



Finance Committee

Date: TUESDAY, 23 SEPTEMBER 2014

Time: 1.45 pm

Venue: COMMITTEE ROOM - 2ND FLOOR WEST WING, GUILDHALL

Members:

Roger Chadwick (Chairman)	Deputy Robert Howard
Jeremy Mayhew (Deputy Chairman)	Wendy Hyde
George Abrahams	Jamie Ingham Clark
Randall Anderson	Clare James
Deputy John Barker	Alderman Vincent Keaveny
Nicholas Bensted-Smith	Deputy Alastair King
Christopher Boden	Gregory Lawrence
Alderman Charles Bowman	Oliver Lodge
Nigel Challis	Robert Merrett
Deputy John Chapman	Deputy Henry Pollard
Simon Duckworth	John Scott
Deputy Anthony Eskenzi	Ian Seaton
John Fletcher	Sir Michael Snyder
Stuart Fraser	David Thompson
Lucy Frew	Deputy John Tomlinson
Alderman John Garbutt	Philip Woodhouse
Brian Harris	Deputy Douglas Barrow (Ex-Officio Member)
Alderman Peter Hewitt	Mark Boleat (Ex-Officio Member)
Tom Hoffman	Deputy Michael Cassidy (Ex-Officio Member)

Enquiries: Chris Braithwaite
tel. no.: 020 7332 1427
christopher.braithwaite@cityoflondon.gov.uk

Lunch will be served in Guildhall Club at 1PM

John Barradell
Town Clerk and Chief Executive

AGENDA

Part 1 - Public Agenda

1. **APOLOGIES**
2. **MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA**
3. **MINUTES OF THE PREVIOUS MEETING**
To agree the public minutes and non-public summary of the meeting held on 22 July 2014.

For Decision
(Pages 1 - 8)
4. **OUTSTANDING ACTIONS FROM PREVIOUS MEETINGS**
Report of the Town Clerk.

For Information
(Pages 9 - 10)
5. **REQUEST FOR DELEGATED AUTHORITY FOR PROCUREMENT OF CENTRAL LONDON FORWARD EMPLOYABILITY PILOT**
Report of the Director of Economic Development.

For Decision
(Pages 11 - 18)
6. **REVENUE BUDGET MONITORING TO AUGUST 2014**
Report of the Chamberlain.

For Information
(Pages 19 - 24)
7. **RISK MANAGEMENT STRATEGY**
Report of the Chamberlain.

For Information
(Pages 25 - 58)
8. **CHAMBERLAIN'S DEPARTMENT BUSINESS PLAN PROGRESS REPORT**
Report of the Chamberlain.

For Information
(Pages 59 - 74)

9. **LOCAL GOVERNMENT FINANCE SETTLEMENT 2015/16 TECHNICAL CONSULTATION AND BUSINESS RATES POOLING PROSPECTUS**
Report of the Chamberlain.

For Information
(Pages 75 - 78)

10. **CAPITAL AND SUPPLEMENTARY REVENUE PROJECTS - 2013/14 OUTTURN AND PRUDENTIAL INDICATORS**
Report of the Chamberlain.

For Information
(Pages 79 - 84)

11. **CITY PROCUREMENT UPDATE**
Report of the Chamberlain.

For Information
(Pages 85 - 100)

12. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**

13. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**

14. **EXCLUSION OF THE PUBLIC**

MOTION - That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items on the grounds that they involve the likely disclosure of exempt information as defined in Part I of Schedule 12A of the Local Government Act.

For Decision

Part 2 - Non-Public Agenda

15. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**
To agree the non-public minutes of the meeting held on 22 July 2014.

For Decision
(Pages 101 - 106)

16. **OUTSTANDING ACTIONS FROM PREVIOUS MEETINGS - NON-PUBLIC ACTIONS**
Report of the Town Clerk.

For Information
(Pages 107 - 108)

17. **FORMER TENANTS RENT ETC ARREARS WRITE OFFS**
Joint report of the Comptroller and City Solicitor and the City Surveyor.

For Decision
(Pages 109 - 114)
18. **ADMITTED BODY STATUS AND THE CITY'S LOCAL GOVERNMENT PENSION SCHEME - GUILDHALL CLUB AND THE COOK & THE BUTLER EVENT CO. LTD.**
Report of the Chamberlain.

For Decision
(Pages 115 - 118)
19. **BARBICAN CENTRE CAPITAL CAP PROGRAMME - ANNUAL REPORT (2014)**
Report of the Managing Director, Barbican Centre.

For Decision
(Pages 119 - 138)
20. **CITY'S ESTATE - LETTING REPORT - SHOP LEASE VARIATION AT 124 NEW BOND STREET & OFFICE LEASE VARIATION AT 124 NEW BOND STREET**
Report of the City Surveyor.

For Decision
(Pages 139 - 154)
21. **REQUEST FOR DONATION TO BE MADE THE BRITISH RED CROSS AND DECISIONS TAKEN UNDER DELEGATED AUTHORITY OR URGENCY SINCE THE LAST MEETING OF THE COMMITTEE**
Report of the Town Clerk.

For Decision
(Pages 155 - 160)
22. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
23. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**

FINANCE COMMITTEE

Tuesday, 22 July 2014

Minutes of the meeting of the Finance Committee held at Guildhall, EC2 on Tuesday, 22 July 2014 at 1.45 pm

Present

Members:

Roger Chadwick (Chairman)	Wendy Hyde
Jeremy Mayhew (Deputy Chairman)	Jamie Ingham Clark
Randall Anderson	Clare James
Christopher Boden	Alderman Vincent Keaveny
Alderman Charles Bowman	Deputy Alastair King
Nigel Challis	Robert Merrett
Deputy John Chapman	John Scott
Stuart Fraser	Ian Seaton
Lucy Frew	Sir Michael Snyder
Alderman John Garbutt	Deputy John Tomlinson
Alderman Peter Hewitt	Philip Woodhouse
Tom Hoffman	Mark Boleat (Ex-Officio Member)
Deputy Robert Howard	

Officers:

Simon Murrells	Assistant Town Clerk
Christopher Braithwaite	Town Clerk's Department
Saimah Tahir	Town Clerk's Department
Peter Kane	Chamberlain
Caroline Al-Beyerty	Chamberlain's Department
Chris Anderson	Chamberlain's Department
Christopher Bell	Chamberlain's Department
Kate Limna	Chamberlain's Department
Steve Telling	Chamberlain's Department
Michael Cogher	Comptroller and City Solicitor
Peter Bennett	City Surveyor
Paul Monaghan	Department of the Built Environment
Nick Bodger	Culture, Heritage and Libraries Department

1. APOLOGIES

Apologies were received from George Abrahams, Deputy John Barker, Doug Barrow, Nicholas Bensted-Smith, Gregory Lawrence, Oliver Lodge, Deputy Henry Pollard and David Thomson.

2. MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA

No declarations of interest were made.

3. **MINUTES OF THE PREVIOUS MEETING**

RESOLVED – That the public minutes and non-public summary of the meeting held on 25 June 2014 be approved as an accurate record.

4. **OUTSTANDING ACTIONS FROM PREVIOUS MEETINGS**

The Committee considered the report of the Town Clerk which provided updates on Outstanding Actions from previous meetings of the Committee.

RESOLVED – That the Committee notes the report.

5. **MINUTES OF THE CORPORATE ASSET SUB-COMMITTEE**

RESOLVED – That the public minutes and non-public summary of the Corporate Assets Sub-Committee meeting held on 3 June 2014 be noted.

6. **MINUTES OF THE INFORMATION SYSTEMS SUB-COMMITTEE**

The Chamberlain reported that the Oracle project referred to within item 4 of the minutes of the Information Systems Sub-Committee was now rated as a red risk due to an increase in the costs of the project and delay in its completion.

RESOLVED – That the public minutes and non-public summary of the Information Systems Sub-Committee meeting held on 25 June 2014 be noted.

7. **MINUTES OF THE EFFICIENCY AND PERFORMANCE SUB-COMMITTEE**

The Town Clerk explained that in relation to item 9 of the minutes and the setting of energy targets, a report would be submitted to a future meeting of the Finance Committee to allow the Committee to ensure that appropriate targets were set and that invest-to-save opportunities were considered.

RESOLVED – That the public minutes and non-public summary of the Efficiency and Performance Sub-Committee meeting held on 2 July 2014 be noted.

8. **AUDITED 2013/14 CITY FUND AND PENSION FUND FINANCIAL STATEMENTS TOGETHER WITH DELOITTE'S REPORT THEREON**

The Committee considered a report of the Chamberlain which provided the Committee with the City Fund and Pension Funds Financial Statements for 2013/14.

The Chamberlain explained that the City Fund contribution to the Crossrail project which was expected to be paid in 2016 was included as a capital commitment within the Financial Statements as the City Corporation would not become liable for this funding until the point at which the ticket halls were built. Consequently, as this was an executory contract, the inclusion of a provision would not be an appropriate accounting treatment. The Chamberlain explained that this issue had been discussed at length at the meeting of the Audit and Risk Management Committee earlier in the day. It had been agreed by that Committee that in future years a note would be added to the Financial

Statements to demonstrate how the balance sheet would differ if the Crossrail funding was provided for within the Accounts.

The Chamberlain also explained that the Audit and Risk Management Committee had considered the Risk Management section within the Financial Statements and agreed some amendments to this section (paragraphs 30 to 33). The amended version of the Risk Management section of the Financial Statements was put around the table at the Committee, and the Finance Committee agreed to these amendments to the Financial Statements.

The Chamberlain further explained that the Audit and Risk Management Committee had agreed to the recommendations within the report, with an amendment to the recommendation which delegated approval of material changes to the Financial Statements to the Town Clerk in consultation with the Chairman and Deputy Chairman. The amendment was to add the words "subject to the full Committee being consulted where, in the view of the Chairman and Deputy Chairman, it is appropriate to do so".

RESOLVED – That the Finance Committee:

1. notes the resolution from the Audit and Risk Management Committee, approves the proposed amendment to the Risk Management section of the Financial Statements, and approves the City Fund and Pension Funds Financial Statements for the year ended 31 March 2014; and
2. delegates to the Town Clerk, in consultation with the Chairman and Deputy Chairman of the Finance Committee, approval of any material changes to the financial statements required before the signing of the audit opinion by Deloitte which is expected to be by the end of August or early September subject to the full Committee being consulted where, in the view of the Chairman and Deputy Chairman, it is appropriate to do so.

9. **AUDITED 2013/14 BRIDGE HOUSE ESTATES AND SUNDRY TRUSTS FINANCIAL STATEMENTS TOGETHER WITH MOORE STEPHEN'S REPORT THEREON**

The Committee considered the report of the Chamberlain which provided the Committee with the Bridge House Estates, City's Cash Trust Funds and Sundry Trust Funds Annual Reports and Financial Statements 2013/14.

The Chamberlain reported that the Audit and Risk Management Committee had agreed that the note on Related Party Transactions with the City Fund needed greater prominence and it would therefore also be included in the Trustees annual report.

RESOLVED – That the Committee:

1. notes the contents of Moore Stephens Management Letter;
2. approves the Annual Reports and Financial Statements for Bridge House Estates, City's Cash Trust Funds and the Sundry Trust Funds taking account of any observations from the Audit and Risk Management Committee; and

3. agrees that the Annual Reports and Financial Statements are signed by the Chairman and Deputy Chairman of the Finance Committee on behalf of the Court of Common Council.

10. **BUDGET MONITORING REPORT - FIRST QUARTER UPDATE**

The Committee considered the Chamberlain's Monthly Budget Monitoring report to June 2014.

A Member queried whether, in light of the provision that Spy Car CCTV alone could no longer be used to secure prosecutions for parking offences, whether there were any proposals to use CCTV to direct enforcement officers to offending vehicles. The Chamberlain explained that a cost-benefit analysis of this approach would need to be conducted.

RESOLVED – That the Committee notes the report.

11. **REVENUE OUTTURN 2013/14 - FINANCE COMMITTEE OPERATIONAL SERVICES**

The Committee considered a report of the Chamberlain which provided the Committee with the details of the revenue outturn for 2013/14 for the operational services overseen by the Finance Committee.

RESOLVED – That the revenue outturn report for 2013/14 and the budgets proposed to be carried forward to 2014/15 are noted.

12. **CITY OF LONDON PROCUREMENT SERVICE AND PROCUREMENT AND PROCURE TO PAY (PP2P) UPDATE**

The Committee considered a report of the Chamberlain which provided an update on the end of the PP2P partnership arrangement with Accenture, the performance of the City of London Procurement Service (CLPS) and provided an update on the proposed service restructure.

A Member stated that he believed that the culture change brought about by the CLPS had been extremely positive. However, he also felt that the report provided an overly optimistic assessment of the savings achieved through the CLPS. In some instances these savings were attributed to very general areas, such as "Highways" or "Construction", and there was not always clarity regarding whether savings had been achieved through more efficient procurement, or whether through the specifications of work changing or proposed work not taking place.

The Member requested, and the Committee agreed, that a further report be submitted to the Committee to provide a more detailed breakdown of savings achieved, including information regarding which departments the savings had accrued to, and how attributable these savings were to the procurement process itself.

A Member also suggested that this might be an area for the Efficiency & Performance Sub-Committee to consider, particularly given that a lot of the work in relation to the CLPS had been overseen by that Sub-Committee.

A Member also commented that similar reports in the past had included a projection of future work, which had not been included within this report, and requested that this be reintroduced to future reports.

RESOLVED – That the Committee:

- a) notes the progress made by the service during the partnership with Accenture and ongoing challenges which the service is currently addressing; and
- b) requests that a further report be submitted to the next meeting of the Committee which provides a more detailed breakdown of savings achieved, including information regarding which departments the savings have accrued to, and how attributable these savings are to the procurement process itself.

13. CITY RE LIMITED - PERFORMANCE MONITORING

The Committee considered a report of the Chamberlain which provided information on the claims experience and Underwriting Profit and Loss Account for the third accounting period of the Insurance Captive, from 1 April 2013 to 31 March 2014, which revealed that a retained profit of £92,569 had been achieved.

A Member queried whether the Committee needed to approve the accounts, as a shareholder of the company. The Chamberlain explained that the accounts had been approved by the Committee's Board, and was presented to the Committee (as a representative of the shareholders) for information.

A Member asked for further details in relation to an outstanding claim referred to in the report. The Chamberlain explained that this was currently a sensitive matter, and if further discussion of this issue was desired it would need to be considered within the non-public part of the agenda. The Committee agreed that it would wish to discuss this issue, and therefore deferred a resolution of this item until the non-public part of the agenda.

14. PROVISION OF FOREIGN CURRENCY EXCHANGE SERVICES AT THE CITY INFORMATION CENTRE

The Committee considered a report of the Director of Culture, Heritage and Libraries which summarised the issues and options for introducing a foreign currency exchange service at the City Information Centre, and requested the Committee to approve in principle the introduction of the service.

RESOLVED – That the Committee:

1. receives for information the contents of this report and the recommendations of the Culture, Heritage and Libraries Committee; and
2. formally waives the procurement regulations in accordance with regulation 9.2, so enabling the City Corporation to procure the service for a one-year trial period, with the option to extend the trial to a maximum period of eighteen months if the tender process for a

three-year contract is not complete within the trial period and continuity of service is required

15. QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE

Chairman's Announcements

The Chairman reminded Members of the Telecommunications Working Party that the Working Party would meet at the rising of the Finance Committee meeting.

The Chairman reported that the two Finance Breakfasts held in July had been extremely well received, and further breakfasts would be held in October. It was likely that these Breakfasts would focus on the Service Based Review.

The Chairman also announced that from September onwards, a quarterly Members' Financial Briefing Paper would be produced, which would keep Members informed of any financial issues which were thought to be relevant. The Chairman requested that Members inform him if they have any issues which they thought should be covered in these Briefing Papers.

Committee Papers

The Chairman asked for Members' comments on any ways in which the size of the agenda for the Committee could be reduced for future meetings. Members suggested that it may be possible for appendices to not be included within the agenda, or only within the electronic version of the pack and not printed, if not critical to the business of the meeting.

16. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT

There was no urgent business.

17. EXCLUSION OF THE PUBLIC

RESOLVED – As discussed during consideration of the item in relation to City Re Limited, that under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for discussion of that item in relation to an outstanding claim on the grounds that the discussion will involve the disclosure of exempt information as defined in Paragraph 3 of Part I of Schedule 12A of the Local Government Act.

18. CITY RE LIMITED - PERFORMANCE MONITORING

The Committee considered a report of the Chamberlain which provided information on the claims experience and Underwriting Profit and Loss Account for City Re Limited, and as discussed at item 14, the Committee considered the issues raised in relation to an outstanding claim.

19. OPENING MEETING TO THE PUBLIC

RESOLVED – That the meeting be reopened to the public.

20. **CITY RE LIMITED - PERFORMANCE MONITORING**
 Following discussion of the report in relation to City Re Limited during the non-public session, the Committee considered the recommendations within the report.

RESOLVED – That the Committee notes the report.

21. **EXCLUSION OF PRESS AND PUBLIC**
RESOLVED - That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items on the grounds that they involve the likely disclosure of exempt information as defined in Part I of Schedule 12A of the Local Government Act.

Item No.	Paragraph(s) in Schedule 12A
22-26, 28-31	3
27	1, 3

22. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**
 The non-public minutes of the meeting held on 25 June 2014 were approved.
23. **OUTSTANDING ACTIONS FROM PREVIOUS MEETINGS - NON-PUBLIC MINUTES**
 The Committee considered and noted a report of the Town Clerk which set out actions outstanding from the non-public minutes of previous meetings.
24. **NON-PUBLIC MINUTES OF THE CORPORATE ASSET SUB-COMMITTEE**
 The non-public minutes of the Corporate Asset Sub-Committee held on 3 June 2014 were noted.
25. **NON-PUBLIC MINUTES OF THE INFORMATION SYSTEMS SUB-COMMITTEE**
 The non-public minutes of the Information Systems Sub-Committee held on 25 June 2014 were noted.
26. **REPLACEMENT WIFI INFRASTRUCTURE GATEWAY 3/4 OPTIONS APPRAISAL**
 The Committee considered and approved a report of the Chamberlain which provided proposals for the replacement of the City Corporation's Wi-Fi infrastructure.
27. **WRITE OFF OF BAD DEBT**
 The Committee considered and approved a report of the Director of Environmental Services which sought the approval for the write off of a bad debt.
28. **CENTRAL CRIMINAL COURT - GATEWAY 4C REPORT**
 The Committee considered and approved a report of the City Surveyor which set out the fees in relation to detailed design proposals for the Central Criminal Court Plant Replacement programme.

29. NON-PUBLIC DECISIONS TAKEN UNDER DELEGATED AUTHORITY AND URGENCY PROCEDURES

The Committee considered and noted a report of the Town Clerk detailing three non-public decisions taken under delegated authority since the last meeting.

30. NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE

There were no non-public questions relating to the work of the Committee.

31. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED

The Committee considered five items of non-public urgent business.

The meeting ended at 3.10 pm

Chairman

**Contact Officer: Chris Braithwaite
tel. no.: 020 7332 1427
christopher.braithwaite@cityoflondon.gov.uk**

Finance Committee – Outstanding Actions

Item	Date	Action	Officer responsible	To be completed/ progressed to next stage	Progress Update
1.	22 July 2014, Item 7	<p><u>Minutes of the Efficiency & Performance Sub-Committee</u></p> <p>A report to be submitted to a future meeting of the Finance Committee to allow the Committee to ensure that appropriate energy targets are set and that invest-to-save opportunities were considered.</p>	Energy Manager, City Surveyor's	September 2014 Committee meeting	Draft report produced but to be revised following comments from the Chairman and Deputy Chairman. Revised report to be included on agenda for October 2014 meeting.
2.	22 July 2014, Item 8	<p><u>Audited 2013/14 City Fund and Pension Fund Financial Statements together with Deloitte's report thereon</u></p> <p>That the Committee delegates to the Town Clerk, in consultation with the Chairman and Deputy Chairman of the Finance Committee, approval of any material changes to the financial statements required before the signing of the audit opinion by Deloitte which is expected to be by the end of August or early September subject to the full Committee being consulted where, in the view of the Chairman and Deputy Chairman, it is appropriate to do so.</p>	Assistant Town Clerk	September 2014	No material changes made to accounts. Accounts signed by Chairman and Deputy Chairman.
3.	22 July 2014, Item 12	<p><u>City of London Procurement Service and Procurement and Procure to Pay (PP2P) Update</u></p> <p>A further report to be submitted to the next meeting of the Committee which provides a more detailed breakdown of</p>	Business Support Director, Chamberlain's	Report to be submitted to September 2014 meeting.	Report submitted to September 2014 meeting.

Item	Date	Action	Officer responsible	To be completed/ progressed to next stage	Progress Update
		savings achieved, including information regarding which departments the savings have accrued to, and how attributable these savings are to the procurement process itself.			
4.	25 June 2014, Item 4	<u>Outstanding Actions from Previous Meetings</u> A standard format to be developed for Outstanding Actions Reports.	Committee and Member Services Officer, Town Clerk's	Format to be agreed by September Committee meeting	Format agreed.
5.	25 June 2014, Item 5	<u>Finance Grants Sub-Committee Minutes</u> The Member's query on the draft minutes of the Finance Grants Sub-Committee to be discussed with the Clerk of the Sub-Committee.	Committee and Member Services Officer, Town Clerk's	Minutes to be confirmed Finance Grants Sub-Committee in November 2014	Member has spoken to Town Clerk's to confirm the concern with the minutes, and these have been updated.
6.	27 May 2014, Item 12	<u>Chamberlain's Business Plan 2014-15</u> The Chamberlain explained that a mid-year review report on the Business Plan for 2014-15 would be submitted to the Committee	Chamberlain	Mid-year report to be provided to November 2014 Committee meeting	An update on this is not due until the November 2014 meeting of the Committee.

Committee:	Date:
Finance Committee	23 September 2014
Subject: Request for Delegated Authority for Procurement of Central London Forward employability pilot	Public
Report of: Director of Economic Development	For Decision

Summary

- i) Central London Forward (CLF) – a partnership of 8 Central London authorities including the City – exists to influence policy and to promote the strategic importance and needs of Central London with a focus on economic development and quality of life.
- ii) The City of London is the Accountable Body for CLF and has now been requested, by CLF partners, to become the Accountable Body for two significant programmes being developed by CLF.
- iii) The precise shape of both of these fast-moving programmes, and the terms and conditions attached to them, are still subject to negotiation but the Government’s aim is that they should commence from April 2015.
- iv) A report was considered by the Policy and Resources Committee at its meeting on 4 September, agreeing that authority be delegated to take the decision as to whether the City Corporation should become Accountable Body once the parameters of the two programmes have become clearer.
- v) The purpose of this report is to seek delegated authority from the Finance Committee for the City Corporation to carry out the procurement of the larger of the two programmes - a Central London element of the “London Growth Deal”. This is currently estimated to be to the value of £10m over 5 years, and will help some 4000 long-term unemployed residents in Central London closer to employment.
- vi) This report does not address the procurement of the smaller of the two programmes – a £2m construction skills and jobs brokerage for Central London – for which suitable delegations already exist under the City Corporation’s normal procurement procedures.
- vii) Meeting the challenging deadlines of the larger procurement within the normal approvals framework will be difficult, therefore delegated authority is sought to be able to take decisions outside of the normal Committee timetable.
- viii) There would be no direct financial implication arising from City involvement in the procurement, although there will be an Officer time implication which

will be assessed prior to delegated approvals being sought.

Recommendation(s)

- ix) The Committee is requested to note the above and agree that authority be delegated to the Town Clerk, in consultation with the Chairman and Deputy Chairman, to take all necessary procurement decisions relating to the CLF 5 year programme, estimated to be in the region of £10m, to help long-term unemployed people move nearer to work, which forms part of the London Growth Deal.

Main Report

Background

1. CLF is a partnership hosted by the City Corporation which comprises the London boroughs of Camden, Islington, Lambeth, Southwark, Wandsworth, the City of London, City of Westminster and the Royal Borough of Kensington and Chelsea. The partnership was established in 2008 and operates under a contractual arrangement which is due to terminate on the 31 March 2015. These arrangements may be extended by agreement (as occurred in 2012). Each authority currently contributes £25, 000 per annum to the costs of CLF's operation.
2. The City of London is the nominated Accountable Body under the "joint venture agreement", employs all staff (in practice primarily the two full time staff) and enters into all contracts relating to the work of the partnership. Costs to, and expenses and liabilities of, the City in undertaking this role are currently met from the annual contributions of the CLF participating authorities.
3. The purposes of CLF are to:
 - (a) Influence policy on majority issues affecting Central London, including making the case for additional resources;
 - (b) Promote the strategic importance and needs of Central London with a focus on sustainable economic development and the improvement of the quality of life of workers, residents and visitors; and
 - (c) Identify and co-operate on areas of mutual interest of the partners.
4. Under the joint venture agreement between the CLF parties, CLF may develop and co-ordinate shared programmes and funding bids for work of mutual interest that will inter alia focus on sustainable economic development and improve the quality of life of workers and residents.

5. CLF has been engaging with HM Government, London Councils, the Greater London Authority (GLA) and the London Enterprise Panel (LEP) regarding two proposals for which the City Corporation has now been requested to become the “Accountable Body”.
 - (a) **A Central London element of the London Growth Deal**, currently estimated to be to the value of **£10m over 5 years** to move some 4000 long-term unemployed residents closer to work.
 - (b) **Cross borough construction jobs brokerage (£2m over 2 years)** to support 1,050 central Londoners into construction jobs in key developments, including in the City itself, and sustain them in work and supporting 50 businesses to recruit pre-trained Central Londoners into employment across 7 key central London developments.

Current Position

6. At its meeting on 4 September 2014, the Policy and Resources Committee agreed a report seeking delegated authority to take a decision on the request to become Accountable Body for these two programmes, including, as Spending Committee, any necessary procurement decisions.
7. This report addresses the decision required of the Finance Committee which relates only to the procurement of the larger programme, the Central London element of the London Growth Deal - which is explained below.
8. No decision is needed from the Finance Committee at this stage on the smaller project as the procurement level is within the existing delegations.

The Central London element of the London Growth Deal - £10m over 5 years

9. The recently announced London Growth Deal – a ground breaking agreement between Government, the London Enterprise Panel, the GLA and London Councils - seeks to demonstrate how decentralising power from central government to London could bring significant benefits to the city and its people, the public purse and the UK economy. The London Growth Deal is perceived to be a step on the way to the sort of more devolved and better joined up services that London needs to tackle its future challenges.
10. Central London is the key driver of the UK economy, providing over half of London’s economic output, and forecasts suggest that one in eight new jobs created nationally by 2023 will be in central London.
11. A CLF Growth Deal agreement follows several months of work by CLF, with London partners, to support the London Growth Deal, with CLF interested particularly in how the fruits of this growth are shared more widely in the capital.
12. The eight Central London boroughs which form CLF have worked, in partnership with London Councils, the Mayor of London, the London Enterprise Panel and Government, to establish a joint project team to develop a time-limited initiative for Employment Support Allowance (ESA, formerly known as Incapacity Benefit) claimants in Central London. This will focus on those who

have been unsuccessful at finding work during two years of intensive support on the Government's flagship Work Programme and will trial an innovative locally led model of delivery.

13. Deadlines have been extraordinarily tight and CLF officers and partner agencies have had to move rapidly to develop a new programme of this scale over the last couple of months. Ministers will be asked to approve the model in October.
14. The precise terms of the pilot are still a matter of negotiation with Central Government (with decision expected in late September on the final detail) but the current proposition being discussed is for a £10m pilot, to be delivered over 5 years, to help some 4000 long-term unemployed residents in Central London to overcome barriers and move towards work. The model includes a network of caseworkers who will provide a hand-holding service for individual clients and signposting to local provision such as housing, health, drug and alcohol services within the local boroughs. The case workers, though employed centrally (probably by a single, expert, agency, on behalf of CLF), will be embedded in the boroughs and capable of being moved between boroughs to meet changes in local demands. Each client will be on the programme for up to eighteen months.
15. The services will work with any eligible ESA claimants resident in the City, though at present the numbers are hard to establish in view of the way they are currently collected by JobcentrePlus.
16. Early success, against standards agreed jointly with Government and assessed independently, will see London working directly with Government to help design the next generation of employment support services, applying the lessons learnt from this initiative to shaping a more financially sustainable and integrated approach.
17. As CLF is not a legal entity, the partnership bid requires one Local Authority to take the lead and act as the "accountable" – or "contracting" – body, though all bid coordination and ultimately policy management will be undertaken by CLF.
18. The proposed London Growth Deal programme is of significant size and duration, consequently the City of London was asked by fellow CLF partners whether it was willing to become the Accountable Body for the £10m Government-funded programme. It is currently proposed that the funding is to be made available by Government through the new 2014-2020 European Structural and Investment Fund. This would mean that the City Corporation would, consistent with its current role for CLF as Accountable (or Contracting) Body:-
 - (a) receive, account for and be audited on correct application of the funds for the pilot on behalf of all of the CLF boroughs;
 - (b) procure and contract for all the services to be delivered through the external provider(s) through our City of London Procurement Service;
 - (c) contract with the CLF partners to ensure that risks are shared equitably ;

- (d) retain all records for a period yet to specified; and
 - (e) take on all responsibility in the event of CLF closure before the end of the five year period.
19. However, at the time of writing there are a number of significant issues which are still subject to agreement in negotiation with Government, the LEP, the GLA and London Councils. These include -
- (a) the final outputs in terms of size of cohort, funds allocated per client and total numbers worked with over the 5 year period; and
 - (b) the value of, and the monitoring and reporting conditions attached to, the funds which will be received from the Department for Work and Pensions (DWP), and which are likely to be drawn from the European Social Fund (ESF) requirements including whether any penalty or claw-back provisions will apply in certain circumstances as is usually the case with this type of Government funding. As this is a pilot it is possible that this will not apply.
 - (c) The timing of the release of the grant funding when agreed.
20. Alongside this, it is anticipated that the CLF boroughs (including the City Corporation) will agree to extend their Joint Venture Agreement for a further 5 years from the 31 March 2015 for the life of the CLF Growth Deal programme.
21. As this project is somewhat larger than, and will differ from, those delivered previously by CLF, it may be appropriate that additional terms are agreed with fellow CLF partners to ensure that risks to the City are properly shared and mitigated.

Options

22. If delegated authority is not approved by the Finance Committee, this may mean that this ground-breaking and high profile pilot, which could be a national model for future, more effective, provision fails to go ahead unless another Accountable Body can be found from among the CLF partners within a very short timescale. It would also be inconsistent with the current commitment given by the City to support the work of CLF in acting as the Contracting (or Accountable) Body for CLF work programmes.

Proposals

23. The proposal has been moving fast over the summer, and decisions may be needed in between Committees to meet funder deadlines, but at present there is insufficient clarity or agreement on some of the major issues which are required to form the basis of the decisions required prior to procurement commencing.
24. Should the Policy and Resources Committee agree to take on the Accountable Body role, we will need the flexibility to proceed with the procurement rapidly without being constrained by Committee deadlines, in order to be able to commence delivery early in the next financial year.

25. We therefore recommend that delegated authority be given to the Town Clerk in consultation with the Chairman and Deputy Chairman to make all necessary procurement decisions as matters become clearer.

Implications

26. The procurement is likely to involve the engagement of a single, expert, service provider, which will be appointed to employ the case workers to be based in the local boroughs.
27. City Procurement has evaluated the procurement options in order to deliver the programme within the tight deadlines laid down. Research has been undertaken to identify possible public sector framework options but, for a number of reasons, these have not proved to be workable. Therefore it is suggested that an EU restricted procedure be used in order to procure the services.
28. This procurement would be subject to the Contracts Letting procedures for non-projects procurement as set out in Regulation 10.4. As the value of this procurement is over £4 million and assuming a Restricted Procedure is followed it would require the involvement of the Finance Committee, as well as of the Policy and Resources Committee (the Spending Committee) and the Court of Common Council, as follows :-
 - Stage (1)** the Spending Committee agrees the high level evaluation criteria to be applied in the selection process;
 - Stage (2)** the Spending Committee receives a 'for information' update following supplier short-listing;
 - Stage (3)** The Spending Committee, Finance Committee and Court of Common Council receive the final recommendation on contract award.
29. To ensure borough buy-in, Central London Forward would set up a Procurement Board which member boroughs would be invited to join. This Board would ensure partner involvement in all aspects of the procurement including setting the specification and evaluation criteria, evaluation and shortlisting of the tenders and final selection of the successful tenderer.
30. All formal reports for stages 1, 2 and 3 under Regulation 10.4 would be prepared by City Officers in accordance with the City's committee reporting standards and submitted to the Town Clerk and Committee Chairman for approval or information as required under Regulation 10.4.
31. Committees, and the Court if necessary, would be informed of any decisions by the Town Clerk and Committee Chairman at the earliest opportunity

Corporate & Strategic Implications

32. Both proposals fit the City's strategic priorities in "Maximising the opportunities and benefits afforded by our role in supporting London's communities" (KPP4) by:

- (a) encouraging regeneration and corporate social responsibility by working with City business and communities in neighbouring boroughs,
 - (b) working with our partners and neighbours to promote employability;
- and provide jobs and growth.

Conclusion

33. The City Corporation has been asked to help facilitate, by acting as Accountable Body, two major pilot projects to help move some 5,000 people towards employment in Central London over the next two to five years. If successful, the two programmes could also be rolled out nationally as new models of more effective working. As Accountable Body, the City Corporation would be responsible for the procurement for both of the programmes. Suitable delegations already exist to manage the procurement of the smaller (£2m construction brokerage) programme. Agreement is now sought for delegated authority in relation to the procurement of the larger of the two programmes, as decisions will need to be made between meetings to meet the Government timetable.

Liz Skelcher
Assistant Director of Economic Development

T: 020 7332 3606
E:mail liz.skelchercityoflondon.gov.uk

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Committee:	Date:
Finance	23 September 2014
Subject: Revenue Budget Monitoring to August 2014	Public
Report of: The Chamberlain	For Information

Summary

Local Risk Budgets (Chief Officer Cash Limits)

Net local risk expenditure at the end of August, excluding the ring-fenced Police account, is £2.3m (4%) within the profiled budget of £57.6m.

The forecast year end position, excluding the ring-fenced Police account, is £1.6m (1%) within the budget of £140.3m.

The most significant variations forecast to local risk budgets at year end are a better than budget position of £0.5m (3%) by the Director of the Built Environment and a £0.6m (9%) favourable variance by the Director of Community and Children's Services – both variations due to a combination of factors as set out in paragraphs 2(vi) and 3(v) respectively.

The City Police is forecasting a broadly break even position at year end due to a number of largely compensating variations.

Central Risk Budgets

The contract procured last year by City Procurement for agency staff is forecast to produce a corporate year-end saving of at least £0.4m.

As previously reported, income from on-street parking is forecast to reduce following the Government's Deregulation Bill which will ban the use of CCTV for static parking enforcement and is due to come into effect by October. The year end forecast is for a reduction of £0.6m to £8.1m. This will result in a reduced transfer to the ring-fenced On-Street Parking Reserve although, departmentally, it is now forecast to be largely offset by increased income from planning application fees.

Uncommitted Policy and Resources Committee and Finance Committee general contingencies total £1.1m.

Risks

The Chamberlain and City Surveyor have reported risks to their budgets as set out in paragraphs 8 and 9.

Recommendation

Members are asked to note the report.

Main Report

Local Risk Budgets

1. A summary of the financial position on Chief Officers' local risk (cash limited) budgets as at 31st August is set out in the following table.

Chief Officer	Year To Date - 31st August				Full Year Forecast			
	Budget £000	(Better)/Worse			Budget £000	(Better)/Worse		
		£000	%			£000	%	
Chamberlain	9,127	(31)	(0)	√	21,688	52	0	x
City Surveyor - City Fund (CF)	2,085	302	14	x	5,232	85	2	x
City Surveyor - City's Cash (CC)	4,900	118	2	x	12,392	(15)	(0)	√
City Surveyor - Bridge House Estates (BHE)	1,040	(129)	(12)	√	2,493	(199)	(8)	√
City Surveyor - Guildhall Administration (GA)	2,686	105	4	x	6,369	134	2	x
Comptroller & City Solicitor	1,344	(423)	(31)	√	3,226	(326)	(10)	√
Director of the Built Environment - CF	6,623	(429)	(6)	√	15,896	(544)	(3)	√
Director of the Built Environment - BHE	100	(6)	(6)	√	240	0	0	-
Director of Community & Children's Services	2,607	(84)	(3)	√	6,367	(598)	(9)	√
Director of Culture, Heritage & Libraries - CF	3,451	(72)	(2)	√	8,282	0	0	-
Director of Culture, Heritage & Libraries - CC	27	(16)	(59)	√	64	0	0	-
Director of Culture, Heritage & Libraries- BHE	379	(176)	(46)	√	909	0	0	-
Director of Markets & Consumer Protection - CF	983	(202)	(21)	√	2,359	(40)	(2)	√
Director of Markets & Consumer Protection - CC	812	(92)	(11)	√	1,949	0	0	-
Director of Open Spaces	4,506	(70)	(2)	√	10,815	0	0	-
Head, City of London School	712	10	1	x	(392)	0	0	-
Headmaster, City of London Freemen's School	398	(15)	(4)	√	(50)	0	0	-
Headmistress, City of London School for Girls	(2,971)	(255)	(9)	√	313	0	0	-
Managing Director, Barbican Centre	7,204	(638)	(9)	√	16,366	(30)	(0)	√
Principal, Guildhall School of Music and Drama	3,436	64	2	x	6,701	(20)	(0)	√
Private Secretary & Chief of Staff to the Lord Mayor	1,074	12	1	x	2,522	(50)	(2)	√
Remembrancer	181	(4)	(2)	√	703	0	0	-
Town Clerk	6,906	(252)	(4)	√	15,884	0	0	-
Totals (Period 5) Excluding Police	57,610	(2,283)	(4)	√	140,328	(1,551)	(1)	√
Police (Period 5)	23,717	3	0	x	54,308	84	0	x

Variations at 31 August

2. Net local risk expenditure across all funds, excluding the ring-fenced Police account, was £2.3m (4%) within the budget profile at the end of August. The main variations at 31 August are outlined below.
- (i) City Surveyor, City Fund £302,000 (14%) worse – a combination of repairs and maintenance being ahead of budget profile and a shortfall in service charge income. These pressures are anticipated to have largely been mitigated by year end to leave a broadly break even position.
 - (ii) City Surveyor, City's Cash £118,000 (2%) worse – this is due to increased expenditure on repairs and maintenance. Again, there is anticipated to be a broadly break even position by year end.
 - (iii) City Surveyor, Bridge House Estates £129,000 (12%) better – underspends in a number of areas including employees, repairs and maintenance, and cleaning and domestic costs.

- (iv) City Surveyor, Guildhall Administration £105,000 (4%) worse – an overspend on repairs and maintenance not covered by the BRM contract. The Building Repairs and Maintenance contract is moving to charges based on assets to be maintained rather than area size. The scrutiny and verification of those assets may reduce the costs, but until the review has been completed, there is an expectation the budget will be overspent due to the number of out of scope works required.
- (v) Comptroller and City Solicitor, Guildhall Administration, £423,000 (31%) better – additional income from property based transactions and other legal fees, together with underspends on employees.
- (vi) Director of the Built Environment, City Fund £429,000 (6%) better – savings from the new On Street Parking enforcement contract and staffing vacancies. In addition, income for hoardings, scaffolding and road closure licences has been received ahead of the profiled budget. Increased activity in Off-Street car parks has generated additional income, and there has been a saving on Town Planning due to vacant posts waiting to be filled following the proposed Planning Service restructure.
- (vii) Director of Culture, Heritage and Libraries, BHE £176,000 (46%) better – this is due to higher than anticipated income at Tower Bridge.
- (viii) Director of Markets and Consumer Protection, City Fund £202,000 (21%) better - additional income has been generated at the Heathrow Animal Reception Centre (HARC) from 'Passports for Pets', however this is not expected to continue in future months. Some of this additional income has been offset by reduced revenue from Port Health Authority work following the closure of Thamesport and there is uncertainty on the levels of trade following the opening of the new London Gateway Port.
- (ix) Director of Markets and Consumer Protection, City's Cash £92,000 (11%) better – due to underspends on vacant staff posts and savings on energy budgets for the Smithfield Market. Underspends will be offset at year end by adjusting service charges due from tenants to achieve a break even position.
- (x) Managing Director, Barbican Centre, City Fund £638,000 (9%) better – due to a strong start to the year at the Box Office with 'Testament of Mary', 'Gautier', and 'Digital Revolution' all significantly outperforming their income targets. Membership and booking fees have benefitted from the advance ticket sales for Hamlet, starring Benedict Cumberbatch.

Variations Forecast at Year End

3. At year end, net local risk expenditure across all funds is forecast to be £1.6m (1%) within budget excluding the ring-fenced Police account. The most significant variations anticipated at year end are as follows.
 - (i) City Surveyor, Bridge House Estates, £199,000 (8%) better.
 - (ii) City Surveyor, Guildhall Admin, £134,000 (2%) worse.
 - (iii) Comptroller and City Solicitor, £326,000 (10%) better.

(iv) Director of the Built Environment, City Fund £544,000 (3%) better.

In relation to items (i) to (iv), the reasons for the anticipated year end positions are essentially the same as set out in Paragraphs 2 (iii), (iv), (v), and (vi) respectively.

(v) Director of Community and Children's Services £598,000 (9%) better – underspends are anticipated in the Youth Programme and the Troubled Families Programme, there are lower employee costs due to vacant posts, and costs are being charged against specific government grants which are a little higher than anticipated. In addition, a £250,000 budget set aside to help mitigate potential financial pressures is unlikely to be required.

4. The City Police is forecasting a broadly break even position at year end due to a number of largely compensating variations.
5. A comparison of the full year forecast as at 31 August with the previous full year forecast as at 31 July is set out in the appendix.

Central Risk Budgets

6. The contract procured last year by City Procurement for agency staff was structured to deliver significant savings in the first year of the contract. For the first three quarters of the first year of the contract, rebates of £0.4m have now been received. The corporate year end saving should be increased further when the rebate for the fourth quarter of the first year has been agreed.
7. As previously reported, income from on-street parking is forecast to reduce following the Government's Deregulation Bill which will ban the use of CCTV for static parking enforcement apart from outside schools, red routes, bus lanes and bus stops. The Bill is due to come into effect by October. There are, however, some exceptions that will still allow the use of CCTV for moving traffic contraventions. The year end forecast is for a reduction in income of £0.6m to £8.1m. This will result in a reduced transfer to the ring-fenced On-Street Parking Reserve although, departmentally, it is now forecast to be largely offset by increased income from planning application fees.

Risks

8. Chamberlain - As well as ensuring that the City's IS services continue to operate effectively and efficiently, the number and complexity of corporate projects which the Chamberlain's IS Division is being requested to undertake is increasing. Such projects currently include:
 - a telecommunications strategy which is investigating how broadband services can be extended into the City of London for Small and Medium Enterprises and residents;
 - a new Virtual Private Network (VPN) infrastructure to allow remote working to individuals with Corporate equipment, to promote flexible working throughout the organisation and supporting the corporate accommodation initiative;

- the rebuild of the SharePoint Content Management infrastructure to manage organisational information more effectively across the City.

The Division's capacity to absorb the additional costs of such projects within existing budgets has been significantly impacted by successive budget decreases. Although the forecast year end position is currently reported as being broadly break even for the Chamberlain's Department, the situation is dynamic and it may be necessary to bring a report to Committee which quantifies the budget pressures and considers options for the delivery of such projects.

9. City Surveyor - Work is currently being undertaken by the City Surveyor to examine and prioritise planned repairs and maintenance work for the remainder of the year with a view to containing the overall expenditure repairs and maintenance within existing budgets. Should it be possible to contain the costs within the overall budgetary totals, this will only be achieved at the expense of the investment property portfolios covering the costs of the operational property. This will have long term consequences for both portfolios. The imbalance between expenditure and budgets will be a continuing cause for concern, and will need to be considered in the next round of budget preparation.

Contingencies

10. The uncommitted balances on contingencies as at 31st August are set out in the table below:

Uncommitted Balances on 2014/15 Contingencies as at 31st August				
	City Fund £'000	City's Cash £'000	BHE £'000	Total £'000
General Contingencies				
Policy and Resources Committee	0	141	0	141
Finance Committee	559	363	63	985
Total General Contingencies	559	504	63	1,126
National and International Disasters		100		100

11. It is anticipated that overall these contingencies will be adequate to fund unforeseen commitments as budgets can be transferred between funds (although not between Committees).

Caroline Al-Beyerty
Financial Services Director

T: 020 7332 1164
E: caroline.al-beyerty@cityoflondon.gov.uk

Chief Officer - Local Risk Budgets	Full Year Forecast as at 31 July			Full Year Forecast as at 31 August			Forecast ↑ better ↓ worse ↔ no change
	Budget	(Better)/Worse		Budget	(Better)/Worse		
		£000	£000		%	£000	
City Fund							
Chamberlain	2,698	34	1	2,698	34	1	↔
City Surveyor	3,740	17	0	3,740	(44)	(1)	↑
City Surveyor - R & M for other depts.	1,490	32	2	1,492	129	9	↓
Director of the Built Environment	15,896	(245)	(2)	15,896	(544)	(3)	↑
Director of Community & Children's Services	6,367	(439)	(7)	6,367	(598)	(9)	↑
Director of Culture, Heritage & Libraries	8,317	0	0	8,282	0	0	↔
Director of Markets & Consumer Protection	2,358	(117)	(5)	2,359	(40)	(2)	↓
Director of Open Spaces	(387)	0	0	(387)	0	0	↔
Managing Director, Barbican Centre	16,366	0	0	16,366	(30)	(0)	↑
Town Clerk	7,279	0	0	7,314	0	0	↔
Total City Fund (excluding Police)	64,124	(718)	(1)	64,127	(1,093)	(2)	↑
Commissioner of Police	54,308	(218)	(0)	54,308	84	0	↓
Total City Fund	118,432	(936)	(1)	118,435	(1,009)	(1)	↑
City's Cash							
Chamberlain	182	18	10	182	18	10	↔
City Surveyor	10,651	(93)	(1)	10,651	(237)	(2)	↑
City Surveyor - R & M for other depts.	1,741	88	5	1,741	222	13	↓
Director of Culture, Heritage & Libraries	64	0	0	64	0	0	↔
Director of Markets & Consumer Protection	1,949	0	0	1,949	0	0	↔
Director of Open Spaces	11,202	0	0	11,202	0	0	↔
Head, City of London School	(392)	0	0	(392)	0	0	↔
Headmaster, City of London Freeman's School	(50)	0	0	(50)	0	0	↔
Headmistress, City of London School for Girls	313	0	0	313	0	0	↔
Principal, Guildhall School of Music and Drama	6,666	0	0	6,701	(20)	(0)	↑
Private Secretary & Chief of Staff to the Lord Mayor	2,453	19	1	2,522	(50)	(2)	↑
Remembrancer	1,030	0	0	1,030	0	0	↔
Town Clerk	816	0	0	816	0	0	↔
Total City's Cash	36,625	32	0	36,729	(67)	(0)	↑
Bridge House Estates							
City Surveyor	2,368	(223)	(9)	2,368	(199)	(8)	↓
City Surveyor - R & M for other depts.	125	0	0	125	0	0	↔
Director of the Built Environment	240	0	0	240	0	0	↔
Director of Culture, Heritage & Libraries	909	0	0	909	0	0	↔
Town Clerk	854	30	4	884	0	0	↑
Total Bridge House Estates	4,496	(193)	(4)	4,526	(199)	(4)	↑
Guildhall Administration							
Chamberlain	19,086	(106)	(1)	18,808	0	0	↓
City Surveyor	6,294	181	3	6,369	134	2	↑
Comptroller and City Solicitor	3,121	(200)	(6)	3,226	(326)	(10)	↑
Remembrancer	(327)	0	0	(327)	0	0	↔
Town Clerk	6,559	0	0	6,870	0	0	↔
Total Guildhall Administration	34,733	(125)	(0)	34,946	(192)	(1)	↑
							↔
Grand Totals (excluding Police)	139,978	(1,004)	(1)	140,328	(1,551)	(1)	↑
Grand Totals	194,280	(1,224)	(1)	194,636	(1,467)	(1)	↑

Committee:	Date:
Finance Committee	23 rd September 2014
Subject: Risk Management Strategy	Public
Report of: Chamberlain	For information

Summary

This report introduces the new Risk Management Strategy which was approved by the Audit and Risk Management Committee on the 13th May 2014.

In line with the Cabinet Office's Management of Risk (M_O_R) principles a Risk Management Strategy has been developed to provide a clearer and dynamic framework for managing organisational risks. Key changes in the Risk Management Strategy include a new framework to define risks, a new 4x4 risk scoring model, the introduction of a target risk score and a clearer route to escalate risks.

Service Committees will continue to have responsibility to oversee the significant risks faced by Departments in the delivery of their service responsibilities.

An on-line risk management system is currently being implemented which will assist in the recording, management, and dynamic reporting of risks.

The changes arising from the risk management strategy will be implemented within City of London departments and Institutions alongside the phased rollout of the risk management information system. This will be done on a phased approach working with each department, beginning with the Chamberlains department.

At the request of the Audit and Risk Management Committee, a revised framework for the review of key departmental risks at the same time as seeking updates on Corporate Risks has been developed. The new programme of risk review by the Audit and Risk Management Committee commenced from 9th September 2014 with the Chamberlain's Department.

The Chamberlain's Department Risk Register has been reviewed, and updated in line with the new Risk Management Strategy including the adoption of the 4x4 risk scoring and introduction of a target risk score. The updated risk register is included within the Chamberlain's Department Business Plan Progress Report.

Recommendations

Members are asked to

- note the new Risk Management Strategy and plans for the phased roll-out of the strategy within Departments and City of London Institutions.

Main Report

Background

1. In 2013 a risk management improvement plan was developed to improve and refresh the City corporations risk framework. An independent review of risk management was also undertaken by Zurich Municipal which further informed and strengthened the objectives set out in the improvement plan. Outcomes from the improvement plan resulted in a changes to the risk framework and the creation of a Risk Management Strategy, which has replaced the risk management handbook and is in line with the terminology used commonly in other organisations as well as the Cabinet Office's Management of Risk principles. The Risk Management Strategy was approved by the Audit and Risk Management committee on 13th May 2014.
2. Service Committees have responsibility to oversee the significant risks faced by Departments in the delivery of their service responsibilities, receiving regular reports from Chief Officers identifying the significant risks and providing assurance that appropriate mitigation action has been identified and implemented.

Risk Management Policy (Page II, Appendix 1)

3. As part of the Risk Management Strategy a new Risk Management Policy statement was created. This is a statement of intent for risk management signed by the Chairman of Audit and Risk Management Committee and the Town Clerk.
4. An objective of the risk management policy statement is to briefly communicate the City Corporation's commitment to risk management, in order to support the realisation of our objectives, and to highlight our appetite for risk.

Risk Management Strategy (Appendix 1)

5. The Risk Management Strategy builds on the previous risk management handbook providing guidance on how risk management is used and how it will operate within the Corporation. Development of this document also fits in line with the Cabinet Office's M_O_R principles.
6. The Strategy was developed in consultation with the officers forming the Risk Management Group and has been reviewed by Chief Officers and Members of the Audit and Risk Management Committee.
7. Service Committees continue to have responsibility to oversee the significant risks faced by Departments in the delivery of their service responsibilities, receiving regular reports from Chief Officers identifying the significant risks and providing assurance that appropriate mitigation action has been identified and implemented.
8. Key changes in the strategy include:

- i. A clearer framework to define risks, using the Cause, Risk and Effect model (Appendix 1, Page 10);
- ii. A new 4x4 scoring model for likelihood and impact (Appendix 1, Page 11). This brings it in line with the risk matrices for Health and Safety and City of London Police.
- iii. The introduction of a Target Risk Score (Appendix 1, Page 22) to indicate how the Current/Net risk score will reduce further with the in-progress or planned controls. This will be the optimum score for the risk in order for it to be manageable, taking account of the resources available and the ability of the Corporation to directly manage the risk once external factors are considered.
- iv. A clear escalation route highlighting how risks will be raised to management boards based on the risk score or risk type (Page 16). Service Committee's should continue receiving top departmental risks, now set at a risk score 16 or above, on at least a quarterly basis.
- v. Service committees can recommend departmental risks to be reviewed further at the Audit and Risk Management committee and can recommend the risks to be escalated on to the Corporate Risk Register.

Risk Management Information System

9. As departments are becoming more familiar with risk management, greater focus is being placed on the risk registers, which is resulting in an unavoidable administrative burden due to the manual collation process involved using spreadsheets. To reduce this burden, improve consistency and significantly improve the ability to provide dynamic risk reports the City Corporation is introducing a risk management information system.
10. Some of the benefits that can be achieved from a risk management system include:
 - a. Clearer oversight of Corporate, Strategic and Operational risks;
 - b. Greater transparency and visibility of risk management;
 - c. Assurance that risk portfolios are actively managed and that risk management is robust;
 - d. Improving data quality and saving time (and expense) in administering risk registers;
 - e. Behaviour changes from gathering information to interpreting what it says and improving the ability to provide business intelligence for decision making;
 - f. Easier to share and communicate risk information;
 - g. Improved reporting of risk information and usage in other areas, e.g. risk-based audits; and
 - h. Real time information with clear audit trail.
11. In addition to the above, a risk system will also allow customised reports to be produced which can focus on specific areas of interest, for example, producing

a report for the top financial risks for a particular service area. This cannot be currently achieved due to the independent nature of the risk registers on MS Excel.

Planned Roll out

12. It is planned that changes arising from the risk management strategy are rolled out alongside the rollout of the risk management information system. This will ensure that information placed in the new system is refreshed and fits in line with the new risk framework.
13. Installation of the new risk management software has commenced, with a phased roll-out planned from September onwards.

Cyclical Review of Corporate and Departmental Risks

14. Over the last two and half years, a structured approach to reviewing the City's strategic risks has been adopted. At the request of the Committee, a revised framework for the review of key departmental risks at the same time as seeking updates on Corporate Risks has been agreed with the Chairman of the Audit and Risk Management Committee and Chief Officers. The new programme of risk review by the Audit and Risk Management Committee commenced from 9th September 2014 with the Chamberlain's Department.
15. In preparation for the Audit and Risk Management Committee review session, the Chamberlain's Department Risk Register has been reviewed and updated in line with the new Risk Management Strategy including the adoption of the 4x4 risk scoring and introducing a target risk score. The updated risk register is included within the Chamberlain's Department Business Plan Progress Report.

Conclusion

16. The risk management framework continues to be actively reviewed to make it easier and effective in order to embed it further in the City Corporation. Service Committees are an essential part of the framework to enable the City Corporation to understand and manage risks and in order to achieve the objectives set out in their respective departmental plans.

Appendices

- Appendix 1 – Risk Management Strategy

Paul Nagle

Head of Audit and Risk Management

T: 0207 332 1277

E: paul.nagle@cityoflondon.gov.uk

City of London Corporation

Risk Management Strategy

Version 2.0



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Version History

This strategy builds on and replaces earlier versions of the risk management handbook and is intended to be a high level document that provides a framework to support the City Corporations statutory responsibility for managing risk.

It also allows the City to further strengthen and improve its approach to risk management enhancing its ability to deliver its corporate aims and objectives successfully.

The risk management strategy sets out key objectives across a three year rolling period but will be reviewed annually to ensure it remains fit for purpose.

Version control:

Date	Version Number	Comments
21/04/11	1.0	- Risk Management Handbook created
22/04/14	2.0	- Refreshed Risk Management Handbook and renamed as Risk Management Strategy

CITY OF LONDON CORPORATION'S **RISK MANAGEMENT POLICY STATEMENT**



THE CITY OF LONDON CORPORATION (COL) RECOGNISES AND ACCEPTS ITS RESPONSIBILITY¹ TO MANAGE RISKS EFFECTIVELY IN A STRUCTURED MANNER IN ORDER TO ACHIEVE ITS OBJECTIVES AND ENHANCE THE VALUE OF SERVICES PROVIDED TO THE COMMUNITY.

In pursuit of this policy COL has adopted a risk management strategy that captures the following key objectives:

- Enables corporate, departmental and programme objectives to be achieved in the optimum way and to control risks and maximise opportunities which may impact on COL's success;
- COL recognises its responsibility to manage risks and support a structured and focused approach that includes risk taking in support of innovation to add value to service delivery.
- Risk management is seen as an integral element of the Corporation culture;

These key objectives will be achieved by:

- Establishing clear roles, responsibilities and reporting lines for risks and their controls at all levels;
- Ensuring that Members, Chief Officers, external regulators and the public at large can obtain necessary assurance that the Corporation is mitigating the risks of not achieving key priorities and managing opportunities to deliver more value to the community, and is thus complying with good corporate governance;
- Complying with relevant statutory requirements, e.g. the Bribery Act 2010, the Health and Safety at Work Act, the Local Government Act and more;
- Providing opportunities for shared learning on risk management across the Corporation and its strategic partners;
- Monitoring arrangements on an on-going basis.

APPETITE FOR RISK

City of London Corporation seeks to minimise unnecessary risk and manage residual risk to a level commensurate with its status as a public body so that:

- The risks have been properly identified and assessed;**
- The risks will be appropriately managed, including the taking of appropriate actions and the regular review of risk(s);**

The City of London Corporation will also positively decide to take risks in pursuit of its strategic aims where it has sufficient assurances that the potential benefits justify the level of risk to be taken.

APPROVED BY:

Alderman Nick Anstee

(Chairman of the Audit and Risk Management Committee)

John Barradell

(Town Clerk and Chief Executive)

¹Accounts and Audit Regulations 2011

Chapter 1: Introduction

In a rapidly changing environment, with the effects of reduced public funding, the changing demographics and the continual demand on services, the City of London Corporation is faced with an unprecedented challenge to deliver its statutory obligations, provide high quality services, as well as manage the associated social and financial implications.

The interlocking challenges faced from budget pressures, supplier failures, security issues, and so on, has created a complex matrix of risks, all requiring some level of management.

Amongst these challenges however opportunity can also be created for those who are best placed to embrace, innovate, collaborate and manage new risks.

This strategy has been developed to provide guidance on the City's approach to managing both opportunities and threats within the business environment, and through adoption will help to create an environment which meets the needs of the City's citizens, partners and other key stakeholders.

Aligned with this we will aim to be an exemplar of good practice and we will continue to meet our statutory responsibility to have in place satisfactory arrangements for managing risks, as laid out under regulation 4 of the Accounts and Audit Regulations 2011:

“The relevant body is responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk.”

Only by active management of risks will the City of London Corporation be able to meet its corporate objectives which in turn will enhance the value of services provided to the City.

What is risk and risk management?

The word 'risk' is a very common term used in everyday language and will be referred to by many professions from both the public and private sector. It is a concept which has grown from being used to describe a narrow field of risks which are to be avoided, to a wider, more holistic focussed world where importance is placed on how to manage risk rather than avoiding it.

The following definition for risk² has been adopted by the City of London Corporation:

“The effect of uncertainty on objectives”

Risk management is a business discipline that every working sector uses to achieve objectives in an efficient, effective and timely manner. Our risk management definition is²:

“The systematic application of principles, approach and processes to the tasks of identifying and assessing risks, and then planning and implementing risk responses”

² OGC: Management of Risk

Purpose of this strategy

The City of London Corporation is a complex organisation, comprising a number of departments with very diverse operations. By adhering to this strategy, the City of London Corporation will be better placed to meet all its objectives in an efficient, effective and timely manner.

Every risk is linked to a business objective and this strategy will help enforce a proactive stance to managing these risks, ensuring that less time is spent reacting to situations and more time is spent taking advantage of opportunities.

Listed below are some of the benefits of successfully implementing this strategy:

- Ability to satisfy statutory requirements (under the Local Government Act 1999), government regulations (e.g. Corporate Manslaughter Act, Health and Safety at Work Act, Children's Act 2004, Care Bill 2014, and more) and compliance related matters (e.g. financial and contractual regulations, Bribery Act 2010, and more);
- Protecting and enhancing the City of London Corporation's reputation;
- Better management and partnership working with city partners, improving safeguards against financial loss and reducing chances of organisational failure;
- Increased innovation, value for money and visual improvements in service delivery;
- Improved ability to justify decisions being taken and reduced risk of mistakes, reducing complaints and improving customer satisfaction;
- Ensuring teams achieve goals and objectives, and increasing their competitiveness (against other organisations);
- Common understanding of risk management for consistency and ease of application;
- Improved assurance levels arising from audit and external inspections, providing confidence to customers that risks are being controlled;
- Effective resilience to changing environmental conditions, to protect key services.

Chapter 2: Managing risks

Why manage risks

Effective risk management is an on-going process with no overall end date as new risks (threats and opportunities) arise all the time.

The Corporation is fully committed to developing a culture where risk is appropriately and effectively managed for which the following benefits will be achieved:

- An increased focus on what needs to be done (and not done) to meet objectives;
- More effective allocation of resources reducing incidences of mistakes and providing greater control of costs – demonstrating value for money;
- Greater transparency in decision making and enhanced ability to justify actions taken;
- Improved resilience against sudden changes in the environment including, but not limited to, natural disasters and risks related to supplier failures;
- Reduction of the Corporation's insurance costs, in turn protecting the public purse;
- Improved safety for staff, partners and residents; and
- Minimised losses due to error or fraud across the Corporation.

Choosing whether to eliminate or innovate

Innovation by its very nature involves taking risks, and as a consequence, places greater demand on all of us to ensure that those risks are well managed.

One of the key aims of risk management is to ensure that the process supports innovation, not by preventing it - but rather helping to take well thought through risks that maximise the opportunities of success.

Good risk management is about being "risk aware" not "risk averse"!

Roles and Responsibilities

The City Corporation considers risk management to be an intrinsic part of the Corporation's system of corporate governance. It is recognised that for this to be effective it is vital that everybody within the Corporation understands the role they play in effective management of risk.

Tier	Responsibility
Court of Common Council	Overall accountability for risk management.
Audit and Risk Management Committee	Providing assurance to the Court on the effectiveness of the risk management framework and its application. The Chairman is the Member Risk Champion.
Service Committees	Oversee the significant risks faced by Departments in the delivery of their service responsibilities.
Chief Officers Group	Collective responsibility for management of Corporate risks.
Chief Officers Summit Group	Promoting, steering and monitoring risk management for the Corporation. The Chief Officers Summit Group oversees the strategic elements of risk management.
Business Support Director	Officer Risk Champion, promoting risk management and leading Senior Management engagement. The Business Support Director is the Chairman to the Risk Management Group and also attends the Audit and Risk Management Committee.
Risk Management Group	Promoting and embedding risk management, with key outcomes reported to the Chief Officers Summit Group. The Risk Management Group oversees the operational elements of risk management.
Head of Audit and Risk Management	Deputy Chairman of the Risk Management Group and provides assurance to the effectiveness of the internal control environment.
Risk and Assurance Manager	Provides risk management support and advice to the Corporation. Also responsible for promoting the consistent use of risk management, developing the risk framework and facilitation of the City of London's Corporate Risk Register.

Tier	Responsibility
Individual Chief Officers	Accountable for effective risk management within their department, reporting to their relevant service Committee(s) – this responsibility cannot be delegated.
Risk Owner	The person that is accountable for the overall management of the risk, including bidding for resources to control the risk.
Control Owner	The person that has accountability for a particular task to control an aspect of the risk, either the Cause or the Effect. The role is accountable to the Risk Owner.
Departmental Risk Coordinators	Promoting, facilitating and championing the implementation of risk management within their department.
Service/ Project Managers	Accountable for effective management of risk within their areas of responsibility.
Employees	Maintaining an awareness and understanding of key risks and management of these in day-to-day activities.

Outcomes of this strategy will be achieved by working closely with many key departments such as Health and Safety, Insurance, Corporate Performance & Business Development, Project Management, Contingency Planning and more.

The ultimate responsibility for risk management lies with the Court of Common Council and the Town Clerk, however, it must be stressed that **risk management is the responsibility of everyone working in, for and with the City of London Corporation.**

Chapter 3: The risk management process

Essentially risk management is the process by which risks are identified, evaluated, controlled and monitored at regular intervals. It is about managing resources wisely, evaluating courses of action to support decision-making, protecting clients from harm, safeguarding assets and the environment and protecting the Corporation's public image.

Whenever an activity takes place, there will be an outcome that will either lead to a success or failure. In undertaking the activity there will be a number of factors which needs to be right to determine whether the activity is a success or not, or to put it the other way round, there are a number of risk factors which, if they are not managed properly, will result in failure rather than success.

Risk Management is also a business planning tool designed to provide a methodical way for addressing risks. It is about:

- Identifying the objectives and what can go wrong;
- Acting to avoid it going wrong or to minimise the impact if it does;
- Realising opportunities and reducing threats.

The risk management cycle

The risk management process is broken down into five steps illustrated below:

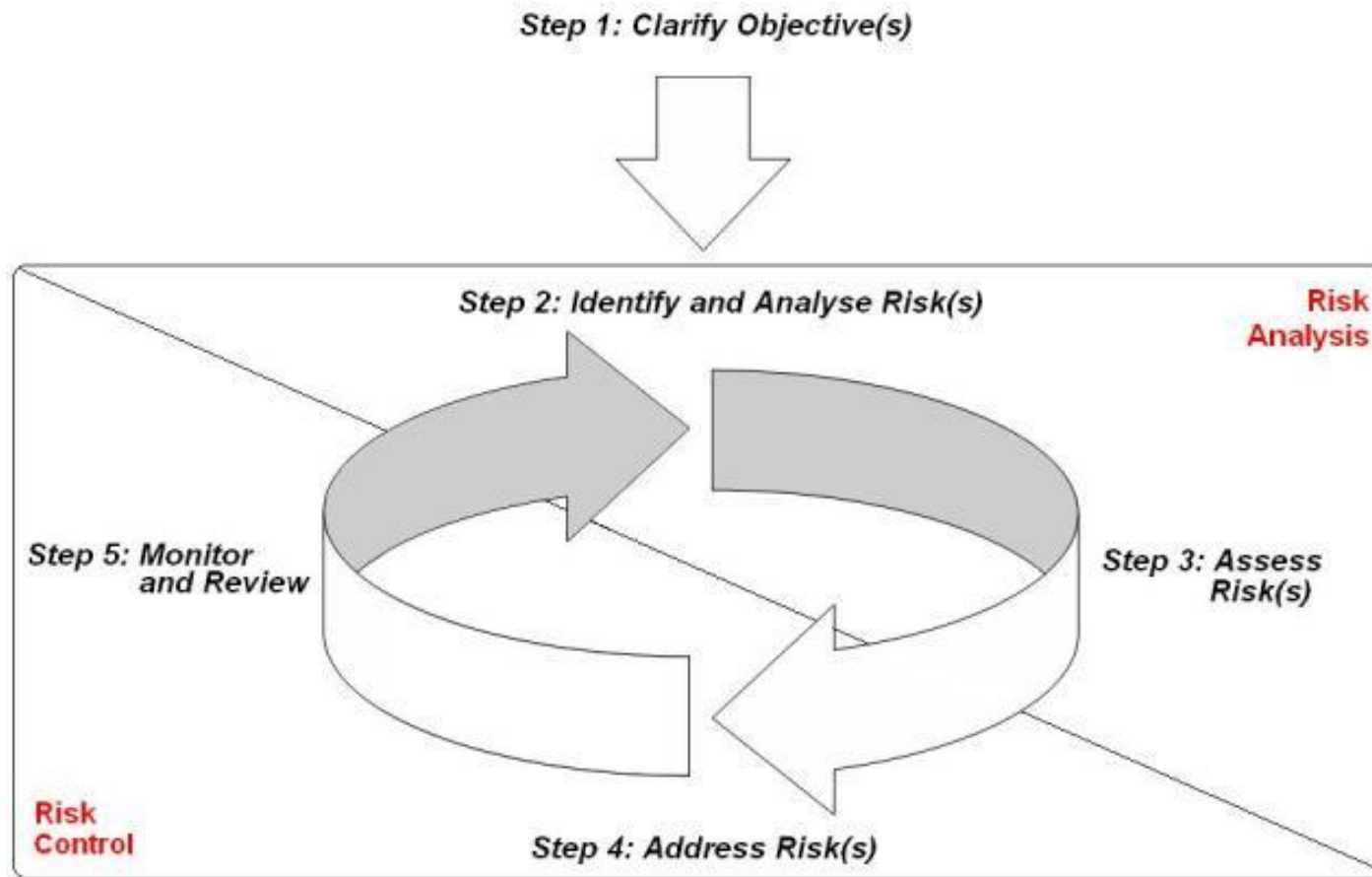


Figure 1: City of London's risk management cycle

Step 1: Clarify Objectives

It is difficult to think about risks in isolation, so the first step is to be clear about the objectives and key deliverables. This part of the process requires information about the (planned) activity.

This will include an understanding of:

- The corporate/departmental/project objectives;
- The scope of the activity;
- The assumptions that have been made;
- The list of stakeholders; and
- How the activity sits within the corporate/departmental/project structure.

This includes:

- Making sure that everyone is clear about the relationship between the services and its wider environment;
- Identifying internal and external stakeholders;
- Understanding the Corporation and its capabilities, as well as its objectives and strategies that are in place to achieve them.

Note: Risks will always be linked to a Service, Departmental or Corporate objective.

Step 2: Identify and Analyse risks

The aim of this step is to identify the risks to the (planned) activity that may affect the achievement of the objective(s), which can either be positive or negative.

Consultation is required from different levels of management and staff members, and sometimes customers and stakeholders, asking the following questions:

- What might prevent the achievement of the stated objectives?
- Has it gone wrong before?
- Who should own this risk?
- When should we start managing this risk?

It is widely recommended to identify risks through workshops and/or training sessions. However, there are many other methods which can be used such as questionnaires, a Strengths - Weaknesses - Opportunities - Threats analysis, brainstorming sessions, and more.

During the identification stage the following information needs to be gathered:

- The description of the risk, in terms of Cause → Risk → Effect;
- The nature of the risk – for example, political, financial, reputation, and more; and
- The name of the individual taking responsibility for the risk (i.e. the risk owner).

Step 3: Assess Risks (4x4)

Every risk should be assessed to help determine how much attention is given to the particular event. This is done by ranking the risks with a set of scores determined by their individual likelihood and impact rating.

The City of London Corporation uses a 4 point scale and the multiple of the likelihood and impact gives us the risk score, which is used to determine the risk profile. See Appendix 1 for details on how risks should be scored.

The risk score is placed on the Risk matrix (Figure 2) and is used to help prioritise and assist risk owners in the actions they need to take to manage the risk.

		Impact			
		Minor (1)	Serious (2)	Major (4)	Extreme (8)
Likelihood	Likely (4)	4	8	16	32
	Possible (3)	3	6	12	24
	Unlikely (2)	2	4	8	16
	Rare (1)	1	2	4	8

Figure 2: COL risk matrix

Step 5 highlights how often risks should be reviewed and Chapter 4 highlights how the risk scores are used for reporting purposes.

Step 4: Address Risks

Without this step, risk management would be no more than a bureaucratic process. Addressing risk involves taking practical steps to manage and control it.

Not all risks need to be dealt with in the same way. The common risk response outlined below should help in considering the range of options available when responding to risks.

Importantly, when agreeing actions to control risk, consideration is required on whether the actions themselves introduce new risks

Threat responses

When managing threats, the controls that are put in place should help to effectively reduce the risk to a manageable level. There are four approaches that can be taken when deciding on how to manage threats:

- **Reduce:** A selective application of management actions, by applying internal control to reduce either the likelihood or the impact, or both, designed to contain risk to accept levels, e.g. mitigation action, contingency planning and more;
- **Transfer:** Shifting part of the responsibility or burden for the loss to another party, e.g. through outsourcing, insurance, etc;
- **Avoid:** An informed decision not to become involved in a risk situation. This can be challenging as the City of London Corporation may not be able to avoid risks associated with its statutory functions;
- **Accept:** An informed decision to accept the likelihood and impact of a particular risk. For example, the ability to do anything about a risk may be limited, or the cost of taking any action may be disproportionate to the potential benefit.

Ownership of Risks and Controls

Having identified and defined the risks, it is essential that someone "owns" them (i.e. the risk owner). This is not the same as being responsible for carrying out the tasks or actions for the risk (i.e. the control owner). This is a critical part of the step as without a named individual it is unlikely that the risk will be managed.

Risk Owner

It is important that the risk owner, where possible, be:

- A person who has the ability to influence the outcome of the event, one way or another;
- A person who can be accountable for the delivery in the area where the risk would have an effect;
- A person who can take charge and lead nominated control owners.

From a departmental viewpoint, the risk owner should be a member of the department's management team.

Control Owner

Control owners are responsible for carrying out the tasks or actions for the risk, as assigned by the risk owner.

It is important to note that:

- Control owners can be different from the Risk owner;
- Control owners can be from a different department to the Risk owner;
- A risk may contain many controls, therefore many control owners, however only on an exceptional basis would one control be assigned to multiple risks.

Control owners can be any officer within the organisation, but must have an adequate reporting line to the Risk owner.

Step 5: Monitor and Review

Once risks have been identified and appropriate controls and action plans put in place to manage them, it is essential to routinely monitor their status. Risks change, due to many factors, and it is essential that they are periodically reviewed to capture any new events which may affect the delivery of our objectives.

As a guide, risks should be reviewed in management meetings using the following criteria:

Risk Type	Standard Review	Programmes, projects and partnerships
Red Threats	1-3 months	Monthly
Amber Threats	3 months	Monthly
Green Threats	6 months	Quarterly

Note: At least annually, each risk register should be reviewed in its entirety.

Chapter 4: Reporting risks

Reporting framework

It is essential that risk management is used as a tool to assist good management and to provide assurances to relevant officers and Members that adequate measures have been taken to manage risk.

Escalation of risks ensures that managers have a clearer picture on risks or potential issues facing service areas. This helps in the overall decision making process by allowing senior staff to allocate resources or review areas of concern.

Page 16 illustrates the reviewing and reporting framework to support this escalation and assurance process.

Role of Audit and Risk Management Committee

As set out in its formal terms of reference, the Audit and Risk Management Committee is responsible monitoring and overseeing the City Corporation's risk management strategy and be satisfied that the assurance framework properly reflects the risk environment). It is through this Committee that the Court of Common Council discharges its responsibility for obtaining assurance that those risks faced by the Corporation are being appropriately managed.

Role of Other Committees and Departments

It is the role of each Service Committee and Department to maintain and act on its own risks, working closely with the Risk and Assurance Manager if need be. The criteria for escalating risks should be agreed by the relevant Service Committee and Chief Officer.

The Audit and Risk Management Committee will concentrate on monitoring the Corporate Risks faced by the City Corporation, and the measures taken to control the risk. The Audit and Risk Management Committee will also seek assurance regarding the effective operation of this framework at Committee level.

Review and Reporting Framework

Risks will be escalated using a bottom up process depending on the risk score (i.e. Risk tolerance) and/or management recommendation.

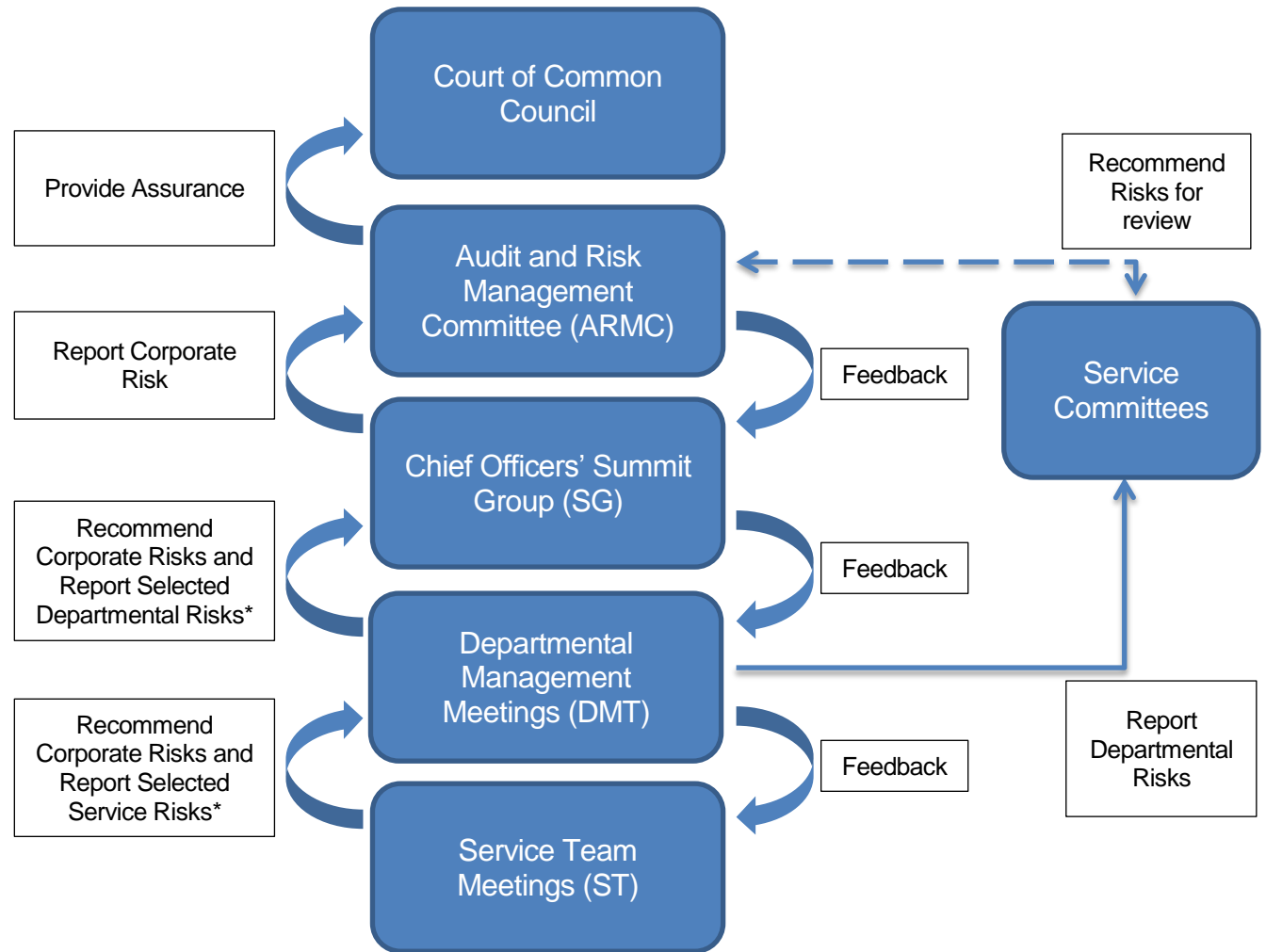
Corporate Reviews will be undertaken either every two or three months.

Departmental Reviews should be adapted to suit the structure of each respective department, although as minimum should be done Quarterly.

Annual review of all risks should be undertaken as a minimum.

Reporting Criteria

Corporate reviews	ARMC	Oversee Corporate risks
	SG	Identify Corporate/Departmental risks and review all Departmental risks of score 24 or more.
Departmental Reviews	DMT's	Identify Corporate/Departmental risks and review all Service Teams risks of score 16 or more
	ST's	Identify Corporate/Departmental risks and review all Service risks of score 6 or more
	Team meetings /121's	Identify potential Corporate/Departmental risks and review all current risks



**exception basis*

Risk Registers

Key risk registers are listed below along with their escalation criteria (based on risk score).

Corporate Risk Register	The Corporate Risk Register is used to highlight and assure Members that key risks are being effectively managed. These risks are extracted from various areas of the Corporation's risk system as directed by the Members and approved by the Town Clerk and Chief Officers (See Glossary for definition of Corporate Risk).
Top Risk Register	This register flows out from the Departmental risk registers and is challenged and moderated quarterly by the Chief Officer's Summit Group (SG). Risks which are escalated here are those with a risk score of 24 or more.
Departmental risk register	This register flows out from the Service risk registers and is challenged and moderated quarterly by the Departmental Management Teams (DMT's). Risks which are escalated here are those with a risk score of 16 and above.
Service risk register	This register flows out from the Service area/Team risk registers and is challenged and moderated quarterly by the Service Team Meetings (ST's). Risks which are escalated here are those with risk score of 6 and above.
Programme and Project risk registers	Where it is considered appropriate, major partnerships, programmes and projects will produce and maintain their own risk registers. Risk to the programme/project should be recorded within Project Vision and managed through the corporate Project framework.

Challenging environment

There is a strong support framework in the City Corporation to challenge risks and to provide assistance to departments. Below lists some of the key groups which assist with this:

<p>Audit and Risk Management Committee</p>	<p>On a periodic cycle each Corporate risk and a nominated Departmental risk register is challenged by Members of the Audit and Risk Management Committee. These sessions allow Chief Officers to demonstrate how risks are being managed and allow Members to directly question any areas of interest.</p>
<p>Chief Officers' Summit Group</p>	<p>Each quarter the Chief Officers' Summit Group review all the top risks for the Corporation (of score 24 and above) and challenge and moderate as necessary. Corporate risks are escalated by the Departmental Management Teams and upon approval are escalated to the Audit and Risk Management Committee.</p>
<p>Departmental Risk Coordinators</p>	<p>The risk coordinators provide advice and guidance on the application of the Risk Management Strategy, working closely with the Risk and Assurance Manager. They are the first point of call for risk related matters for their department providing operational support.</p> <p>The Risk Coordinators meet as a group on a 6 monthly basis with representatives from the City of London Police, Internal Audit, Health and Safety, Contingency Planning, Corporate Performance & Business Development and Insurance.</p>

Chapter 5: Strategic Improvement

This strategy is based on strengthening and improving the City's approach to risk management, enhancing its ability to deliver its corporate aims and objectives successfully. It is recognised that to significantly improve the risk management capability and the maturity of the Corporation will be a journey requiring continuous review and improvement activity.

The Risk Management Strategy will be regularly reviewed. Further activities to enhance existing arrangements will be identified by reviewing emerging best practice and assessing their suitability for implementation in the context of the aims, objectives and organisational culture of the Corporation. Once assessed and agreed, further improvement activities will be implemented through the risk management improvement plan.

Below lists some of the key activities/projects which will assist in delivering the strategy.

Project / Task	Brief summary	Target date / Frequency
Introduce a Risk Management Information System	To procure an online risk register tool ensuring consistency, transparency and a clear audit trail for risks and controls.	Aug 2014
Improve skill set and raise awareness of risk management	Create a suite of tools to raise awareness and assist officers in the management of risks.	Jan 2015
Review new framework	Review the risk maturity of the organisation on a yearly cycle.	Annual review
Introduce Opportunity Risk Management	Subject to the organisations risk maturity level, introduce the opportunity risk methodology and look to report opportunity risks.	Review in 2015/16

Glossary

Consistent understanding and application of language provides a sound basis for embedding risk management. To promote this consistency, the following key terms are defined:

Term	Definition
Cause	<p>Definite events or sets of circumstances which exist in the department, programme/project, partnership or their environments, and which give rise to uncertainty.</p> <p>Causes themselves are not uncertain since they are facts or requirements.</p>
Control Evaluation	A measure to determine how effective the controls are.
Control Owner	The person that has accountability for a particular task to control an aspect of the risk, either the Cause or the Effect. The role is accountable to the Risk Owner.
Controls	Measures taken to control the impact or likelihood of risks to an acceptable level.
Corporate risk	<p>Strategic or Operational risks reported to the Audit and Risk Management Committee for assurance purposes.</p> <p>One or more of the following criteria must apply:</p> <ul style="list-style-type: none"> ▪ The risk relates directly to one or more of the Strategic Aims or Key Policy Priorities. ▪ A risk that has significant impact on multiple operations if realised. ▪ There are concerns over the adequacy of departmental arrangements for managing a specific risk. <p>Corporate risks can also be those requested by the Audit and Risk Management Committee specifically.</p>
Current / Net risk	The re-assessed level of risk taking in to account the existing controls.
Effect	<p>Unplanned variations from objectives, either positive or negative, which would arise as a result of risks occurring.</p> <p>Effects are contingent events, unplanned potential future variations which will not occur unless risks happen.</p>
Operational Risk	Risks arising from or relating to the execution of day-to-day operations and service delivery.

Term	Definition
Original / Gross risk	The assessed level of risk on the basis that no mitigating controls are in place.
Risk	The effect of uncertainty on objectives.
Risk Management	The systematic application of policies, procedures and practices to the tasks of identification, evaluation, and mitigation of issues that threaten the achievement of defined objectives.
Risk Owner	The person that is accountable for the overall management of the risk, including bidding for resources to control the risk.
Strategic risk	Risks arising from or relating to long term departmental objectives.
Target risk	The level at which the risk will be deemed as acceptable.

Appendix 1 - Risk scoring

Risk scoring is purely subjective. Perceptions of a risk will vary amongst individuals and hence it is better to score the risk collective than leave it to one person's judgement.

Definitions

1. **Original/Gross score:** the level of risk perceived before any mitigating actions/controls have been put in place.
2. **Current/Net score:** the level of risk currently perceived by the user/management, taking in-to account any controls.
3. **Target score:** the preferable score for the risk to be in order for it to be manageable, thinking in term of what resources are available, and the ability of the Corporation to directly manage the risk once external factors are considered.

Risk scoring method

Risks are scored in terms of likelihood and impact

→ Risk should be scored by first determining how likely it is to occur (**Likelihood**)

→ It should then be rated according to the worst case scenario if it should arise (**Impact**).

Likelihood scoring guide

The criterion below is not exhaustive and intended to be used as a guide. **You will need to come to a management consensus when scoring risks.**

	Rare	Unlikely	Possible	Likely
	1	2	3	4
Criteria	Less than 10%	10 – 40%	40 – 75%	More than 75%
Probability	Has happened rarely/never before	Unlikely to occur	Fairly likely to occur	More likely to occur than not
Time period	Unlikely to occur in a 10 year period	Likely to occur within a 10 year period	Likely to occur once within a one year period	Likely to occur once within three months
Numerical	Less than one chance in a hundred thousand (<10 ⁻⁵)	Less than one chance in ten thousand (<10 ⁻⁴)	Less than one chance in a thousand (<10 ⁻³)	Less than one chance in a hundred (<10 ⁻²)

Impact scoring guide

The criterion below is not exhaustive and intended to be used as a guide. **You will need to come to a management consensus when scoring risks.**

		Minor	Serious	Major	Extreme
		1	2	4	8
THREATS	Service Delivery / Performance	Minor impact on service, typically up to 1 Day	Service Disruption 2-5 Days	Service Disruption > 1 week to 4 weeks	Service Disruption > 4 weeks
	Financial	Financial loss up to 5% of Budget	Financial loss up to 10% of Budget	Financial loss up to 20% of Budget	Financial loss up to 35% of Budget
	Reputation	Isolated service user/stakeholder complaints contained within business unit/division	Adverse local media coverage/multiple service user/stakeholder complaints	Adverse national media coverage 1-3 days	National publicity more than 3 days. Possible resignation of leading Member or Chief Officer.
	Legal / Statutory	Litigation claim or fine less than £5,000	Litigation claim or fine between £5,000 and £50,000	Litigation claim or fine between £50,000 and £500,000	Multiple civil or criminal suits. Litigation claim or fine in excess of £500,000
	Safety / Health	Minor incident including injury to one or more individuals	Significant Injury or illness causing short term disability to one or more person	Major injury or illness/disease causing long term disability to one or more person.	Fatality or life threatening illness / disease (e.g. Mesothelioma) to one or more persons
	Objectives	Failure to achieve Team plan objectives	Failure to achieve one or more service plan objective	Failure to achieve a Strategic plan objective	Failure to achieve a major corporate objective

Risk Matrix

The following chart shows the area the risk will fall in to dependant on its score, with red being the most severe and green being the least. The scores within the chart are multiples of the likelihood and impact.

e.g. (Likelihood of) **4** x (Impact of) **4** = (Risk Score of) **16**

Impact scores increase by a factor of 2, thus having greater weighting in comparison to the Likelihood scores.

		Impact			
		Minor (1)	Serious (2)	Major (4)	Extreme (8)
Likelihood	X				
	Likely (4)	4	8	16	32
	Possible (3)	3	6	12	24
	Unlikely (2)	2	4	8	16
Rare (1)	1	2	4	8	

Figure 2: COL risk matrix

What the colours mean (as a guide):

- Red - Urgent action required to reduce rating
- Amber - Action required to maintain or reduce rating
- Green - Action required to maintain rating

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Committee:	Date:
Finance Committee	23 rd September 2014
Subject: Chamberlain's Department Business Plan Progress Report	Public
Report of: Chamberlain	For Information

Summary

This report provides Members with a summary update of progress made toward delivery of the objectives and outcomes as stated in the Chamberlain's Business Plan. In the main, progress is good, with the significant majority of key milestones met according to anticipated timescales.

Areas of primary departmental focus in 2014/15 are:

- Service Based Review – identifying sustainable measures to balance the City's budget
- Oracle Enterprise Resource Planning (ERP) System – leading on the delivery of a highly efficient and effective financial and property management system.
- IS Review – completion of the transition to the revised operating model, in partnership with Agilisys.
- Procurement Stabilisation – embedding procurement practices to deliver on-going annual savings.

The report also provides an update of the key risks that exist in relation to the operation of the department. The risk register shows one Red risk in relation to the delivery of the Oracle ERP project. The register also includes one Red Corporate Risk for which the Chamberlain has oversight, in respect of the City Corporation's financial position and one Amber Corporate Risk in relation to Information Security.

Recommendation

Members are asked to:

- Note the report

Main Report

Background

1. The Chamberlain's Department Business Plan for 2014-2015 was approved by Finance Committee on 27th May 2014. This report has been produced to provide Members with a summary of the key activities undertaken in quarter one of the current financial year.

Current Position

2. This report provides a summary of key departmental activities and also gives an update on the achievement of the specific milestones and performance measures stated in the business plan. It is a requirement of the Corporate Business Planning Framework that such updates be provided to committee on a quarterly basis. It was originally anticipated that Finance Committee would receive a quarter 1 update report at its July meeting although this was re-scheduled for September; while this is the first update report this year, progress is reported up to 31st August 2014.
3. The report also contains an update of the key risks that exist in relation to the delivery of departmental objectives, a requirement of the City Corporation's risk management framework.

Major Projects

4. The Chamberlain's department leads on a number of corporate projects in addition to those that are key to our departmental operations. The projects included within our business plan are, in the main, progressing according to schedule, since these are the subject of separate reports in accordance with the governance arrangements specific to each project, they are not summarised here other than the following brief highlights:
 - i. Service Based Review – Work was concluded over the early summer period to identify and ratify proposals to meet the required efficiencies, subject to final approval and implementation.
 - ii. Oracle Enterprise Resource Planning (ERP) System – the overall programme has been reviewed, resulting in a project re-plan with revised deliverables and timescales.
 - iii. IS Review – The revised operating model, in partnership with Agilisys, has been implemented. Consolidation of City Corporation and City of London Police IS services is now underway with good progress made towards full implementation of the future operating model for Police related services.
 - iv. Procurement – Handover from Accenture to the City Corporation concludes 30th September 2014 with transition to a revised operational structure, recruitment and launch of City Procurement providing the base for further improvement.

- v. The Revenues Insourcing Project has been high on the agenda during 2014 and has progressed well therefore is no longer included as a major programme of work going forward. The remaining work on this project will focus on maintaining high levels of service and performance.

Progress against Performance Measures and Key Deliverables

- 5. A full schedule of progress against our performance measures and deliverables is included as Appendix 1 to this report. Progress against stated outcomes is good, with the significant majority being delivered in accordance with anticipated timescales. The two main areas where this is not the case are:
 - i. Delivery of the Oracle ERP programme (summarised above in the major project update, with further detail in paragraph 8 below in relation to risk management); and
 - ii. City Procurement service – until the handover and reorganisation is completed later this month and key vacancies filled, the ability to deliver a “business as usual” service is constrained.

Risk Management

- 6. An up to date summary departmental risk register, outlining the key threats to the achievement of departmental objectives, is shown as Appendix 2. Members should note that, since last reporting to Committee, the Chamberlain’s department has transitioned to the revised Corporate risk management framework; in addition to a revised format risk register, looking at “net risk” and “target risk”, there is a revised risk assessment framework incorporating a 4x4 matrix. The Chamberlain’s department is the first to adopt this revised framework as part of a phased corporate roll out, the subject of a separate report to this Committee.
- 7. The revised risk management framework also introduces a cycle of review whereby Audit and Risk Management Committee will consider departmental arrangements for risk management on a periodic basis; again, the Chamberlain was the first Chief Officer to adopt this, with a report received by Audit and Risk Management Committee 9th September 2014.

Summary of Key Risks:

- 8. The Chamberlain’s department is responsible for two Corporate Risks, both are reviewed and reported regularly to Audit and Risk Management Committee:

CR14 – Funding Reduction (Current Risk: RED)

CR14 describes the impact of future funding reduction on the financial viability of the City Corporation, specifically, known reductions to funding in 2015/16 and anticipated further reductions. The net impact of the reduction is a forecasted budget shortfall of some £11m by 2017-18 on City Fund. A deficit

of £4m is also anticipated on City's Cash in 2017/18, making a total of £15m across the two funds.

The mitigation of this risk lies in the Service Based Review, restoring the City Corporation to a balanced budget position for 2016/17 and onwards. The review has generated proposals to achieve efficiencies in the order of £23m, which have been approved by the Resource Allocation Sub-Committee and are to be considered by Policy and Resources Committee on 4th September 2014. It should be noted that the risk of future reductions to funding will remain and that this will continue to be a high risk for the organisation, further iterations of the Service Based Review will be required.

CR16 – Information Security (Current Risk: **AMBER**)

Loss of personal or commercial information may result in major reputational damage to the City Corporation and possible sanction from the Information Commissioner, including a financial penalty of up to £500,000.

This risk is mitigated through the provision of mandatory training to all staff, and regular organisation wide communications. While the Chamberlain is the risk owner, mitigating controls are owned by many colleagues; the Deputy Town Clerk, Director of Corporate HR, Information Officer (Town Clerk's) and Chief Information Officer. Chamberlain's department are responsible for managing the cyber security and technology aspects of this risk and has recently appointed a Technical Solutions Officer to review and refresh arrangements in this regard.

9. The Chamberlain's departmental risk Register also includes one **RED** operational risk:

CHB12 – Oracle ERP (Current Risk: **RED**)

This risk relates to failure to deliver required business benefits from the project to upgrade the existing Oracle financial information system and replace the Manhattan property management system, implementing an Enterprise Resource Planning (ERP) system. This risk is red due to the current project status; the project mandate is to design and build an appropriate system.

10. At the mid-point of the project the decision was taken to re-baseline the overall programme from a position of greater understanding and knowledge of Oracle functionality. An extensive series of workshops was delivered in July, engaging colleagues across the organisation, resulting in a project re-plan, revised specification and delivery timetable. This risk will remain red until critical milestones have been met in early autumn, at which point the risk is expected to reduce to amber. As the project continues and confidence in the mitigating actions builds, the risk is expected to reduce to green, either as a result of reduced likelihood, impact or a combination of both.

Conclusion

11. Members are asked to note the good progress made in the delivery of the Chamberlain's Department Business Plan and the actions in place to manage the risks currently faced by the department.

Appendices

- Appendix 1 – Chamberlain’s Department Business Plan Progress Tracker
- Appendix 2 – Chamberlain’s Department Risk Register Summary

Matt Lock

Head of Payments and Support Services | Chamberlain’s Department

T: 020 7332 1276

E: matt.lock@cityoflondon.gov.uk

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Background

Key performance measures are monitored across our four business plan themes; Finance, Value, Transformation and People. Progress against stated objectives and milestones is monitored and discussed each month at the Chamberlain’s Senior Management Team meeting. Progress as at 31st August is summarised below.

Finance Theme:

KPI		Comment	Status (RED/AMBER/GREEN)
F1	Support the City Corporation in delivering the Service Based Review and a balanced budget for 2017/18, identifying savings of at least £13m on City Fund and £7m on City’s Cash, in accordance with the following timescale: <ul style="list-style-type: none"> ▪ Initial Proposals submitted to Resource Allocation Sub-Committee by June 2014 ▪ Agreement of Proposals Policy and Resources September 2014 ▪ Court of Common Council approval to proceed by March 2015 	<ul style="list-style-type: none"> ▪ On track ▪ Proposals totalling £23m have been identified and costed, further proposal have been suggested but not yet costed by departments. ▪ In addition £2m of spend in CF/CC has been identified that could more appropriately be funded from BHE. ▪ Proposals agreed by Resource Allocation Sub-Committee in June 2014. ▪ Report to be taken to Policy and Resources in September 2014 	GREEN
F2	F2. Identify within the Chamberlain’s Department a robust programme of efficiency savings, contributing to the overall Corporate target. <ul style="list-style-type: none"> ▪ Submission of Chamberlain’s proposals to the SBR Star Chamber 9th April 2014 	<ul style="list-style-type: none"> ▪ Proposals totalling £2.8m have been identified and accepted by the SBR panel. 	GREEN
F3	Produce and publish unqualified financial statements for: <ul style="list-style-type: none"> ▪ the City Fund and Pension Fund in accordance with statutory deadlines; and ▪ all other financial statements by 30 September 	<ul style="list-style-type: none"> ▪ On track. City Fund and BHE signed 3rd September, published directly. ▪ Had originally intended to have City’s cash completed by August, but due to audit queries re treatment investment valuations, this is moved to September. Publication date therefore likely to be October. 	GREEN

Value Theme:

KPI	Director Comment	Status (RED/AMBER/GREEN)
V1	Conclude the PP2P review with recruitment to the refocused CLPS structure completed by September 2014.	AMBER
V2	Delivery of annual savings of £7m as a result of successful operation of the CLPS.	GREEN
V3	Delivery of the 7 Mandatory Improvement Projects in partnership with Agilisys, creating the platform for future revenue savings.	AMBER
V4	90% delivery of the Annual Internal Audit plan by 31 st March 2015.	GREEN
V5	Full transition to e-invoicing for Chamberlain's Department, with 100% of invoices received electronically by the department 31 st March 2015.	GREEN

Transformation Theme:

KPI		Director Comment	Status (RED/AMBER/GREEN)
T1	Successfully deliver the Oracle ERP project with the new system live on 1 st December 2014.	<ul style="list-style-type: none"> ▪ A re-baseline exercise is undertaken July/August. ▪ Project re-plan issued and agreed by Steering Group, revised go-live date. 	RED
T2	Completion of the internalisation of the Revenues Service, with the new structure fully operational by 4 th October 2014.	<ul style="list-style-type: none"> ▪ Project progressing according to project plan 	GREEN
T3	Submission of clearly defined and quantified business benefits for the full range of IS led transformation projects by 31 st August 2014. (In accordance with the IS Strategy)	<ul style="list-style-type: none"> ▪ Delivered on target. 	GREEN
T4	Successful completion of the strategic review of the City Police IS provision in accordance with the following timescale: <ul style="list-style-type: none"> ▪ Operational model designed and agreed with Senior Management, resulting in a commercial proposal May 2014 ▪ Police Committee and IS Sub-Committee approval June 2014 ▪ Finance Committee approval July 2014 ▪ New service operational by January 2015 	<ul style="list-style-type: none"> ▪ The review will complete on time as per plan. ▪ Shared service now operational. ▪ Focus on completion of project through appointment of strategic partner (due diligence work in progress to ensure compliance with higher data security requirements of CoLP) 	GREEN
T5	Progression of the Police Accommodation review: <ul style="list-style-type: none"> ▪ Guildhall Yard East main refurbishment works June – Oct 2014 ▪ Police Mobilisation Works Oct – Dec 2014 ▪ Police Occupation of Guildhall Yard East Jan – March 2015 	<ul style="list-style-type: none"> ▪ GYE works commenced on 16 June according to plan, progress is good. ▪ Agreed timelines with the Police to secure final requirements and therefore finalise the space for functions not in GYE and Wood Street 	GREEN

People Theme:

KPI		Director Comment	Status (RED/AMBER/GREEN)
P1	To have in place by 1 st October 2014 a robust workforce plan and for this plan to be implemented from that date.	<ul style="list-style-type: none"> ▪ Discussed at the Training Group on 30th June and subsequently at SMT ▪ Further work to be undertaken with departmental HR Business Partner 	AMBER
P2	To undertake an annual staff survey.	<ul style="list-style-type: none"> ▪ Matt Lock/Chris Formosa to plan/scope, linking in with Corporate HR/Values. ▪ Survey launch planned for Autumn 	GREEN
P3	To provide an environment where all Chamberlain's staff feel that they have the opportunity to achieve their full potential. This will be supported through the delivery of a range of structured in-house training and continued support of an extensive programme of professional training.	<ul style="list-style-type: none"> ▪ Lunchtime training sessions take place on monthly basis, some are applicable to FSD others (e.g. session on VFM) are across the whole of CHB. ▪ Cascade training of relevant external training events also takes place. ▪ Currently have 35 employees who are being supported to achieve either a technical (AAT) or professional accounting qualification. ▪ Further roll out needed in line with the workforce plan and requirements from SOY appraisal and does not yet include all service areas in the department 	GREEN

Risk No.	Risk	Risk Owner	Existing Controls	Current Risk				Planned Action	Target Risk		
				Likelihood	Impact	Rating	Direction		Likelihood	Impact	Rating
CHB12	<p><u>Oracle ERP</u></p> <p>Failure to deliver required efficiencies and future revenue savings as part of the major project to upgrade CBIS to Oracle R12 and the implementation of an Enterprise Resource Planning (ERP) system, consolidating other key systems and processes as appropriate.</p> <p>Expected to Change: Following achievement of key milestones (Autumn 2014)</p>	Peter Kane	Project governance operating (Steering Group and Project Board), project underway with experienced implementation partner. Iteration 1 signed of, preparation for iteration 2 underway. Control Owner: Milan Gudka	Likely	Major	R	↔	Continued application of project governance. Rigorous stakeholder engagement. Ownership of all changes by the key business representatives on the project. Further work with implementation partner to design and build ERP system which is Fit for Purpose for the Corporation but also adheres to as best practice as possible. Regular workshops taking place for duration of project to ensure that change impact is understood and to ensure operational processes align with system development.	Unlikely	Major	A
CHB19	<p><u>VOA Amendments</u></p> <p>Business Rates; legislative changes, Valuation Office Amendments leading to increased number of appeals and potential City Corporation liability for bad debt resulting from any incorrect refunds that may be processed.</p> <p>Expected to Change: n/a on-going risk</p>	Carla-Maria Heath	Monitoring outcomes of valuation test cases. Plan in place to manage peaks in workload. Control Owner: Carla-Maria Heath	Possible	Serious	A	↔	Continued monitoring.	Possible	Serious	A

Chamberlain's Department Risk Register

Risk No.	Risk	Risk Owner	Existing Controls	Current Risk				Planned Action	Target Risk		
				Likelihood	Impact	Rating	Direction		Likelihood	Impact	Rating
CHB23	<p>AP Invoice Backlog</p> <p>Inability to deliver a “business as usual” service because of the backlog of accounts payable invoices for processing, resulting in poor performance in the timely and accurate payment of invoices and leading to reputational damage (externally with suppliers and internally with departments) and financial loss to the City Corporation.</p> <p>Expected to Change: 30th September 2014</p>	Head of City Procurement	<p>Proactive performance management in place. Increased quality review and use of peer to peer review</p> <p>Weekend working offered to high performing team members</p> <p>Control Owner: Head of City Procurement</p>	Possible	Major	A	↔	<p>Continuation of existing control.</p> <p>Increased engagement with departments and suppliers to improve end to end process compliance</p> <p>New Department Report designed and shared with FLG. First circular now out with service users to target non-compliance and non-receipting primarily.</p> <p>Reorganisation of City Procurement in progress, due to be completed September 2014</p>	Rare	Serious	G
CHB24	<p>PP2P Programme Closure</p> <p>Closure of partnership with Accenture results in alteration of the current programme of City Procurement activity, leading to further disruption to business as usual.</p> <p>Expected to Change: 30th September 2014</p>	Peter Kane/ Suzanne Jones	<p>Closure plan in place. Milestones in place for City and Accenture teams.</p> <p>All closure activities complete and signed off. Ongoing vacancies led to Knowledge Transfer packs being designed by Accenture for use as part of new hire inductions. Control Owner: Chris Bell</p>	Possible	Major	A	↔	<p>Regular programme monitoring, engagement with departments. Recruitment to key posts. Update reports to be provided to Committee.</p>	Unlikely	Serious	G

Chamberlain's Department Risk Register

Risk No.	Risk	Risk Owner	Existing Controls	Current Risk				Planned Action	Target Risk		
				Likelihood	Impact	Rating	Direction		Likelihood	Impact	Rating
CHB25	<p>Revenues In-sourcing</p> <p>Disruption to business as usual billing and income collection service as a result of the “in-sourcing” of the Revenues contract (currently with Liberata).</p> <p>Expected to Change: 30th September 2014 (Risk will cease)</p>	Suzanne Jones	Monthly service review in place. Blackout/change freeze in place for system migration. Control Owner: Carla-Maria Heath	Possible	Serious	A	↔	Regular progress review and update reports.	Possible	Serious	A
CHB26	<p>PSN Compliance</p> <p>Increased cost of maintaining connection to the Public Service Network (PSN) or possible disconnection in the event of non-compliance, arising as a result of increasingly demanding requirements.</p> <p>Expected to Change: 30th November 2014 (Risk expires)</p>	Chris Anderson	Separate network enclave created, allowing access to the PSN other than via the Corporate network. Control Owner: Chris Anderson	Unlikely	Major	A	↔	<p>June compliance submission to Cabinet Office failed.</p> <p>Reviewing requirements from this in order to make the entire City Corporation Network PCN Compliant in 2014.</p>	Rare	Major	G

Chamberlain's Department Risk Register

Risk No.	Risk	Risk Owner	Existing Controls	Current Risk				Planned Action	Target Risk		
				Likelihood	Impact	Rating	Direction		Likelihood	Impact	Rating
CHB27	<p>Remote Access</p> <p>Remote Access - Citrix Access Gateway 4.6.3 is no longer under support from Citrix. No security or other fixes are available. No support for IE 9 onwards. There is a single point of failure at DR should this server fail.</p> <p>Expected to Change: November 2014</p>	Graham Bell	Juniper MAG VPN solution implemented. Control Owner: Graeme Quarrington-Page	Possible	Serious	A	↔	Further exploration of a fuller technical solution option/s that fully mitigate the risk in addition to the rollout out of Juniper MAG solution to remote workers.	Possible	Minor	G
CHB28	<p>IS Service Outage</p> <p>Disruption to service delivery as a result of major information systems outage (e.g. network/technology infrastructure failure)</p> <p>Expected to Change: November 2014 project to complete</p>	Graham Bell	<p>Decision to migrate keys systems and servers off site in order to improve business resilience and ensure similar disruption in future is a negligible risk forms part of the technical roadmap.</p> <p>Migration of critical systems as part of the IaaS project now underway. Project phased to minimise customer disruption and ensure thorough testing of systems between now and November.</p>	Rare	Serious	G	↓	Project in progress to migrate to Infrastructure as a Service. This will improve service resilience and remove many single points of failure and provide disaster recovery .	Rare	Minor	G

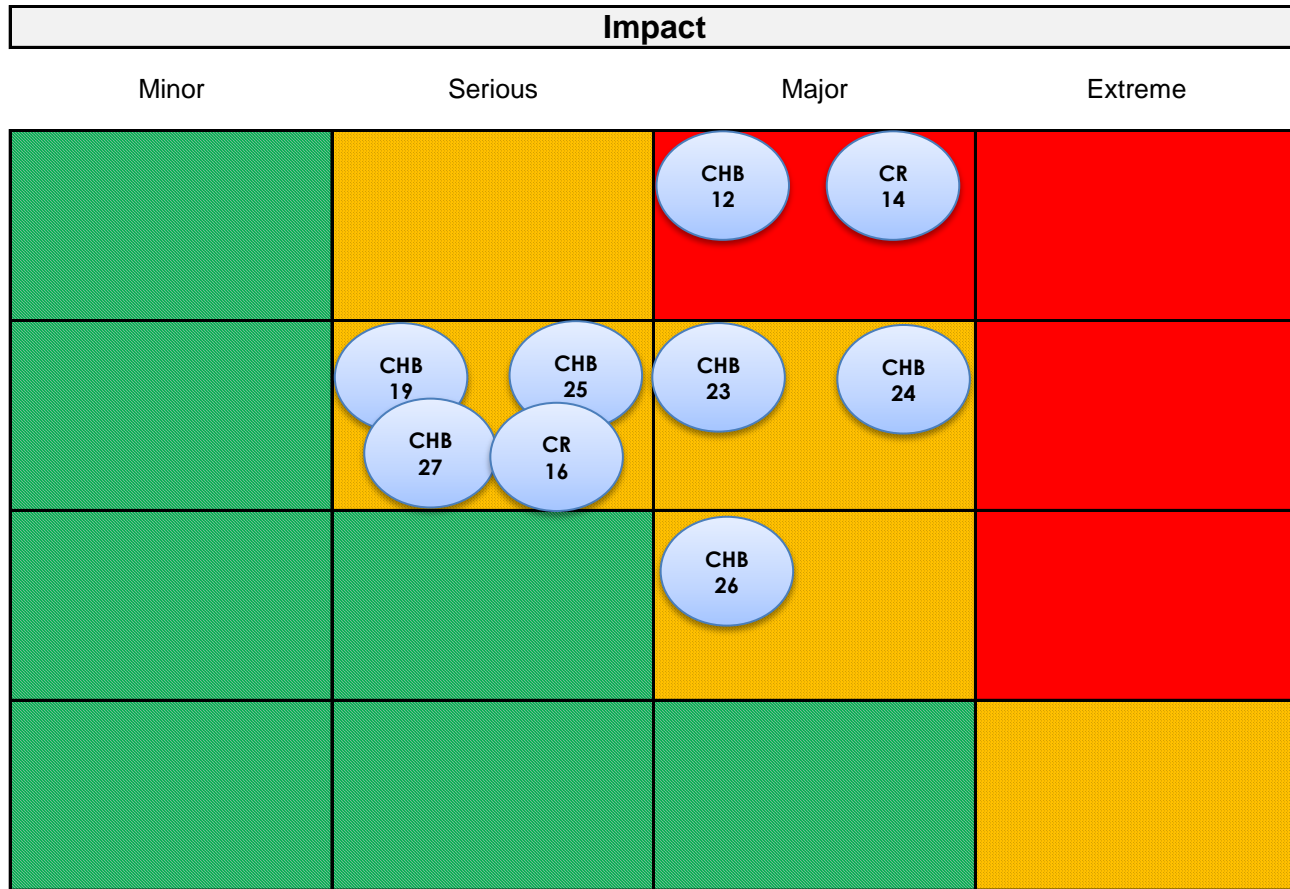
Chamberlain's Department Risk Register

Risk No.	Risk	Risk Owner	Existing Controls	Current Risk				Planned Action	Target Risk		
				Likelihood	Impact	Rating	Direction		Likelihood	Impact	Rating
CR14	<p><u>Funding Reduction</u></p> <p>Likely reductions in future spending rounds will reduce grant income for the City Corporation resulting in the Corporation being unable to maintain a balanced budget and maintain healthy reserves in City Fund significantly impacting on service delivery levels.</p> <p>Expected to Change: 31st March 2015</p>	Peter Kane	<p>Service based review in progress.</p> <p>Review of operational assets in progress</p> <p>Robust financial planning.</p> <p>Scrutiny by the Efficiency Board and Efficiency and Performance Sub-Committee. Control Owner: Caroline Al-Beyerty</p>	Likely	Major	R	↔	<p>submission of package of saving proposals for consideration by Resource Allocation Sub Committee Development and implementation of savings programme by 2016/17</p>	Likely	Major	R
CR16	<p><u>Information Security</u></p> <p>Loss or mishandling of personal or commercial information could result in harm to individuals, a breach of legislation such as the Data Protection Act 1988 which incurs a monetary penalty of up to £500,000. Breaches can also incur compliance enforcement action, corruption of data and significant reputational damage.</p> <p>Expected to Change: TBC (risk will remain, but net risk expected to reduce)</p>	Peter Kane	<p>Central monitoring & guidance with nominated senior officer responsibility and Access to Information Network (departmental reps)</p> <p>Mandatory training for all staff plus programme of briefings</p> <p>Awareness emails sent biannually to all staff</p> <p>Appointment of a Technical Solutions Officer (IS Division)</p> <p>Control Owner: Graham Bell</p>	Possible	Serious	A	↔	<p>Review and refresh existing policy around cybersecurity and technology infrastructure risk in partnership with Agilisys. Actively promote Data Security training and Protecting Information training for staff in Autumn-Winter 2014.</p>	Unlikely	Serious	G

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Risk Heat Map

Likelihood



- Risks**
- CHB12:** Oracle ERP
 - CHB19:** VOA Amendments
 - CHB23:** AP Invoice Backlog
 - CHB24:** PP2P Reverse Transition
 - CHB25:** Revenues In-sourcing
 - CHB26:** PSN Compliance
 - CHB27:** Remote Access
 - CR14:** Funding Reductions
 - CR16:** Information Security

Key	Red / High Risk	Amber / Medium Risk	Green / Low Risk
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Committee:	Date:
Finance Committee	23 rd September 2014
Subject: Local Government Finance Settlement 2015/16 Technical Consultation and Business Rates Pooling Prospectus	Public
Report of: The Chamberlain	For Information
Summary	
<p>The report sets out the key issues arising from two recently published Government consultation papers relating to financial matters in the local government sector, the Local Government Finance Settlement 2015/16 technical consultation; and Business Rates Pooling Prospectus 2015/16.</p> <p>Overall it is considered that no significant issues arise as a result of the consultations which would require representations to be made to the Department of Communities and Local Government (DCLG).</p>	
Recommendation	
Members are asked to:	
<ul style="list-style-type: none">• Note the contents of this report.	

Main Report

Background

1. On Monday 21st July 2014 the Department for Communities and Local Government (DCLG) published two consultation papers:
 - Local Government Finance Settlement 2015-16 (response deadline 25th September 2014)
 - Business rates retention scheme: pooling prospectus (response deadline 31st October 2014)
2. The Local Government Finance Settlement consultation covers proposals for changes to the illustrative 2015/16 (non-Police) local government finance settlement.
3. Details of the proposed 2014/15 Local Government Finance Settlement and indicative 2015/16 settlement were reported to this Committee on 21st January 2014.

The Local Government Finance Settlement Technical Consultation 2015/16 (Non-Police)

4. The Spending Review 2013 announced on 26th June 2013 set out real terms cut in overall funding for local government from the DCLG for 2015/16. As reported to this Committee in January 2014 it is anticipated that the City's Settlement Funding Assessment (SFA) for its non-Police services in 2015/16 is expected to be £27.1m a reduction of some £5.1m or 15.8% on the 2014/15 levels. This position remains unchanged as a result of this consultation.
5. Notwithstanding the overall reduction in funding, DCLG are seeking views on the technical aspects of the 2015/16 finance settlement. In particular:
 - The methodology for calculating compensation due to local authorities resulting from the reduction of income from business rates as a result of the Government's 2% cap on the small business multiplier;
 - Transfers of funding into the settlement, including the effects of rolling the council tax freeze grant, Efficiency Support Grant and Rural Services Delivery Grant into the overall Revenue Support Grant for those authorities eligible for such funding; and
 - Transfers of funding out of the settlement in relation to the Carbon Reduction Credits Energy Efficiency Scheme.

Compensation for the 2% cap on the small business rates multiplier

6. At the 2013 Autumn Statement, the Government announced that the small business rates multiplier would be capped at 2.0%, rather than increased in line with the September 2013 Retail Price Index (3.2%), as previously proposed. The consultation confirms that the Government intends to continue to pay compensation to local authorities in 2015/16 for the loss of income as a result of the cap through a section 31 grant on the same basis as in 2014/15. The compensation is based on the estimated reduction to retained business rates income adjusted to account for lower tariffs and top-ups based on National Non-Domestic Rates (NNDR) data submitted in February 2013. DCLG have confirmed the City will receive £577,770 in 2014/15. It is anticipated that a similar grant will be received in 2015/16.

Transfers of Funding into the Settlement

2014/15 Council Tax Freeze Grant

7. It has been a key government policy since 2010 to encourage local authorities to limit council tax increases. As such Government has made available grant funding to incentivise authorities to freeze their council tax each year. The decision to continue to freeze council tax in 2014/15 means that the City will receive a grant worth 1% of its council tax in 2014/15 and 2015/16 – approximately £50,000 a year. It is proposed that the Government will roll the 2014/15 council tax freeze grant into the Revenue Support Grant (RSG) and combined with the 2013/14 Council Tax Freeze funding as a single element. It is assumed that this will also apply to any funding awarded in 2015/16. Whilst the Council Tax Freeze Grant is welcomed, historically, where grants are "rolled in" this often results in a lack of transparency and can reduce the effectiveness of the funding where RSG is reduced.

2014/15 Efficiency Support Grant

8. In order to ensure that no authority had a reduction in 2014/15 revenue spending of more than 6.9%, £9.6m in Efficiency Support Grant was paid to seven authorities. Broadly speaking the Government defines Spending Power as the sum of: council tax; Settlement Funding Assessments; specific grants (including for the City its Offset); new homes bonus; NHS funding for social care; and, the ring-fenced public health grant. For those authorities in receipt of an Efficiency Support Grant the Government is proposing that this is rolled into RSG, subject to satisfactory progress being made by those authorities. The City did not qualify for an Efficiency Support Grant in 2014/15 and it is anticipated that this will remain the case in 2015/16. Should the City become eligible to apply for an Efficiency Support Grant in the future the terms of the grant would need to be considered carefully before any application is submitted.

2014/15 Rural Services Grant

9. This grant is not applicable to the City Of London as a Metropolitan Authority and therefore no implications arise from this being rolled into RSG.

Transfers of Funding out of the Settlement

Carbon Reduction Credits Energy Efficiency Scheme Adjustment

10. The consultation also details a funding adjustment (reduction) for those authorities which fall below the threshold for participation in the Carbon Reduction Commitment Energy Efficiency Scheme, as a result of the Government decision to exclude all state funded English Schools from participation. The Carbon Reduction Commitment Energy Efficiency Scheme taxes carbon emission. For participation an authority's total settled half hour electricity usage must exceed 6,000 MWh. Where an authority falls below the threshold for participation during the 2012/13 qualification period as a result of excluding Schools from the scheme, the Government considers that the Exchequer suffers a loss of tax revenue and to compensate for this loss it is proposed that a negative funding adjustment is made. The negative funding adjustment is equal to the tax which would have been due on total emissions for that authority (excluding schools). The City's total settled half hour electricity figure during 2012/13 was significantly in excess of this figure, therefore, the negative funding adjustment proposal does not affect the City.

Business Rates Pooling Prospectus

11. As part of the business rates retention scheme, all local authorities were given the opportunity to work with neighbouring and partner authorities to develop a bid to become a local authority business rate "pool". A core principle of pooling is that it is voluntary and requires local authorities to establish whether pooling offers a benefit to them however, the issues are complex, particularly in relation to estimates of appeals/growth and how any changes to the levy factor could benefit the pool as a whole. Any pool in London would have to include all London billing authorities and to date there has been little interest in pooling across London. It is not considered, however, that pooling offers any particular benefits for the City of London as a tariff authority. Applications to establish a new pool must be made by 31st October 2014.

Conclusion

12. Overall the Local Government 2015/16 technical consultation does not identify any issues which are unique and/or disadvantageous relative to other councils which would require representations to be made. Furthermore it is not proposed that the City seeks to establish a Business Rates Pool at this time.

Caroline Al-Beyerty
Financial Services Director

T: 020 7332 1164

E: caroline.al-beyerty@cityoflondon.gov.uk

Committee: Finance Committee	Date: 23 September 2014
Subject: Capital and Supplementary Revenue Projects – 2013/14 Outturn and Prudential Indicators	Public
Report of: Chamberlain	For Information
Summary	
<p>The last report on financing of the capital and supplementary revenue project (SRP) programmes was prepared in December 2013 covering the planning period from 2013/14 to 2017/18. This report provides details of the 2013/14 outturn, including the Prudential Indicators for the City Fund.</p> <p>Actual capital and SRP expenditure in 2013/14 amounted to £201m, some £27m less than the forecast of £228m. This reduction was largely due to the re-phasing of expenditure to later years amounting to £20m, together with net savings of £7m.</p> <p>The CIPFA Prudential Code provides the statutory framework for ensuring that capital expenditure is affordable, prudent and sustainable and requires the calculation of certain prudential indicators in respect of City Fund capital activities. The 2013/14 actual indicators, drawn from the end of year balance sheet, highlight that the City Fund held no external debt as at 31 March 2014 and confirmed that there was no underlying need to borrow.</p>	
<p>Recommendations</p> <p>Members are asked to note the contents of this report.</p>	

Main Report

Background

1. Five year programmes of Capital and SRP schemes are maintained for financial planning purposes which inform the preparation of the medium term financial forecasts for each of the three main funds. The forecasts include prudent provision for the latest estimated costs of schemes approved via the Corporate Project Procedure, planned property acquisitions and other significant schemes in the pipeline.
2. Chief Officers, in liaison with the Town Clerk’s Programme Office, provide regular reports on the progress of individual schemes against milestones.
3. Capital expenditure generally results in an increase in asset values and typically relates to acquisitions and enhancements, whereas supplementary revenue projects are one-off items which do not fulfil the capital criteria e.g. feasibility and option appraisal costs, major cyclical repairs and maintenance.

4. The capital controls which apply to the City Fund restrict the use of capital reserves (derived from the sale of assets) solely to the financing of capital expenditure. In this context, grants to third parties for capital purposes, such as the City Fund contribution to the Crossrail project, would qualify as capital expenditure.
5. The Court of Common Council has delegated to me authority to determine the methods of financing capital and supplementary revenue project expenditures. In making such decisions consideration is taken of the strategic and tactical interests of the three funds.
6. The last report on financing of Capital and Supplementary Revenue Projects was prepared in December 2013, based on the forecast figures over the planning period from 2013/14 to 2017/18 which were used in the preparation of the 2014/15 budget. The purpose of this report is to provide details of the 2013/14 outturn against the forecast and to set out the actual Prudential Indicators for the City Fund.

2013/14 Outturn

7. The actual Capital and Supplementary Revenue Project expenditure incurred in 2013/14 was £201m which was £27m less than the forecast of £228m. A breakdown of expenditure by fund is set out below.

2013/14 Actual Capital and Supplementary Revenue Project Expenditure and Financing						
	City Fund	City's Cash	BHE	Total	Comparator March 2014 Forecast	Variation
	£m	£m	£m	£m	£m	£m
Capital/SRP Expenditure						
Investment	123	11	34	168	174	-6
Operational	18	15	0	33	54	-21
Total Expenditure	141	26	34	201	228	-27
Funded by:						
External Grants & contributions	12	2	0	14	19	-5
Internal:						
- Capital Reserves	44	0	0	44	50	-6
- Earmarked Revenue Reserves	48	20	34	102	107	-5
- Revenue Balances	37	4	0	41	52	-11
Total Funding Requirement	141	26	34	201	228	-27
March 2014 Forecast Figures	153	38	37	228		
Variation	-12	-12	-3	-27		

8. The following table indicates that the main reason for variations between forecast and actual expenditures in 2013/14 is the rephasing of expenditure, accounting for a net total of £20m which is therefore simply deferred to later years. The deferred projects related mainly to investment properties, Information Systems, the Guildhall School and unspent provisions for new schemes and contingencies. Savings of £7m arose mainly from refinement of final accounts on a number of major schemes.

2013/14 Analysis of Variations compared with Forecast

	City Fund	City's Cash	BHE	Total
	£m	£m	£m	£m
Expenditure Reductions				
Net rephasing of expenditure to later years	-11	-7	-2	-20
Net Savings	-1	-5	-1	-7
Total Reduction in Expenditure	-12	-12	-3	-27
Reductions in Financing				
External Contributions	-2	-2	0	-4
Internal Funds	-10	-10	-3	-23
Total Reductions in Financing	-12	-12	-3	-27

Prudential Indicators

9. The CIPFA Prudential Code¹ provides a framework for ensuring that capital expenditure and financing (in particular borrowing) is affordable, prudent and sustainable, and requires the calculation and monitoring of certain prudential indicators in respect of City Fund capital activities.
10. In addition to setting indicators for the forthcoming year during each budget cycle, the Code requires authorities to calculate certain indicators drawn from the end of year balance sheet. The appendix contains the actual indicators for 2013/14, including commentaries which highlight, in particular, that the City Fund held no external debt as at 31 March 2014 and there was no underlying need to borrow.
11. The City Fund total expenditure figures used for the indicators are considerably higher than the actual expenditure figures in the tables above. This is the net impact of:
 - The actual prudential indicators being based on figures included within the published financial statements. During the year, cash neutral property transactions to the value of £46m were grossed up as capital expenditure and income for the published financial statements to comply with accounting standards. However, for internal forecasting and reporting purposes, such 'notional' transactions are excluded from the table above.
 - The opposite is the case for Supplementary Revenue Project expenditure which is included in the table above but not relevant for the calculation of the indicators which are focused on capital.

Appendix: 2013/14 Actual Prudential Indicators

Caroline Al-Beyerty
Financial Services Director

T: 020-7332 1164

E: caroline.al-beyerty@cityoflondon.gov.uk

¹ The Prudential Code is a professional code of practice developed by the Chartered Institute of Public Finance and Accountancy to support capital investment decisions. Local authorities are legally required to have regard to it under the Local Government Act 2003.

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PRUDENTIAL INDICATORS - 2013/14 OUTTURN

The tables below detail the four prudential indicators applicable to 2013/14 which have been derived from the 2013/14 City Fund final accounts. These 'actual' indicators have been compared to the appropriate 'estimate' indicators. The **original** estimate indicators were prepared in February 2013 at the time of setting the 2013/14 budget and the **revised** estimate indicators were prepared to inform the setting of the 2014/15 budget in March 2014.

1. Actual capital expenditure 2013/14

	HRA	Non-HRA	Total
Estimate of capital expenditure (Original)	£7.803 m	£38.282 m	£46.085 m
Estimate of capital expenditure (Revised)	£2.838 m	£191.005 m	£193.843 m
Actual Capital Expenditure	£2.502 m	£181.183 m	£183.685 m

The variation between the revised and actual indicators is mainly due to rephasing of capital expenditure to later years.

2. Actual capital financing requirement 2013/14

	HRA	Non-HRA	Total
Estimate of Capital Financing Requirement (Original)	£11.068 m	-£13.107 m	-£2.039 m
Estimate of Capital Financing Requirement (Revised)	£10.706 m	-£12.634 m	-£1.928 m
Actual Capital Financing Requirement	£10.924 m	-£12.866 m	-£1.942 m

The capital financing requirement indicates the underlying need to borrow and the overall negative figures are indicative of the City's debt-free status. The positive HRA indicators reflect internal borrowings from the City Fund. The method of calculating the HRA and non-HRA elements is prescribed under statute, with the overall figures derived directly from the balance sheet.

3. Actual External Debt as at 31.03.2014

	Borrowing	Other Long Term Liabilities	Total
Actual External Debt	£0	£0	£0

The Authorised Borrowing Limit for 2013/14 was set at zero and therefore the City Fund remains debt-free.

4. Actual Ratio of Financing Costs to Net Revenue Stream 2013/14

	HRA	Non-HRA	Total
Ratio of Financing Costs to Net Revenue Stream (Original)	0.25	-0.34	-0.29
Ratio of Financing Costs to Net Revenue Stream (Revised)	0.24	0.22	0.22
Actual Ratio of Financing Costs to Net Revenue Stream	0.24	0.22	0.22

This ratio seeks to represent the extent to which the net revenue consequences of borrowing impact on the net revenue stream.

The actual HRA ratio of 0.24 (which effectively means that financing costs consume some 24% of the HRA's net revenue stream) includes allowance for the internal borrowing from the City Fund and is in line with the estimated ratio.

Since the City Fund is a net lender in its Treasury operations and is in receipt of significant rental income from investment properties, the Non-HRA and Total ratios are usually negative. However, in 2013/14 these actual ratios are positive as a result of the treasury management decision to make a significant investment

of revenue cash balances in property i.e. exceptionally, revenue funding of capital exceeded income from investments.

Committee(s):	Date(s):
Efficiency and Performance Sub Committee	10 September 2014
Finance Committee	23 September 2014
Subject: City Procurement Update	Public
Report of: The Chamberlain	For Information

Summary

As requested by Finance Committee on 22 July, this report sets out a more detailed situation report about City Procurement now that the partnership with Accenture has been concluded.

It highlights savings and performance levels that have been achieved, proposed changes to procurement governance, including the relationship with the Projects Sub-Committee and potential future developments, including steps to incentivise further savings and ensure appropriate use of frameworks:

- £5.03m savings in 2013/14 against a target of £4.82m (adjusted to discount impact of any change to service standards); the target savings for 2014/15 will be in excess of £7m, with construction savings still to be finalised;
- payment of invoices to suppliers 84% in 10 days (target 75%) and 95% in 30 days (target 95%) for July 2014;
- New Procurement Steering Group to be established to oversee work of Category Boards and ensure effective corporate approach;
- Increased support from City Procurement to Projects Sub, with a review of how to manage risk element;
- Examination of incentives, including sharing of savings, and use of frameworks to ensure only used when offer best value for money; and
- New leadership of City Procurement – including appointment of Chris Bell – to support next phase of work.

Recommendation

Members are asked to note this report.

Main Report

Background

1. This report follows the comments raised by Members at the last meeting of the Finance Committee on July 22nd 2014 regarding the performance of City Procurement and the level of savings achieved over 2013/14.
2. City Procurement is now a consolidated service based in the Chamberlain's department which was set up as part of the Procurement and Procure to Pay Programme which started in February 2011. Accenture were engaged as our partner to assist us in transforming the way in which procurement was delivered at the Corporation so that savings could be achieved.
3. Members decided in September 2013 that the partnership should come to a close in March 2014 with a residual input from Accenture up to the end of September 2014 to allow for the recruitment to the posts which had been staffed by Accenture.
4. Up to March 2014, Accenture received an element of their fees as a result of the level of savings generated by the procurement initiatives. These savings had to be validated by the Financial Services Director in order for relevant budget adjustments to be made.
5. Historically the full value of savings made by the procurement initiatives was taken centrally in order to cover the cost of having Accenture as our partner. This approach did lead to some reluctance to fully engage with procurement activities in order that departmental budgets were not reduced. This was not the intention of the programme; the savings were intended to bring a corporate benefit.

Savings Achieved for 2013/14

6. As reported in July 2014, the target for sourcing savings for 2013/14 was £4.82m against which savings of £5.03m were delivered. There were a total of 31 strategic sourcing projects completed across 6 categories. The most significant projects being:
 - On-Street Parking Services, Contracted savings over 5 years of £3.15m (£630k per annum);
 - Corporate Catering (5 Lots), Contract savings over 5 years of £768k (£153k per annum); and
 - Temporary Labour Services, Contracted savings over 3 years of £661k (£220k per annum)
7. The detailed list of the projects completed in 2013/14 is included at Appendix 2 of this report. City Procurement works with the relevant departments to agree the procurement approach, to run the procurement activity, advise on the prevailing market conditions and to ensure that the Corporation complies with any statutory and regulatory requirements as well as its own procurement regulations.

8. There is an agreed methodology for agreeing the savings levels which is set out in Appendix 1 of this report. This methodology has been used to establish the levels of savings achieved by each project and budget adjustments were made to reflect these. Accenture received fees based on three elements, one of which was a percentage of the savings achieved.
9. The methodology document will be updated now to reflect the end of the partnership and will continue to be used to determine the savings achieved by procurement projects. This is an important metric which can be used going forward to benchmark the performance of procurement.

Sourcing plan for 2014/15

10. The 2014 sourcing plan has increased significantly since April where the planned projects list totals 57 Projects, with target savings of £7.04m. Since then due to demand, tighter compliance and the bringing into scope of the Construction category the number of sourcing projects has steadily risen to 153 with increased challenges on resource capacity. The savings target will be re-adjusted once the savings methodology is agreed at the Construction Category board. The main focus is on delivering business as usual service for the many service contracts required but ensuring best value at all times. There will continue to be strategic savings projects addressed where there are efficiency or contractual savings available through a variety of sourcing strategies all approved by the Category. There is more detail in Appendix 3 of this report.

Future development of procurement

11. Now that the service is operated by the City without a partner, it is timely to review the way budgets are adjusted for the savings achieved. This does not suggest that the rigour of establishing that savings have been made should be removed. Given the financial pressures that are on the horizon and the service based review programme in response to these pressures, rigour in identifying procurement savings remains very important to the organisation.
12. Recognising that some savings will be made from reducing the scope or quality of the service or goods that are procured, the current arrangement with departments is that savings relating to a change in service specification are counted as departmental savings i.e. the department retain the budget (and these savings then feature in the department 's service based review proposals). Savings relating to securing services at a lower price are recognised as a corporate saving and reduce the overall forecast deficit and therefore the saving target for all departments. However, the process of agreeing such a split on an on-going basis is time consuming and further thought is needed to establish an appropriate incentive for swift resolution.
13. In updating the savings methodology document to reflect the end of the partnership further consideration will be given to incorporating a general gain share arrangement to encourage increased collaboration and engagement by departments with City Procurement.

Future Governance of procurement projects

14. Whilst the partnership arrangements have concluded, there is still a need to ensure that there is effective governance around procurement. Procurement itself should be an enabler that supports the achievement of business objectives. It is however important that there is a resource prioritisation, coherent strategy and a sharing of good practice. Appendix 4 sets out the aims of the City Procurement Service which will be launched in October 2014.
15. Category Boards which are chaired by an officer who is not a member of City Procurement will continue to operate to ensure that there is sensible packaging of contracts and departments engage with procurements to influence specifications and supplier selection to ensure that contracts deliver their business requirements. This will include reviewing the way in which sourcing activities are carried out so that appropriate use of framework arrangements is made, there is effective forward planning and risk is suitably managed.
16. Framework arrangements have their place in procurement however if they have not be the result of direct negotiations by ourselves they may not exactly deliver our requirements or represent the best value for money. With better forward planning, the appropriate time to run tenders can be built in so that there is very regular market testing.
17. City Procurement will be represented at all Project Sub-committee meetings to assist with the management of risk in procurement and engagement with suppliers.
18. The Category Boards will be drawn together by a Procurement Steering Group (PSG) which will report through to the Summit Group. The role of the PSG is set out in Appendix 5. The Boards will be accountable for the way in which they are operating their category and City Procurement will be accountable for its performance including delivery of sourcing projects and payment of supplier. Underneath this there is the operational management structure. This tiered arrangement is set out in Appendix 6.

Savings and fees

19. Members asked for details of the fees that had been paid to Accenture and the savings that had been made. There is also the issue of the value of the savings which had been passed through to third parties.
20. At the end of the partnership with Accenture in March 2014 the signed off gross cumulative savings figure was £20.047m. The Finance Leadership Group has concluded that £13.884m is attributable to the Corporation and £6.163m to third parties. After fees of £10.175m this gives a net position for the City Corporation as follows.

	£m	£m
Gross signed off savings		20.047
Less: attributable to third parties		<u>(6.163)</u>
Signed off savings attributable to Corporation ¹		<u>13.884</u>
Less: fees paid (savings related)	(3.823)	
Add: recovery of procurement costs from third parties/departments	<u>0.914</u>	
		<u>(2.909)</u>
		10.975
Less: fixed fees paid to date	(5.393)	
milestones fees paid to date	<u>(0.959)</u>	
		<u>(6.352)</u>
Net saving to Corporation over the 5-year PP2P programme		<u><u>4.623</u></u>

¹£9.909m to corporate centre and £3.975m to departmental budgets

21. If the target savings for the remaining two years are achieved the gross cumulative savings figure at the end of 2015/16 is estimated to be £23.452m. Based on an initial review of the planned projects it is anticipated that the most of the £3.405m (i.e. the difference between the actual savings of £20.047m and the estimated £23.452m) will accrue to the Corporation, increasing the net saving from £4.623m to an estimated £8.028m.

Performance indicators for procurement activity

22. Performance is measured across City Procurement to ensure that the volume of work is being covered with the required levels of quality. Whilst the metrics are measured by the service, some of them (e.g. days to pay an invoice) are not just a measure of the performance in the team, they are a measure of a process which involves departments as well.

23. Key metrics

Category Management & Sourcing

- 153 live procurement projects spanning 7 categories (Originally estimated to be 57 in 2014/15 showing increasing demand)
- As at end of July 2014 £2.11m savings achieved against annual target of £7.04m (29.9%)
- As off 1st September, all suppliers where there is no formal contract will no longer have purchase order automatically created ensuring compliant purchasing is enforced.

Accounts Payable

- Payments made within 10 days – Target 75% - July actual 84%
- Payments made within 30 days – Target 95% - July actual 95%
- 38% of all invoices during July have no Purchase Order
- As at end of July, 2,271 invoices were on hold; 2,220 (98%) with departments. 3 main reasons (No PO, goods not receipted, budget coding error)

Progress on internalising the service and restructuring

24. Members will be aware that recruitment was in progress to appoint a new Head of City Procurement. Chris Bell, who has been the Service Delivery Lead from Accenture for the past year, was successful in the competitive process and will be taking up the role formally on 13th October 2014.
25. Others key leadership posts in the service have also been filled with just the Head of Accounts Payable role going through the recruitment process at the time of writing.
26. Personal consultations with staff members affected by the restructuring have been taking place during August. It is anticipated that staff will know the final outcomes by early September which may include some staff being displaced or being made redundant.

Conclusion

27. Given the end of the partnership with Accenture the focus now needs to turn to ensuring that the Procurement Service is embedded into the organisation and assists in delivery of business objectives which must now include efficiency savings. With a change of governance, it is also opportune to consider how savings could be shared with departments.

Appendices

- Appendix 1 – Extract from report to May 2012 Finance Committee
- Appendix 2 – Savings achieved in 2013/14
- Appendix 3 – Sourcing Plan for 2014/15
- Appendix 4 – The aims of City Procurement
- Appendix 5 – The role of the Procurement Steering Group
- Appendix 6 – Procurement Governance arrangements

Suzanne Jones

Business Support Director

T: 0207 332 1280

E: suzanne.jones@cityoflondon.gov.uk

Scrutiny of Savings and its application to the programme so far

1. Savings arising from the PP2P programme are subject to scrutiny from a range of stakeholders which is enshrined in the programme governance. Four stages of review are involved:
 - Category Boards
 - Finance Leadership Group
 - Savings Realisation Forum
 - PP2P Joint Review Board
2. Category Boards are responsible for developing and tracking delivery of Category Plans, setting out the portfolio of sourcing projects the board intends to progress and savings they expect to deliver. There are six Category Boards, each of which is chaired by a City officer and includes a Head of Finance as a Member. The Category Board reviews:

The proposed baseline; this is the cost of supplies and services sourced using current procurement arrangements. It is based on actual spend by each supplier considered within scope of the PP2P procurement arrangements. The baseline is calculated by the procurement team based on actual spend ascertained from invoices and cross checked to each suppliers own records. The baseline is then verified by the Category Board. The Head of Finance leads on the analysis; verifying what is in scope and the level of spend.

The savings calculation/ methodology; this sets out the expected type of savings to be achieved i.e. expected procurements savings on the supplies and services, but also any savings associated with changing the procurement process or obtaining supplies and services more swiftly. Savings are analysed as to whether they are retained by the City Of London, ring fenced to Police or the Housing Revenue Account or whether they accrue to third parties. The methodology is initially set out by the procurement team and then challenged by the Category Board. The Head of Finance leads on analysing savings as to whether they are retained by the City Of London, ring fenced to Police or the Housing Revenue Account or whether they accrue to third parties.

3. The Finance Leadership Group (FLG) is the main forum for the Corporation's senior finance officers to consider and direct significant strategic finance priorities. The FLG is chaired by the Chamberlain and its

members include the Financial Services Director and the Heads of Finance. In relation to PP2P the role of the FLG and its members includes:

- providing advice and support to the Category Board Chairmen in assessing the robustness of the baseline data and reviewing the proposed methodology for calculating savings;
 - reviewing proposed savings calculations before they are ratified by the Savings Realisation Forum;
 - verifying whether savings are cashable or non-cashable such as notional efficiency savings that cannot be realised in budget reductions;
 - agreeing the appropriate basis for allocating budget reductions;
 - ensuring feedback is sought from Chief Officers on proposed budget reductions; and
 - following approval of savings by the PP2P Joint Review Board ensuring budget reductions are implemented.
4. The Savings Realisation Forum (SRF) provides consistent challenge across categories on savings calculations, ratifies calculations and resolves related queries prior to submission to the Joint Review Board for approval. The following officers attend the SRF:
- PP2P Programme Manager
 - Head of Procurement
 - CLPS Finance Manager
 - Category Board Chairmen – as required
 - Heads of Finance – as required
5. The PP2P Joint Review Board provides the overall direction for PP2P, signs off savings as they are delivered and decides what counts towards the PP2P gross savings target.

PP2P Contract Year one savings (Quick Wins)

6. Year one savings relate to the quick wins and have been verified through the four stage approach. The full year impact of those savings related to the Corporate Centre have been verified, during May 2012, as £476,000 for 2012/13 which are analysed in the table below.

Savings summary as at 17th May 2012

Project	Year 1 (2011/12)				Year 2 (2012/13)			
	Corporate Centre	Ring Fenced	Third Party	Total Year 1 Savings	Corporate Centre	Ring Fenced	Third Party	Total Year 2 Savings
<u>Annual Savings</u>	£000	£000	£000	£000	£000	£000	£000	£000
Cleaning Materials	29	2	13	44	61	4	24	89
Office Supplies	22	10	2	34	56	24	3	83
Thames Water Tariff	1	-	2	3	1	-	2	3
Postal Services	7	-	-	7	22	-	1	23
Temporary Labour (Overtime)	4	-	6	10	13	-	19	32
Mobile Telephony	17	17	1	35	63	59	5	127
Print Services (MFDs)	-	-	-	-	57	6	-	63
Recruitment Advertising	9	1	1	11	57	8	4	69
Fixed Telecoms	-	1	1	2	17	5	8	30
Toner Cartridges	11	10	-	21	43	41	1	85
Temporary Labour (Compliance)	15	7	1	23	-	-	-	-
Office Furniture	1	1	-	2	13	7	1	21
Custody Medical Services	-	-	-	-	-	87	-	87
Total Annual Savings	116	49	27	192	403	241	68	712
<u>Cash One-Off Savings</u>								
MFD Rebate	49	-	-	49				-
Thames Water Credit	-	-	9	9	2			2
Building Maintenance Services	-	-	2	2				-
Highway Maintenance Rebate	43	-	-	43				-
Temporary Labour Rebate	-	-	-	-	71			71
Total Cash One-Off Savings	92	-	11	103	73	-	-	73
Total Savings	208	49	38	295	476	241	68	785

Year two savings

7. The Category Boards and Finance Leadership Group are in the process of verifying the baselines and savings methodologies for the various schemes as shown in Appendix B of this paper. These amount to a target of £3,258,833 in total as reported to the Committee on 1st May 2012.

Governance

8. As the Chamberlain is the Lead officer on PP2P as well as the Chief Financial Officer, safeguards have been built in on the savings calculation.
9. For each of the Category Boards, it is the Finance Leadership Group which will formally sign off the agreement of baseline and savings methodology in two stages, recording the:

Stage one

- initial baseline, final agreed baseline and summary of key movements between;
- agreed savings methodology and items discounted from originally proposed methodology; and
- split between cashable and non-cashable savings.

Stage two

- appropriate basis for budget allocation.

SAVINGS ACHIEVED IN 2013/14

APPENDIX 2

Category	Project	Savings achieved £
Construction	BRM (Excluding NSR)	1,326,549
Construction	Minor Projects & Refurbishments	185,955
Construction	BRM (variable NSR)	53,218
Construction	Major Projects (IESE) - 1 Alie Street	407
eMarketplace	eMarketplace Product Rationalisation (clothing)	7,007
Highways	Highways	1,896,742
HR	Temporary labour	165,278
HR	R&PNA	69,580
HR	Comensura - forward overtime	38,796
HR	Occupational Health	34,886
HR	Work and health conference	26,500
HR	Clothing, Uniforms and Safety Apparel	25,315
HR	Health and Safety training	22,141
HR	General Skills training	11,169
HR	Phase 1 - Comensura Rebate Q2 2013	10,995
HR	Eye Tests	10,033
HR	Phase 1 - Comensura Rebate Q1 2013	9,760
HR	Phase 1 - Comensura Rebate Q4 2012	8,591
HR	Total tax research	5,000
HR	RMB Research	1,175
HR	Force Medical Advisor	338
ICT	Mobile Telephony	143,040
ICT	Print 1 (exc. Freeman's School)	81,849
ICT	Print Phase two: Guildhall North Wing	40,854
ICT	Fixed Telecoms - Daisy	30,420
ICT	Fixed Telecoms - Network and Telephony Maintenance	23,665
ICT	Fixed Telecoms - WAN	23,498
ICT	Print Phase two: Girls School	17,340
ICT	CCTV & Automatic Number Plate Recognition	16,964
ICT	Print Phase two: Guildhall West Wing	6,289
ICT	City of London School for Girls – Desktops and Laptops	5,880
ICT	Print 1 (Freeman's School & CoL Boys School)	4,107
ICT	Print Phase two: Guildhall School of Music and Drama	596
Other	Transactional Buying (Aug/Dec 2013) + Barbican Projectors	15,919
Other	Transactional Buying (Apr/Jul 2013) additional items	6,850
Other	Transactional Buying (Apr/Jul 2013)	266
Soft FM	Car Park Vinci	142,127
Soft FM	Cleaning Materials	89,155
Soft FM	Custody Medical	84,465
Soft FM	Office supplies - paper & stationery	83,355
Soft FM	Catering (Staff & Schools)	76,854
Soft FM	Water Auditing (Phase 1)	37,790
Soft FM	Tree Survey	34,041
Soft FM	Postal Services	22,872
Soft FM	Furniture	21,552
Soft FM	Water Coolers	19,781
Soft FM	Electric and Gas – Liquid Fuels Walbrook Wharf	16,567
Soft FM	Barbican Theatre Lighting	13,363
Soft FM	Couriers	13,239
Soft FM	Car Park Barbican	8,218
Soft FM	Water Auditing (Phase 2a)	7,095
Soft FM	Electric and Gas - Liquid Fuels	2,870
Soft FM	Water On-Going	2,148
Soft FM	Water On-Going 2 (Epping Forest)	1,251
Soft FM	Pest Control Phase 1	1,038
Total		5,004,750

SOURCING PLAN for 2014/15

APPENDIX 3

Category	# of Projects	Annual Addressable Spend	2014/15 Savings Target
ICT	28	£10,365,750	£107,755
FM	23	£21,731,382	£464,389
Land Management	5	£386,285	£1,294
Dept. Child & Community Services	2	£944,297	£30,459
Corporate Services	17	£3,251,239	£198,267
Construction, Building Works and Property Professional Services	71	£210,462,206	0*
Marketing & PR	7	£4,219,246	£132,856
Transactional Buying	N/A	£13,000,000	£650,000
eMarketplace	N/A	£436,800	£150,000
Bank Savings from Years 1,2,3	N/A	N/A	£5,300,293
Totals	153	£264,797,206	£7,035,314

**Savings Methodology and Target to be agreed at Construction Category Board in September 2014*

The aims of City Procurement

Appendix 4

- To deliver best in class purchasing service to our client departments
- To Pay our suppliers in line with Government and City policies
- To deliver Best Value principle on all City spend
- To ensure the City's wider objectives are met through procurement activities
- To facilitate and efficient, legally compliant risk aware service
- To ensure annual procurement savings targets are met or exceeded in line with the overall City business plan
- To develop strategic contracting strategies in all future purchasing leveraging the buying power of cross departmental spend
- To bring industry knowledge, collaboration opportunities and peer learnings to each purchasing exercise
- To develop a supplier charter, driving the behaviours of all contracted 3rd party suppliers to work in a manner consistent with the City's policies and objectives

The role of the Procurement Steering Group

Appendix 5

Role & Rationale

- **Strategic decision** forums that assure strategic objectives of the City are met by all procurement activities including procurement strategy, evaluation criteria, award decisions and implementation
- Primary role is to **ensure City objectives are being met** by the Category Boards, the annual sourcing plan and the operational team
- To act as an **escalation point for disputes** relating to strategy, evaluation criteria, awards and savings attributed
- **Informs Finance Committee and Summit Group** of cross cutting procurement strategies

Objectives

- To review and approve the Category Board annual sourcing plan
- To ensure Category Boards deliver targeted City Objectives, Outputs and Savings (efficiencies)
- Continually grow the Procurement maturity at City by reviewing performance, resource, strategy
- Ensure that City polices and objectives are achieved through procurement e.g. CSR, LLW

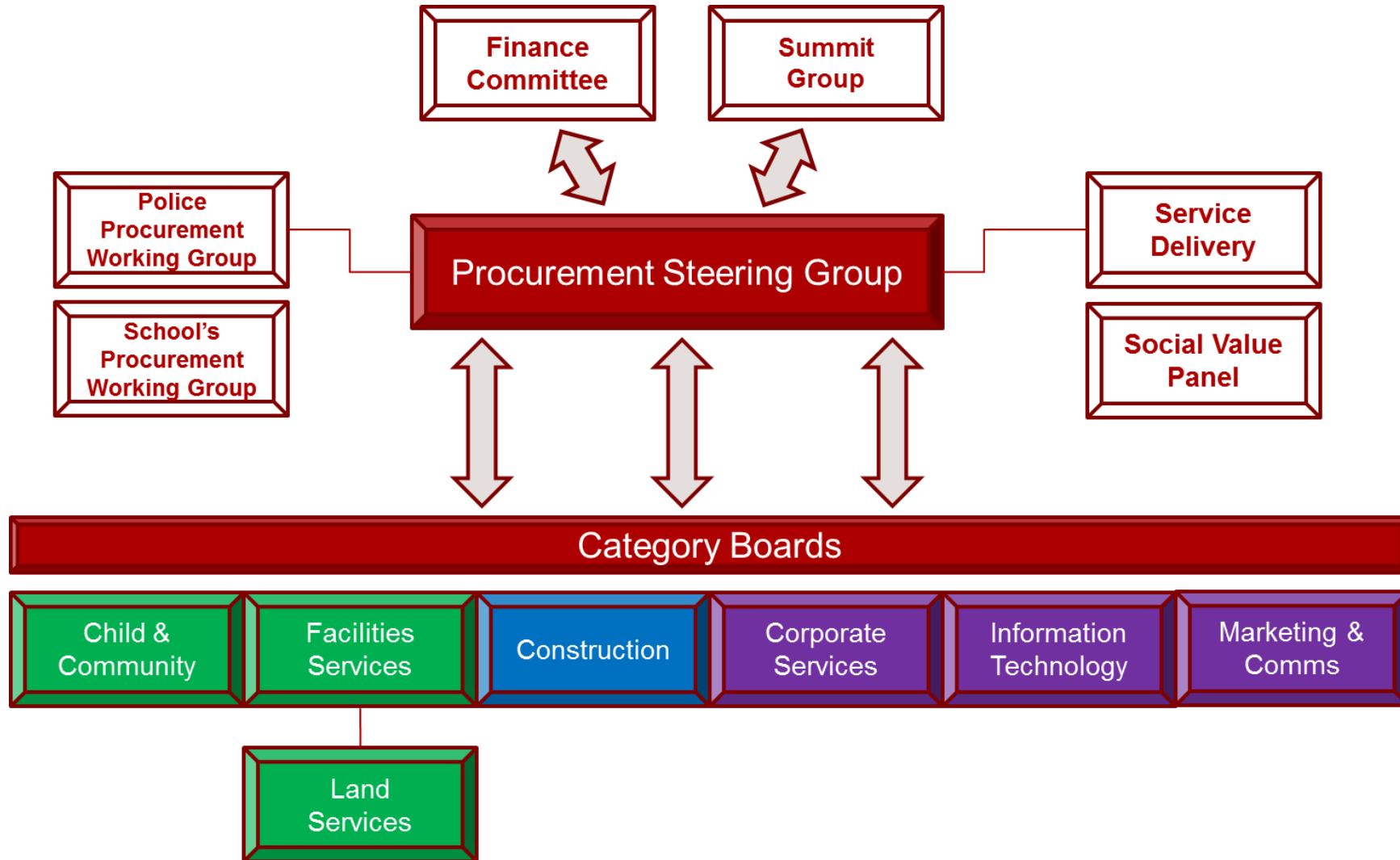
Decisions

- **Strategy:** Approval of Category Board annual sourcing plans and project strategies that are cross City initiatives
- **Implementation:** Consulted on complex implementations and exceptions to management of change process
- **Sign-off:** Approve award decisions for procurement up to £2M that have been delegated to Category Boards

Commitment of members

- 1x 2hr meeting every 8-12 weeks
- Board members to engage with Category Boards as required outside the meetings
- Chair to report decisions to Chief Officers/Members as required

Diagrammatical representation of the governance arrangements



The tiered governance arrangements

Appendix 6

Procurement Steering Group

Leadership and Senior Officers board managing procurement strategy and policy.

Category Boards

Sourcing boards with multi-department members. Key decision forums that assure approval and implementation of the strategy for categories and sourcing initiatives.

Procurement Working Groups

Temporary working groups working on procurement projects or functional procurement matters. i.e. Police Procurement Working Group

Service Delivery Meeting

City Procurement Management Operations and performance monitoring meeting, internal to Chamberlain's Department.

Sourcing & Category Management teams

City Procurement Sourcing and Category Management teams responsible for day to day delivery of all sourcing and buying activities for the City of London.

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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