those unable to attend. Workshop dates have also been finalised and arranged for:
- a. Brand Positioning Workshop: Monday 19 September, 11:30 – 13:30
 - b. Brand Identity Workshop: Wednesday 12 October, 09:30 – 11:30
29. The outcomes of the Brand Positioning progress and research will then be presented at the Board's Strategic Away Half-Day in October for discussion.

Finance Updates

30. External Audit - Crowe have been appointed as external auditor for BHE, City's Cash and the Natural Environment Charities/Sundry Trusts. Audit work on BHE financial activities has progressed well and is now substantially complete. To enable efficiencies to be achieved, where possible the audit of cross City Corporation activities - such as payroll, pensions and investments - is being undertaken the once, on behalf of all entities under audit. Significant work on these areas remains incomplete, with delays occurring due to capacity issues within the City Corporation.
31. For the audit work to be concluded satisfactorily and to enable Crowe to issue their audit opinion, it is recommended that the BHE Annual Report and Financial Statements 2021/22 be referred to the November 2022 Audit & Risk Management Committee (ARM) for review and recommendation to the BHE Board for approval. A draft copy of the Annual Report will be circulated to BHE Board Members ahead of ARM alongside the opportunity for Members to join a briefing session (which will be open to all Members, including those on this Board) on Monday 14 November at 10:30 – 11:30 (*further details will be circulated to all Members closer to the date*).
32. Cashflow - During 2021/22, the BHE & Charities Finance Team introduced regular cashflow reporting across all activities of BHE, with the aim of minimising the levels of cash held by the charity outside of BHE investments. In the final week of August, officers instructed the Treasury Team to liquidate £20m from one of the charity's fund managers, with that cash now required for our operations across the next few months. It is expected that a further £95m will be liquidated across this financial year, based upon latest forecasts provided by budget holders.

33. Investment Working Group (IWG) Update - Over the summer significant work has been undertaken within the Chief Operating Officer (COO) and Finance Directorates, planning for a workshop to be held in late September with the IWG alongside other key officers within the City Corporation. BHE have developed strong links with the Impact Investing Institute over this period, plus have worked collaboratively with several other charities who are at various stages of their journeys towards more impactful investing.
34. Business Planning & Budgeting (2023/24) - Work has commenced on business planning and budgeting for next year, with the COO/Finance Directorates working together to make this a joined-up activity for BHE. Whilst officers are working within the central timetable issued by the City Corporation for its other Funds, experience gained from previous years will be drawn upon, with the use of zero-based budgeting for the charity's financial plans. It should be noted that Phase 2 of the TOM for BHE will impact on these financial plans, which will be presented to the BHE Board in February 2023.

Investment Portfolio Updates

35. Financial Investments - The market value of the BHE financial investments portfolio as at 30 June 2022 (the latest information available) is estimated to be £839m, which represents a decrease of £50m from the position as at 31 March 2022 (as reported at the Board's July meeting). The change in value over the quarter is largely driven by a decline in asset prices across financial markets, although £4.2m reflects cash distributions from the alternative assets' portfolio. The last quarter has been a challenging investment environment characterised by sharp increases in inflation and commodity prices, changing interest rate expectations and the continuing Russian/Ukraine war.
36. 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. 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 30 June 2022, the annualised absolute return of the portfolio over the past 12 months, 3 years and 5 years is - 2.9%, +5.9% and 5.4% respectively. Since the last Board meeting, the Fund's investment in the Wellington Global total Return I(KY) fund has been transferred to its sister fund, the Global Total Return Fund – GBP T Share Class Accumulation Hedged, based in Luxembourg. Mercer's quarterly investment report is attached as Appendix 2 at Item 15 of today's agenda.
37. Social Investments: return on the charity's social investment commitments continue to be around 3.1% with a valuation of £8.6m. No new considerations are underway until such time as the charity has agreed a new social impact investment plan. Active social investment commitments are divided almost 60:40 between property and fixed income loans. The social impact themes currently supported include homelessness, domestic violence, young carers, LGBTQ+ migrants, and adults with learning disabilities. Since the last meeting of the BHE Board there has

been progress with two investments which have underperformed in recent years which officers can speak to in the meeting.

38. Property Investments – There are several reports on the agenda today which provide further information on BHE's property investment portfolio.

Conclusion

39. This report provides a high-level summary of activities across the whole charity's operations and activities since the Board last met in July 2022. The Board is 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 in this report can be provided to the Board either orally at the meeting, as a written circulation in advance, or as a follow-up action from the meeting.

Appendices

- Appendix 1 (Non-Public) – Update on Bridge Security Matters
- Appendix 2 (Non-Public) – Quarterly Monitoring Report of Mercer

David Farnsworth

Managing Director of Bridge House Estates

E: David.Farnsworth@cityoflondon.gov.uk