



Finance Committee

Date: TUESDAY, 21 JULY 2015

Time: 1.45 pm

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

Members:

Roger Chadwick (Chairman)	Wendy Hyde
Jeremy Mayhew (Deputy Chairman)	Deputy 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	Alderman Professor Michael Mainelli
Simon Duckworth	Deputy Robert Merrett
Deputy Anthony Eskenzi	Deputy Henry Pollard
Deputy Kevin Everett	Adam Richardson
John Fletcher	Ian Seaton
Stuart Fraser	Sir Michael Snyder
Lucy Frew	David Thompson
Deputy Brian Harris	Deputy John Tomlinson
Christopher Hayward	Philip Woodhouse
Alderman Peter Hewitt	Mark Boleat (Ex-Officio Member)
Tom Hoffman	Deputy Alastair Moss (Ex-Officio Member)
Deputy Robert Howard	

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

Lunch will be served in Guildhall Club at 1PM
NB: Part of this meeting could be the subject of audio or video recording

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 9 June 2015.

For Decision
(Pages 1 - 6)
4. **OUTSTANDING ACTIONS FROM PREVIOUS MEETINGS**
Report of the Town Clerk.

For Information
(Pages 7 - 8)
5. **DRAFT PUBLIC MINUTES OF THE EFFICIENCY AND PERFORMANCE SUB-COMMITTEE HELD ON 26 MAY 2015**
To note the draft public minutes of the Efficiency and Performance Sub-Committee meeting held on 26 May 2015.

For Information
(Pages 9 - 14)
6. **AUDITED 2014/15 CITY FUND AND PENSION FUND FINANCIAL STATEMENTS**
Report of the Chamberlain. (To follow)

For Decision
(To follow)
7. **AUDITED 2014/15 BRIDGE HOUSE ESTATES AND SUNDRY TRUSTS FINANCIAL STATEMENTS**
Report of the Chamberlain. (To follow)

For Decision
(To follow)
8. **REVENUE OUTTURN 2014/15 - FINANCE COMMITTEE OPERATIONAL SERVICES**
Report of the Chamberlain. (To follow)

For Information
(To follow)
9. **BUDGET MONITORING - FIRST QUARTER UPDATE**
Report of the Chamberlain. (To follow)

For Information
(To follow)
10. **CHAMBERLAIN'S BUSINESS PLAN - FIRST QUARTER UPDATE**
Report of the Chamberlain.

For Information
(Pages 15 - 18)

11. **INFORMATION TECHNOLOGY DEPARTMENT QUARTERLY UPDATE**
Report of the Chamberlain.
For Information
(Pages 19 - 22)
12. **RISK MANAGEMENT - QUARTERLY UPDATE**
Report of the Chamberlain.
For Information
(Pages 23 - 38)
13. **MEDIUM TERM FINANCIAL PLAN AND LOCAL GOVERNMENT FINANCE UPDATE**
The Chamberlain to be heard.
For Information
14. **CHAMBERLAIN'S FINANCIAL APPRAISALS OF THIRD PARTY ENTITIES**
Report of the Chamberlain.
For Decision
(Pages 39 - 54)
15. **CITY RE LIMITED - PERFORMANCE MONITORING**
Report of the Chamberlain.
For Information
(Pages 55 - 74)
16. **CHARITIES RISK REGISTERS**
Joint report of the Town Clerk and Chamberlain.
For Decision
(Pages 75 - 84)
17. **CENTRAL CONTINGENCIES**
Report of the Chamberlain.
For Information
(Pages 85 - 90)
18. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
19. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**
20. **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

21. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**
To agree the non-public minutes of the meeting held on 9 June 2015.
For Decision
(Pages 91 - 94)
22. **OUTSTANDING ACTIONS FROM NON-PUBLIC MINUTES OF PREVIOUS MEETINGS**
Report of the Town Clerk.
For Information
(Pages 95 - 96)
23. **DRAFT NON-PUBLIC MINUTES OF THE EFFICIENCY AND PERFORMANCE SUB-COMMITTEE HELD ON 26 MAY 2015**
To note the draft non-public minutes of the Efficiency and Performance Sub-Committee meeting held on 26 May 2015.
For Information
(Pages 97 - 98)
24. **SERVICE BASED REVIEW - CHAMBERLAIN'S DEPARTMENT**
Report of the Chamberlain.
For Information
(Pages 99 - 102)
25. **CORPORATE CLEANING SERVICES - CONTRACT AWARD**
Joint report of the Chamberlain and City Surveyor on behalf of the Facilities Services Procurement Category Board.
For Decision
(Pages 103 - 110)
26. **INTEGRATED SUBSTANCE MISUSE AND TOBACCO CONTROL SERVICES TENDER**
Report of the Director of Community and Children's Services.
For Decision
(Pages 111 - 116)
27. **CITY FUND & CITY'S ESTATE HIGHWAY DISPOSAL - 100 MINORIES, EC3**
Report of the City Surveyor.
For Decision
(Pages 117 - 130)
28. **REQUEST TO MATCH GRANT FUNDING FROM THE HONOURABLE THE IRISH SOCIETY TO THE NATIONAL CITIZENSHIP SCHEME**
Joint report of the Town Clerk and Remembrancer.
For Decision
(Pages 131 - 142)
29. **GATEWAY 3 - POLICE ACCOMODATION PROJECT**
Joint report of the City Surveyor and the Commissioner of the City of London Police.
For Information
(Pages 143 - 174)

30. **PROVISION FOR BAD DEBTS**
Report of the Chamberlain.

For Decision
(Pages 175 - 182)

31. **NON-PUBLIC DECISIONS TAKEN UNDER DELEGATED AUTHORITY AND
URGENCY PROCEDURES**
The Town Clerk to be heard.

For Information

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

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

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FINANCE COMMITTEE

Tuesday, 9 June 2015

Minutes of the meeting of the Finance Committee held at the Guildhall EC2 at 1.45 pm

Present

Members:

Roger Chadwick (Chairman)	Deputy Jamie Ingham Clark
Jeremy Mayhew (Deputy Chairman)	Alderman Vincent Keaveny
Randall Anderson	Deputy Alastair King
Nicholas Bensted-Smith	Oliver Lodge
Christopher Boden	Alderman Professor Michael Mainelli
Deputy Anthony Eskenzi	Deputy Henry Pollard
John Fletcher	Sir Michael Snyder
Stuart Fraser	David Thompson
Deputy Brian Harris	Deputy John Tomlinson
Christopher Hayward	Philip Woodhouse
Tom Hoffman	Mark Boleat (Ex-Officio Member)
Wendy Hyde	

Officers:

Susan Attard	Deputy Town Clerk
Peter Lisley	Assistant Town Clerk
Sue Baxter	Town Clerk's Department
Christopher Braithwaite	Town Clerk's Department
Peter Kane	Chamberlain
Christopher Bell	Chamberlain's Department
Graham Bell	Chamberlain's Department
Mona Lewis	Chamberlain's Department
Steve Telling	Chamberlain's Department
Michael Cogher	Comptroller and City Solicitor
Peter Bennett	City Surveyor

1. APOLOGIES

Apologies for absence were received from Deputy John Barker, Alderman Charles Bowman, Nigel Challis, Alderman Peter Hewitt, Deputy Robert Howard, Clare James, Gregory Lawrence, Deputy Robert Merrett, Adam Richardson and Ian Seaton.

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

There were no declarations of interest.

3. MINUTES OF THE PREVIOUS MEETING

RESOLVED – That the public minutes and summary of the meeting held on 12 May 2015 be approved as a correct record.

4. **OUTSTANDING ACTIONS FROM PREVIOUS MEETINGS**

The Committee considered a report of the Town Clerk which set out actions outstanding from previous meetings of the Committee.

RESOLVED – That the Committee notes the report.

5. **DRAFT MINUTES OF THE FINANCE GRANTS SUB-COMMITTEE**

RESOLVED – That the public minutes and non-public summary of the Finance Grants Sub-Committee meeting held on 12 May 2015 be noted.

6. **FINANCIAL SERVICES DEPARTMENT - QUARTERLY UPDATE**

The Committee considered a report of the Chamberlain which provided an update on the key areas of work for the Financial Services Division over the last quarter.

RESOLVED – That the Committee notes the report.

7. **GRANT GIVING: REPORT OF CROSS-CUTTING SERVICE BASED REVIEW**

The Committee considered a report of the Deputy Town Clerk which provided information of the cross-cutting review of the grant giving activities of the City of London Corporation as part of the Service Based Review programme. The objectives of the review were to identify the grants programmes which are offered by the City of London Corporation to suggest how to improve value for money and drive up impact.

The Committee also received resolutions from the Policy and Resources Committee on 28 May 2015 and the Open Spaces Committee on 8 June 2015 setting out the discussion of the report at those Committees.

A Member asked for clarification regarding the main purposes of the review. The Town Clerk explained that the main purposes were to draw together the various areas in which the City of London Corporation made grants to bring together the various areas of expertise, and then to streamline and rationalise the grant-giving process in order to focus it more strategically, provide a consistent customer experience and consolidate administration. As a result, the Finance Committee's role would move from direct grant giving to strategic oversight and scrutiny of grant giving.

RESOLVED – That the Committee:

- a) agrees to adopt a strategic oversight/ performance management role in respect of all City Corporation grants programmes and relinquish its direct grant giving role; and
- b) delegates to the Chairman authority to appoint a Member of the Finance Grants Sub-Committee to serve on the Open Spaces and City Gardens Committee Grants Working Party.

8. **PROCUREMENT STRATEGY 2015 - 2018**

The Committee considered a report of the Chamberlain which provided the Committee with the City Procurement Strategy 2015-2018. The Strategy set out how sustainable high performance would be continuously developed over the next three years.

The Committee also received a presentation from the Head of City Procurement setting out the progress that had been made by City Procurement in the last six months. Following the presentation Members complimented the Head of City Procurement on the progress that had been made over the last six months. Members also asked questions in relation to the benefits of the Procurement and Procure to Pay (PP2P) process, work with the City of London Police in relation to procurement, the potential benefits of satisfaction surveys across the organisation and the amount of contracts which were let to small and medium-sized enterprises (SMEs). Each of the questions was answered at the meeting, and the Chamberlain agreed to provide Members with details of the value of contracts that were let to SMEs following the meeting.

RESOLVED – That the Committee notes the report and Procurement Strategy.

9. **PROVISIONAL OUTTURN 2014/15**

The Committee considered a report of the Chamberlain which provided the provisional outturn for 2014/15.

10. **RISK MANAGEMENT - TOP RISKS**

The Committee considered a report of the Chamberlain which provided updates regarding the top risks within the Departmental Risk Register.

The Committee discussed risk CHB008 which related to Resourcing and particularly related to the difficulties that had been encountered in filling a number of posts within the Chamberlain's Department, specifically the post of Head of Information Technology, due to the job evaluation process and subsequent grading resulting in below market salaries being offered. The Committee noted that this issue was exacerbated by the significant delays that were often encountered in agreeing a Market Forces Supplement for a post.

The Chamberlain noted that there were a number of other areas within his department, particularly accountancy and procurement where similar issues of below-market pay may be an issue.

The Committee agreed that their concerns regarding this should be brought to the attention of the Establishment Committee. The Deputy Chairman agreed to ask a question on this issue at the Establishment Committee later in the week.

RESOLVED – That the Committee:

- a) notes the report; and
- b) agrees that the Establishment Committee be made aware of the concerns of the Finance Committee in relation to the difficulties that the Chamberlain's Department had encountered in filling certain posts, due to below-market salaries being offered, and the risk that this may extend to other roles within the Chamberlain's Department; the Committee

agreed that the Establishment Committee should be asked what steps could be taken to resolve this.

11. CENTRAL CONTINGENCIES

Consideration was given to a report of the Chamberlain which provided the Committee with information regarding the current balance of the Finance Committee Contingency Funds for the current year.

A Member asked whether it was prudent to carry forward unspent contingency funds from previous years to this year. The Chairman clarified that the contingencies carried forward were only those funds for which spending had been agreed in previous years but the spending would take place in this year.

RESOLVED – That the Committee notes the report.

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

There were no questions.

13. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT

There were no urgent items.

14. EXCLUSION OF THE 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.	Paragraphs in Schedule 12A
17-24	3
25	1, 2 and 3

15. NON-PUBLIC MINUTES OF THE PREVIOUS MEETING

The non-public minutes and summary of the meeting held on 12 May 2015 were approved as a correct record.

16. OUTSTANDING ACTIONS FROM NON-PUBLIC MINUTES OF PREVIOUS MEETINGS

The Committee considered and noted a report of the Town Clerk which set out actions outstanding from previous non-public minutes of the Committee.

17. DRAFT NON-PUBLIC MINUTES OF THE FINANCE GRANTS SUB-COMMITTEE

The non-public minutes of the Finance Grants Sub-Committee meeting held on 12 May 2015 were noted.

18. CORPORATE CLEANING SERVICES - CONTRACT AWARD

The Town Clerk explained that this report had been withdrawn.

19. **CITY OF LONDON POLICE LEADERSHIP DEVELOPMENT PROGRAMME - WAIVER OF PROCUREMENT REGULATIONS**
The Town Clerk explained that this report had been withdrawn.
20. **NOVATION OF THE CITY OF LONDON AGREEMENT WITH ANCESTRY.CO.UK**
The Committee considered and approved a report of the Director of Culture, Heritage and Libraries regarding the novation of the City of London Corporation's agreement with Ancestry.co.uk for online access to the major genealogical collections.
21. **CITY'S ESTATE - LETTING REPORT: AMENDMENT TO THE SHOP LEASE VARIATION AT 124 NEW BOND STREET, LONDON W1**
The Committee considered and approved a report of the City Surveyor which requested the approval of an amendment to a shop lease variation at 124 New Bond Street, W1.
22. **NON-PUBLIC DECISIONS TAKEN UNDER DELEGATED AUTHORITY AND URGENCY PROCEDURES**
The Committee noted a report of the Town Clerk detailing a non-public decision taken under delegated authority procedures since the last meeting.
23. **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.
24. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**
The Committee considered an item of urgent business relating to an agreement with tenants at a property owned by the City of London Corporation.
25. **CONFIDENTIAL MINUTES**
The Committee approved the confidential minutes of the last meeting held on 12 May 2015.

The meeting closed at 3.10 pm

Chairman

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

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Finance Committee – Outstanding Actions

Item	Date	Action	Officer responsible	To be completed/ progressed to next stage	Progress Update
1.	9 June 2015, Item 7	<u>Grant Giving – Open Spaces and City Gardens Grants Working Party</u> The Chairman to nominate one Member of the Finance Grants Sub-Committee to serve on the Open Spaces and City Gardens Grants Working Party	Chairman	First meeting of the working party is in September 2015.	A Member to be nominated, if appropriate, before the first meeting of the Working Party in September 2015.
2.	9 June 2015, Item 8	<u>Procurement spend with SMEs</u> The Chamberlain to provide Members with details of the value of contracts that were let to SMEs.	Head of City Procurement	June 2015	Information circulated to Members by email.
3.	9 June 2015, Item 10	<u>Risk Management – Resourcing</u> The Establishment Committee to be informed of the Committee’s concerns regarding the risks of filling certain critical posts within the Chamberlain’s Department and to be asked what steps could be taken to reduce this risk.	Deputy Chairman	July 2015	Question asked by Deputy Chairman at Establishment Committee. A report on Market Forces Supplements was submitted to the July 2015 meeting of the Establishment Committee.
4.	14 April 2015, Item 13	<u>Cybersecurity</u> A report on cybersecurity to be submitted to a future meeting of the Committee, in non-public session if appropriate.	Chief Information Officer	June 2015	Report deferred and will now be submitted to September 2015 Committee meeting.
5.	14 April 2015, Item 14	<u>Purchase Order Exemptions Policy</u> The inclusion of legal counsel and advice fees within the list of purchase order exemptions to be reviewed and an update report provided to the Committee.	Head of City Procurement	June 2015	Update to be provided in the City Procurement Update report at the September 2015 Committee meeting.

Item	Date	Action	Officer responsible	To be completed/ progressed to next stage	Progress Update
6.	14 April 2015, Item 18	<u>350th Anniversary of the Great Fire of London</u> A report should be submitted to a future meeting of the Culture, Heritage and Libraries Committee providing an estimate of benefits-in-kind which are expected to be provided to Artichoke for the Great Fire project.	Director of Culture, Heritage and Libraries	July 2015	Report was submitted to Culture, Heritage and Libraries Committee in July 2015
7.	17 February 2015, Item 11	<u>Risk Management</u> Quarterly reports on the full Risk Management position, with monthly reports to be provided on those risks classified as Red.	Business Support Director	Ongoing, monthly and quarterly	First quarterly update provided in agenda for this meeting.
8.	17 February 2015, Item 16	<u>City of London Festival – Loan Repayment Deferral</u> An interim cashflow report for the festival to be submitted to the Committee in September 2015	Director of Culture, Heritage and Libraries.	22 September 2015	Report added to agenda plan for submission to Committee in September 2015.
9.	18 November 2014, Item 8	<u>Spitalfields Music Grant</u> The Finance Grants Sub-Committee to be provided with an annual monitoring report from Spitalfields Music.	Committee and Member Services Officer	November 2015 meeting of the Finance Grants Sub-Committee	Grant has been added to the database of grants to be monitored by Finance Grants Sub Committee in November 2015.

EFFICIENCY AND PERFORMANCE SUB (FINANCE) COMMITTEE

Tuesday, 26 May 2015

Minutes of the meeting of the Efficiency and Performance Sub (Finance) Committee held at the Guildhall EC2 at 1.45 pm

Present

Members:

Roger Chadwick (Chairman)	Deputy Anthony Eskenzi
Jeremy Mayhew (Deputy Chairman)	Deputy Jamie Ingham Clark
Randall Anderson	Ian Seaton
Nicholas Bensted-Smith	Deputy John Tomlinson
Nigel Challis	Philip Woodhouse

Officers:

Susan Attard	Deputy Town Clerk
Neil Davies	Town Clerk's Department
Philippa Sewell	Town Clerk's Department
Peter Kane	Chamberlain
Caroline Al-Beyerty	Chamberlain's Department
Paul Nagle	Chamberlain's Department
Steve Telling	Chamberlain's Department
Peter Bennett	City Surveyor
Neal Hounsell	Community and Children's Services Department
David Pearson	Director of Culture, Heritage and Libraries
Carol Boswarthack	Culture, Heritage and Libraries Department

1. **APOLOGIES**

Apologies were received from John Fletcher.

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

There were no declarations.

3. **MINUTES OF THE PREVIOUS MEETING**

RESOLVED - That the public minutes and non-public summary of the meeting held on 4 March 2015 be agreed as an accurate record.

Matters Arising

Service Based Review Roadmap

Members requested more detail concerning the Effectiveness of Hospitality and Independent Schools cross-cutting reviews, and officers undertook to circulate Opportunity Outlines to Sub Committee Members once they were finalised.

RESOLVED – That Opportunity Outlines be circulated to Sub Committee Members once approved.

4. **OUTSTANDING ACTIONS**

The Sub Committee received and discussed an updated scheduled of outstanding actions.

RESOLVED – That the report be noted.

5. **WORK PROGRAMME**

The Sub Committee received the updated programme of work for the year.

RESOLVED – That the report be noted.

6. **APPORTIONMENT OF COSTS - TOWN CLERK'S DEPARTMENT, CITY PROCUREMENT AND INFORMATION TECHNOLOGY**

The Sub Committee received a report of the Chamberlain regarding the bases for apportioning costs of the Town Clerk's Department, City Procurement and the IT Division. The Chamberlain advised that recharges for the Barbican and Markets was determined separately owing to service user charges.

Members noted that the apportionment of support service costs (or overheads) was designed to share costs across all the activities of the organisation on a reasonable basis, however, the limitations of such a technique were recognised. The City currently accounted for central support service costs in accordance with CIPFA's Service Reporting Code of Practice (SeRCOP). For local authorities SeRCOP had statutory force, but, with regard to the City's non-local authority funds, there was no requirement to follow SeRCOP. The Chamberlain advised that, although the main reason for non-inclusion for internal reporting purposes would be that central support costs were not within the control of front line services, this was not sufficient to justify the operation of two parallel accounting systems.

Members also noted that a further detailed benchmarking task, using soft market testing, was being carried out for other aspects of the Finance function. It was noted that, for a number of the City's financial services, the breadth and complexity of the organisation made benchmarking less straightforward than a simple comparison with local authorities, and these factors were being reflected in the approach and timescales for the task.

RESOLVED – That

- (a) The methodologies being used to apportion the costs of the Town Clerk's Department, City Procurement, and the Information Technology Division together with the redistributive impacts be noted;
- (b) It be agreed that the costs of central support services should continue to be apportioned to all funds and services in accordance with the local authority requirements set out in CIPFA's Service Reporting Code of Practice (SeRCOP); and
- (c) The soft market testing task being undertaken for aspects of the Finance function be reported at a future meeting, along with recommendations for

adding update reports and reviews of other departments to the Work Programme.

7. **SERVICE BASED REVIEW ROADMAP**

The Sub Committee received a report of the Deputy Town Clerk presenting the latest update of the Service Based Review Roadmap.

Strategic Asset Management

The Deputy Town Clerk reported on the four projects that supported this overarching programme.

1. Strategic Review of Operational Properties

Members noted that the Departmental Workshops were providing regular updates to Chief Officers and would submit final comments for review to the Review Group, chaired by the Town Clerk. In response to a Member's query, the Chamberlain advised that the review of Operational Resources had been successful in identifying surplus properties and areas of property, and gave a better understanding of which buildings were most in need of renovation.

2. Facilities Management

Members noted that meetings with individual Chief Officers were being held to discuss issues with the current arrangements and how these could be improved in future.

3. Project Management

Members noted that this review was being deferred until later in the programme. Members queried the level of in-house project management, and the Deputy Town Clerk advised that HR were investigating how in-house skills could be built upon to address this.

4. Procuring and Managing Services

Members noted that this review was in an early stage, but was progressing well.

Income Generation

Members noted that CIPFA's comparisons of income generation across London Boroughs for 2012-13 were being reviewed to identify areas that need further exploration, and work had been commissioned to determine the extent to which the City Corporation receives external public funding, particularly in comparison with similar organisations.

Grants

Members noted that this review was rated 'Green' and reports would be coming to Service Committees in the coming months. This review included charities under the Finance Committee, but did not include disaster relief payments.

Effectiveness of Hospitality

Members noted that this review was rated 'Green' and the Opportunity Outline had been agreed by the Chief Officer Summit Group. Members requested that the operation of invitation lists be considered as part of this review.

Independent Schools

Members noted that this review was rated 'Green' and the Opportunity Outline had been agreed by the Chief Officer Summit Group.

Remodelling Libraries

Members noted a presentation on this review would be considered later in the meeting.

Barbican Centre

Members noted that this review was rated 'Green', and requested that the Managing Director of the Barbican Centre be asked to present to the Sub Committee at a future meeting.

RESOLVED – That the Managing Director of the Barbican Centre be asked to present to the Sub Committee at a future meeting, and the report be noted.

8. PERFORMANCE MONITORING: LONDON-WIDE PERFORMANCE INDICATORS

The Sub Committee received a report of the Deputy Town Clerk presenting the dashboard of Service Performance Indicators monitored and reported quarterly by London Councils, known as LAPS (London Authorities Performance Solution), for the period October to December 2014. Members received additional information regarding sickness absence figures, as requested at the previous meeting. It was noted that figures broken down by department were reported to Service Committees and monitored centrally by the Establishment Committee. Members requested these be compared with figures from the private sector (if available), and that a follow-up report be provided at the next meeting regarding potential Value for Money indicators.

RESOLVED – That:

- (a) Sickness Absence figures be compared with those from the private sector (if available);
- (b) A follow-up report be provided at the next meeting regarding potential Value for Money indicators; and
- (c) The report be noted.

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

There were no questions.

10. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT

There was no other business.

11. EXCLUSION OF THE 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 the Schedule 12A of the Local Government Act.

Item	Paragraph
12-14	3
15-16	-

12. **REMODELLING LIBRARIES**

The Sub Committee received a presentation of the Director of Culture, Heritage and Libraries.

13. **SERVICE BASED REVIEW FINANCIAL MONITORING**

The Sub Committee considered a report of the Chamberlain.

14. **CITIGEN COMBINED HEAT AND POWER SYSTEM - EXTENSION OF CONTRACTS**

The Sub Committee considered a report of the City Surveyor.

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

There were no questions.

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

There was no other business.

The meeting closed at 3.42 pm

Chairman

**Contact Officer: Philippa Sewell
tel.no.: 020 7332 1426
philippa.sewell@cityoflondon.gov.uk**

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Committee	Dated:
Finance Committee	21 July 2015
Subject: Chamberlain's Business Plan - First Quarter Update	Public
Report of: Chamberlain	For Information

Summary

This report provides Members with a brief update of assurance that the Chamberlain's department is making good progress in the delivery of the 2015/16 Departmental Business Plan.

Recommendation

Members are asked to note the report.

Main Report

Background

1. The Chamberlain's Department Business Plan for 2015-2016 was approved by Finance Committee on 14th April 2015. This report has been produced to provide Members with a summary of progress against key deliverables and performance in quarter one of the current financial year.

Current Position

2. It is a requirement of the Corporate Business Planning Framework that business plan delivery update reports be provided to Committee on a quarterly basis. The Committee cycle has resulted in this first update falling very close to the period end and, as such it has not been possible to obtain performance statistics against a number of our departmental key performance indicators (KPIs), shown in our departmental Performance Scorecard at Appendix 1 to this report. These KPIs will be updated and provided with the next quarterly report.

Delivery against Key Improvement Objectives

3. Progress in the delivery of our Key Improvement Objectives (provide strategic financial management across the City Corporation, deliver effective service operations and enable change and transformation) is good. Two points are of note:
 - Successful implementation of Oracle R12 and effective implementation of related business changes (Provide Strategic Financial Management) – this

and corresponding milestones have been aligned to the revised programme delivery timetable of September 2015.

- Business processes work efficiently and effectively (Provide Strategic Financial Management) – compliance with the No PO No Pay policy is exceeding anticipated performance by 5% with 93% of all relevant invoices paid matched to a purchase order.

The remaining milestones are on track for delivery in accordance with agreed timescales and will be reported against as they become due or where timescales are amended.

Delivery against Key Performance Indicators

4. The Chamberlain's Performance Scorecard is shown as Appendix 1 to this report. This shows only limited information at this stage in the year, this information will continue to be updated throughout the year and it is anticipated that, when making the next report to the October Finance Committee, a progress update for the first half of the year will be made in full.

Budget Position

5. At the end of quarter 1 the Chamberlain's department is forecasting budget break-even at year end.

Conclusion

6. Members are asked to note that good progress is being made in the delivery of the Chamberlain's business plan. Performance for the first quarter of the year is in line with expectations although reported on limited information.

Appendices

- Appendix 1 – Chamberlain's Department Performance Scorecard

Background Papers

Report to Finance Committee 14/04/2015: Chamberlain's Business Plan 2015/16

Matt Lock

Head of Payments and Support Services

T: 020 7332 1276

E: matt.lock@cityoflondon.gov.uk

Chamberlain's Department Performance Scorecard							
				Quarterly update			
	Measure	2014/15 performance	2015/16 target	Qtr 1	Qtr 2	Qtr 3	Qtr 4
Accounts Payable invoice turnaround (30 day)	% paid	90%	97%	+			
Accounts Payable invoice turnaround for SME* (10 day)	% paid	77%	80%	+			
Commercial rent collection rates	% collected	97%	98%				
Business Rates collection rates	% collected (cumulative)		99.75%				
Annual Procurement Savings	Savings achieved	£7m	£8.25m	£1.95m ⁺⁺			
IT Application availability	Percentage	TBC	TBC				
Internal Audit Effectiveness	Audit Plan delivery (%)	90%	95%	5% ⁺⁺⁺			
Publication of City Fund Accounts within Statutory Deadline				Status:			On track
Delivery of a balanced budget and Medium Term Financial Plan for City Fund, approved by Court of Common Council by 31 March				Status:			On track
PO Compliant Invoices	Percentage	-	>88%	93%			
Provide a high quality service to our customers (measured annually)	Annual customer survey	Average lowest score 7.0	Average lowest score 7.5	n/a			
Increased staff engagement (measured annually)	Percentage of positive responses to Staff Survey Q5: "I understand how my work helps the Chamberlain's Department to achieve its objectives"	88%	92%	n/a			

* SME = Small and Medium Sized Enterprise

+ Figures not yet available

++ Estimate as June savings not yet signed off

+++ Although there is a shortfall in delivery of audit plan at draft report stage, a significant amount of fieldwork is in progress which will see a return to expected progress in the second quarter.

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Committee:	Date:
Finance Committee	21 July 2015
Subject: Information Technology Department – Quarterly Update	Public
Report of: The Chamberlain	For Information

Summary

The last quarter has seen a challenging period for the IT Division, as we continue to make significant progress on a number of major projects, while managing performance and reliability issues that have impacted our services.

A Joint Operational Review with Agilisys was convened in April to address service performance issues and this has realised significant improvements. However, further improvements are required and are being implemented. As well as accelerating a number of planned investment projects around renewal of the local area network (LAN) within buildings, our end user devices and consolidation of applications.

A significant milestone was reached in June with the completion of the Infrastructure as a Service (IAAS) Project, which greatly improves the Corporation's IT service resiliency and disaster recovery.

The Police Service Transition continues and while a major incident occurred in late June progress has been good. The transition has gone smoothly over the last 6 months and the eight Agilisys IT Service Transformation projects are progressing to plan. However, there are significant risks round these projects and the Police IT Service. Although these risks will be mitigated by the completion of the projects, we are seeking early mitigation wherever possible.

Oracle continues to make progress with 80% of the Phase 1B functionality on track for delivery during July and also positive progress made on the resolution of defects. There are still challenges on the reliability of processes which update reporting and we are working with Agilisys & PWC to resolve these.

Excellent progress has been made on the Superfast City Programme, with both BT and Virgin committing to plans to improve Superfast Broadband coverage within the City and BT agreeing to extend coverage to the Golden Lane Estate. On the wireless and mobile work stream the procurement process for a Wireless Concession was launched at the end of June and the market response to date has been very positive.

Recommendation

The Committee is recommended to note the report.

Main Report

IT Division and the Agilisys Strategic Partnership

1. Following a number of service performance issues during March and April a Joint Operational Review was initiated. During April & May this review has undertaken an investigatory phase to define the scope and extent of the issues and carried out a number of short term actions to improve service and resolve issues.
2. These have had a positive impact and the trend on service performance is upwards. However, it is also recognised that there is further work to do and work is underway on a number of medium and longer term actions around the headings of Governance, People (Resource & Capability) and Technology.
3. There are also two notable investment projects which have been progressing through initiation but now need to move forward more urgently, namely the Renewal of End User Devices (PC's and Laptops) now at Gateway 2 and the renewal of the Local Area Network (LAN), which provides connectivity within buildings, which is at Gateway 3. Both Gateway Reports will come to the IT Sub Committee under urgency and to Project Sub Committee in July.
4. One further project around application consolidation is in development. This is an area where some progress has been made over the last 18 months, however a more concerted and specific effort is required to accelerate this work and provide the savings and business benefits of Application Consolidation more quickly.
5. The Infrastructure as a Service (IAAS) project has been completed during the last quarter and is currently going through the formal project closure procedures. This project places the Corporation's data and systems in resilient dual data centre infrastructure and its completion marks a major milestone for the Agilisys Contract, as well as greatly enhancing the resiliency and disaster recovery provision for the Corporation.
6. Agilisys will be 2 years into their contract in August and a review of this period will be presented to IT Sub Committee in Sept.
7. A number of key roles remain to be filled in the IT Division, most notably a new Head of IT and the roles related to Contract, Service and Project Management. The Head of IT recruitment is progressing to a final interview stage, which will be held during July. The Service, Project & Contract Management roles will commence a new recruitment process during July 2015.

City of London Police

8. The Police IT service operated independently of the Corporation up until late 2014 and was at that time in a poor state of repair.
9. The Agilisys service take-on commenced in December 2014. With the exception of a major incident in late June this take-on has been smooth, improving service reliability and significantly improving the resources, process and procedure in place.
10. We are now progressing eight transformation projects to stabilise and improve services and renew infrastructure and systems. Generally, these projects are progressing well and to plan and as they move to completion in the early part of 2016 the Police position will progressively improve, mitigating the current red risk on the Police IT Service. Additional activity is also underway to seek early mitigations to improve the Police IT Service Risk in the short term.
11. A more detailed report on the Police progress will be given to IT Sub Committee in Sept as part of the 2 Year Review.
12. We are also supporting the Police on a number of their change programmes, including:
 - National Fraud System procurement
 - Airwave Replacement
 - Crime, Case, Custody & Intelligence (CCCI) replacement.
 - Accommodation Project
 - Various telephone and networking upgrades
 - Mobile working Project
 - Ring of Steel replacement

Oracle ERP Project

13. Phase 1B of the programme remains on track to deliver 80% of the core module development by the end of July, with the remaining core and reporting solutions developed sequentially in August and September.
14. The revised programme budget has been presented to the programme board for consideration on the 6th July.
15. The programme team are making positive progress in reducing the number of outstanding defects. 26 critical and high severities remain, the majority being in Oracle Business Intelligence (OBI). Less than 20 defects now relate to go-live/Phase 1a.
16. It is recommended that programme remains at red status due to outstanding open key issues and defects and also due to resource constraints.
17. Recent fallings around ETL process and environment availability had an impact upon progress, particularly in respect of Property reports. The Project Team are

working with our partners Agilisys on improvement action plan, including a review by 3rd party experts, support processes and communications.

Superfast City Programme

18. The Superfast City Programme aims to engage and incentivise telecommunications providers to invest in providing affordable, superfast broadband services to the Square Mile and to increase the coverage and capacity of mobile coverage in the City. The Programme has been running since November 2014, when it was approved by the Policy & Resources Committee.
19. On the wired work stream, the City Corporation has made representations to central Government, Network Providers and other interested parties (e.g. Tech City & GLA) via Officers, Members, and Politicians. These have yielded tangible results for both resident and SME communities on the wired work stream of the programme. Going forward, a number of providers, including both BT Openreach and Virgin Media have plans to deploy improved superfast broadband coverage in the Square Mile throughout 2015/16.
20. On the wireless work stream, the procurement for a wholesale concession to utilise City assets to improve coverage and capacity has been re-planned to reflect changes to the procurement regulations and the competitive dialogue was launched at the start of July 2015, with a view to awarding the Concession from May/June 2016
21. As the wired work stream completes the demand modelling and market engagement phase and moves into an implementation phase, the project team have assessed the changing skill and resource requirements. Papers are being presented to P & R Committee and Project Sub Committee in July to reshape the project to move into the implementation Phase for the Wired Work Stream.

Conclusions

22. The IT Department continues to operate under significant load to meet the broad range of demands from both the Corporation and the Police. In the main, this work is progressing well, however we are managing significant risks and issues across resourcing, services and projects.
23. A positive partnership continues with Agilisys and it is anticipated that the change highlighted in this update will continue to improve the IT Service for both the Police and the Corporation.

Graham Bell, Chief Information Officer.
Email: graham.bell@cityoflondon.gov.uk

Committee	Date:
Finance Committee	21 July 2015
Subject: Chamberlain’s Department Risk Management – Quarterly Report	Public
Report of: Chamberlain	For Information

Summary

This report has been produced to provide Finance Committee with an update on the management of risks faced by the Chamberlain’s department.

Risk is reviewed regularly by the departmental Senior Leadership Team as part of the ongoing management of the operations of the Chamberlain’s department. In addition to the flexibility for emerging risks to be raised as they are identified, a process exists for in-depth periodic review of the risk register.

The Chamberlain’s department currently has two corporate risks and six risks on the departmental risk register. The most significant risks are:

- CR14 – Funding Reduction (Current Risk: Amber – no change)
- CHB001 – Oracle ERP delivery (Current Risk: **RED** – no change)
- CHB002 – Oracle ERP Business Benefits (Current Risk: Amber – no change)
- CHB004 – COL Police PSN compliance (Current Risk: Amber – no change)
- CHB005 – Police IT Provision (Current Risk: Amber – decreased risk score)
- CHB008 – Resourcing (Current Risk: **Red** – UNDER REVIEW)

Recommendation

Members are asked to note the report and the actions taken in the Chamberlain’s department to monitor and effectively manage risks arising from our operations.

Main Report

Background

1. The Risk Management Framework of the City of London Corporation requires each Chief Officer to report regularly to Committee the key risks faced in their department. Finance Committee has determined that it will receive the Chamberlain’s risk register on a quarterly basis with update reports on **RED** rated risks at the intervening Committee meetings.
2. Chamberlain’s risk management is a standing agenda item at the monthly Departmental Senior Leadership Team (SLT) meeting, over and above the suggested quarterly review. SLT receives the risk register for review, together with a briefing note highlighting any changes since the previous review. Consideration is also given as to whether any emerging risks exist for inclusion in the risk register as part of

Divisional updates on key issues from each of the Directors, ensuring that adequate consideration is given to operational risk.

3. Between each SLT meeting, risk and control owners are consulted regarding the risks for which they are responsible, with updates captured accordingly.

Current Position

4. This report provides an update on the current risks that exist in relation to the operations of the Chamberlain's department and, therefore, Finance Committee.

Summary of Key Risks

5. The Chamberlain's department currently has two corporate risks and six risks on the departmental risk register, attached as Appendix 1 to this report. These are:

- **CR14 – Funding Reduction (Current Risk: Amber – no change)**

This risk describes the impact of future funding reduction on the financial viability of the City Corporation. Savings begin to be reflected in the budget for 2015/16 with full impact by or before 2017/18. There are risks around the implementation of savings proposals and the achievement of savings will be monitored by the Efficiency and Performance Sub Committee on a quarterly basis. As savings proposals are implemented, it is anticipated that this risk will ultimately reduce further to GREEN.

- **CR16 – Information Security (Current Risk: Green – no change)**

Loss of personal or commercial information may result in major reputational damage to the City Corporation and possible sanction from the Information Commissioner. This risk now also includes the threat of a Cyber security attack, resulting in unauthorised access to City Corporation IT systems.

This risk is mitigated through regular organisation wide communications and the provision of mandatory training to all staff; a major campaign was undertaken to ensure completion of the e-learning modules by end of April 2015. These courses will now be mandatory for all new starters with completion of these being monitored. Existing policy around cyber security and technology infrastructure has also been reviewed and refreshed. These policies are due to be signed off shortly by the IT Steering Group, then Summit Group. A report will be presented to Finance Committee in September 2015. While the Chief Information Officer is the risk owner, some mitigating controls are owned by the Information Officer and Assistant Information Officer in Town Clerk's department. Chamberlain's department is responsible for managing the cyber security and technology aspects of this risk and is in the process of appointing a Technical Solutions Officer to review and refresh arrangements in this regard.

- **CHB001 – Oracle ERP delivery (Current Risk: RED – no change)**

The second phase of work to release further system functionality in relation business critical processes continues and is expected to be completed in September 2015. The programme team continues to work to resolve defects and

oversee development of the additional modules and reporting functionality. Daily and weekly programme team updates are in place to ensure progress is closely tracked. This risk is reducing as development progresses although remains **RED** to reflect the high priority and significance of the programme.

- **CHB002 – Oracle ERP Business Benefits (Current Risk: Amber – no change)**

This risk describes the failure to deliver required efficiencies and future revenue savings enabled through the Oracle ERP programme, consolidating other key systems and processes as appropriate. The governance framework for the consideration of future business improvements has now been drafted. The provisional start date for this work is October 2015, following closure of the Oracle programme.

- **CHB004 – COL Police PSN compliance (Current Risk: Amber – no change)**

There is an 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. All critical and high risks have now been resolved and two IT health checks are being run per year to ensure we remain compliant with any revised PSN requirements. This risk remains open as a security check was overlooked during the assessment, this is currently being rectified. The risk will then reduce to the target status of GREEN and be closed.

- **CHB005 – Police IT Provision (Current Risk: Amber – decreased risk score)**

The joint network refresh programme is in progress to resolve issues around network resilience and ensure we have diverse routes for network traffic, avoiding single points of failure. An options appraisal report (Gateway 3) has been approved by Force Change Boards and Capital Programme Board within City of London Police (CoLP) and will be presented to Project Sub Committee for approval. A project proposal (Gateway 1/2) has also been approved for the refreshment of the retained IL4 infrastructure. Furthermore, a technical design has been agreed for the IaaS within the data centre and is now being built. Work will begin on 2 August 2015 to migrate CoLP applications to the IaaS. As a result of these key elements of the programme being achieved, this risk has reduced to AMBER. Due to the age and lack of maintenance of existing hardware, there have been issues recently with the backup and storage of data resulting in some files failing to restore correctly. A number of immediate and longer term solutions have been devised and are in the process of being implemented. This incident is being managed closely by an Agilisys storage and backup specialist who is coordinating the resources to ensure progress. Progress against the transition plan continues to be measured regularly to ensure the risk continues to reduce towards the target status of GREEN by 31 December 2015.

- **CHB006 – IT Service Outage (Current Risk: Green) decreased risk score**

Disruption to service delivery as a result of major information systems outage (e.g. network/technology infrastructure failure). The Joint Operational Review with Agilisys of our IT infrastructure, has identified a number of improvements, either

planned or underway, to strengthen the governance, capacity and technology of the IT service. The IaaS is now complete and heading to project closure. The majority of the City's infrastructure is now covered by a dual data centre. Limited IT continuity tests have been carried out which demonstrate that the infrastructure is resilient. The status of this risk is therefore reduced to GREEN.

- **CHB008 – Resourcing (UNDER REVIEW)**

This is a new **RED** risk on the recruitment and retention of suitably skilled and experienced staff, particularly in IT. This risk is currently under review to assess the effect and to develop mitigating actions.

Other Material Changes since the Previous Review

6. CR16 (Information Security) has been amended to incorporate the risk of a Cyber security attack.

7. The following risks have been closed and removed from the Chamberlain's risk register since the previous report to Finance Committee:

- **CHB003 - PSN compliance**

Whole network IT Health Checks have been carried out with critical and high risks resolved. The reliance on network enclave has been removed with whole network accreditation. All actions to mitigate this risk are now 100% complete and the risk has decreased to its target status of GREEN.

- **CHB007 – IAAS Programme Delivery**

The IaaS programme is now complete and a project closure report has been produced. A project closure review meeting will be held to ensure it has met all of its success criteria. The risk has now decreased to its target status of GREEN.

8. References to 'IS' have been changed to 'IT', in line with the IS Division's recent change of name to IT Division.

Conclusion

9. Members are asked to note the actions taken to manage these departmental and corporate risks in relation to the operations of the Chamberlain's Department and the overall reducing level of current risk.

Appendices

- Appendix 1 Chamberlain's Department Risk Register Summary

Background Papers

Report to Finance Committee 12 May 2015: Finance Committee Risk

Report to Finance Committee 9 June 2015: Finance Committee Risk

Joy Ahwiah

Support Services Team Leader | Chamberlain's Department

T: 020 7332 1033 | E: joy.ahwiah@cityoflondon.gov.uk

CHB Risk Register summary

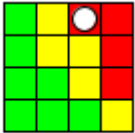
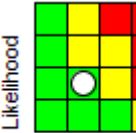
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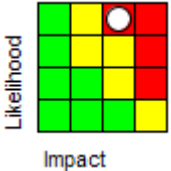
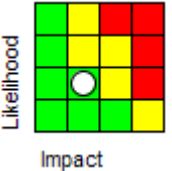



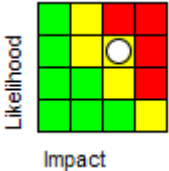
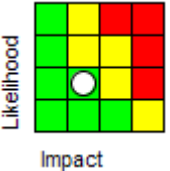
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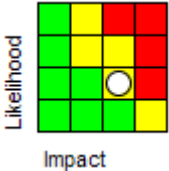
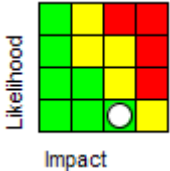
Risk No, Title, Department, Risk creation Date	Description (Cause, Event, Effect)	Current Risk Score	Risk Owner	Risk update	Target Risk Score	Target date	Risk Trend	
CHB001 Oracle ERP Delivery Chamberlain's Creation Date 09-Mar-2015	<p>Cause: System functionality not delivered, tested and deployed. Oracle Bugs and Service Requests (SRs) not resolved.</p> <p>Event: The Oracle Programme fails to deliver full functionality within planned timetable.</p> <p>Effect: Service Charge recovery fails. Closing of accounts and year end activity compromised. Adverse Audit Opinion.</p>		Peter Kane	The programme team continues to work to resolve defects and oversee the development of the additional modules and reporting functionality by PwC. The Programme Manager and Property leads both resigned in May, both posts have been filled by CoL staff. 779 Defects have been resolved, 112 remain outstanding, of these 58 are with CoL Oracle Support. The volume of BAU work and outstanding functional specifications requiring sign off dictates the end of July		4	31-Jul-2015	↔

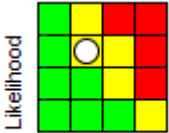
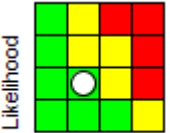
					planned closure will not be achieved. The programme team are focused on bringing back the end date. The quarterly billing run (£32 million) was successfully run on the 10th June. Steering Group (or a subset of senior sponsors) continues to meet weekly to monitor hand-over activities and progress.				
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Risk No, Title, Department, Risk creation date	Description (Cause, Event, Effect)	Current Risk Score		Risk Owner	Risk update	Target Risk Score		Target date	Risk Trend
CHB005 Police IT Provision Chamberlain's Creation Date 11-Mar-2015 Page 29	Cause: The Police IT estate has seen underinvestment over the past few years effecting Service reliability and resiliency and weakening DR capabilities. Event: Critical failure of the Police IT Service. Effect: Loss of communications or operational effectiveness. Reputational damage. Possible failure of critical policing activities.	 Likelihood Impact	16	Graham Bell	The Agilsys Service take on from Dec 2014 has 8 mandatory projects design to improve the Police IT Infrastructure. A Joint Network Refresh has also been initiated to update and renew the Police network both between and within Buildings. Taken together these two project will greatly improve the IT service and reduce the risk to an acceptable level.	 Likelihood Impact	4	31-Dec-2015	↔

Risk No, Title, Department, Risk creation date	Description (Cause, Event, Effect)	Current Risk Score	Risk Owner	Risk update	Target Risk Score	Target date	Risk Trend		
CHB008 Resourcing (UNDER REVIEW) Chamberlain's Creation Date 13-May-2015	Cause: Market conditions create misalignment in salaries for key posts. Event: Inability to recruit suitably skilled and experienced staff. Effect: Inability to meet the service requirements of today and the future.	 Likelihood Impact	16	Peter Kane	This risk is currently under review.	 Likelihood Impact	4	31-Mar-2016	

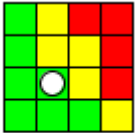
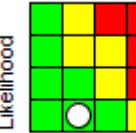
Risk No, Title, Department, Risk creation date	Description (Cause, Event, Effect)	Current Risk Score	Risk Owner	Risk update	Target Risk Score	Target date	Risk Trend
CHB002 Oracle ERP Business Benefits Chamberlain's Creation Date 09-Mar-2015 Page 31	<p>Cause: Plan not in place/not validated by the business users. Inadequate governance arrangements in place.</p> <p>Event: 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. Expected to Change: Following stabilisation post go-live.</p> <p>Effect: Efficiencies not delivered. System developments not controlled, resulting in proliferation of customisation or developments that deviate from core strategy.</p>	 <p>12</p>	Peter Kane	Business benefits realisation work cannot commence until CHB001 closes, the earliest that this could start is 1 August 2015, although consideration must be given to the impact of sustained change on those colleagues involved in development activity and continuation of the delivery of phase 1b activity. Commencement of benefits realisation work is likely to be deferred further.	 <p>4</p>	31-Dec-2015	↔

Risk No, Title, Department, Risk creation date	Description (Cause, Event, Effect)	Current Risk Score		Risk Owner	Risk update	Target Risk Score		Target date	Risk Trend
CHB004 COL Police PSN Compliance Chamberlain's Creation Date 09-Mar-2015 Page 32	Cause: Increasingly demanding PSN compliance requirements. Inadequate security of network infrastructure. Event: PSN non-compliance. Expected to Change: July 2015. Effect: Increased cost of maintaining connection to the Public Service Network (PSN) or possible disconnection. Loss of accreditation, network connection terminated.		8	Graham Bell	IL4 security missed out of assessment, this will be rectified within four months.		4	31-Jul-2015	↔

Risk No, Title, Department, Risk creation date	Description (Cause, Event, Effect)	Current Risk Score	Risk Owner	Risk update	Target Risk Score	Target date	Risk Trend		
CR14 Funding Reduction Chamberlain's Creation Date 22-Jun-2015 Page 33	Cause: Reduced funding from Central Government. Event: Reduced funding available to the City Corporation. Effect: City Corporation will be unable to maintain a balanced budget and healthy reserves in City Fund, significantly impacting on service delivery levels.	 Likelihood Impact	6	Peter Kane	The financial strategy already addresses this risk for City Fund. Following the service based review and inclusion of these savings in budget estimates, the City Fund (non-Police) remains in balance or close to breakeven across the period. Savings begin to be reflected in the budget for 2015/16, approved by the Court, with full impact by or before 2017/18. There are risks around the implementation of the saving proposals and the achievement of savings will be monitored by the Efficiency and Performance Sub Committee on a regular basis. As savings proposals are implemented, this risk will ultimately reduce further to GREEN. For City Fund (Police), deficits are forecast across the period with draw down of reserves. The Commissioner is currently	 Likelihood Impact	4	31-Mar-2018	↔

					drawing up saving proposals that will be available before the summer recess, the strategy of draw down on reserves is as planned, however the extent of draw down is more than expected.				
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Risk No, Title, Department, Risk creation date	Description (Cause, Event, Effect)	Current Risk Score		Risk Owner	Risk update	Target Risk Score		Target date	Risk Trend
CHB006 IT Service Outage Chamberlain's Creation Date 09-Mar-2015 Page 35	Cause: Major information systems outage (e.g. network/technology infrastructure failure. Poor recovery time. Event: Disruption to IT service delivery. Expected to Change: on IAAS project completion. New risk raised in respect of the IAAS programme. Effect: Provision of service operations compromised.		4	Graham Bell	The Joint Operational Review Improvement Plan has identified a number of improvements, either planned or underway, to strengthen the governance, capacity and technology of the IT service.		2	31-Oct-2015	↓

Risk No, Title, Department, Risk creation date	Description (Cause, Event, Effect)	Current Risk Score		Risk Owner	Risk update	Target Risk Score		Target date	Risk Trend
CR16 Information Security Chamberlain's Creation Date 22-Sep-2014 Page 36	<p>Cause: Breach of IT Systems resulting in unauthorised access to data by internal or external sources.</p> <p>Officer/ Member mishandling of information.</p> <p>Event: Cyber security attack – unauthorised access to COL IT systems. Loss or mishandling of personal or commercial information.</p> <p>Effect: Failure of all or part of the IT Infrastructure, with associated business systems failures. Harm to individuals, a breach of legislation such as the Data Protection Act 1988. Incur a monetary penalty of up to £500,000. Compliance enforcement action. Corruption of data. Significant reputational damage.</p>	 <p>Likelihood</p> <p>Impact</p>	4	Graham Bell	Mandatory training programme now complete. Structure of policies and guidelines shortly to be signed off by the IT Steering Group.	 <p>Likelihood</p> <p>Impact</p>	2	31-Jan-2016	↔

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Committee	Date:
Finance Committee	21 July 2015
Subject: Chamberlain's Financial Appraisals of Third Party Entities	Public
Report of: The Chamberlain	For Decision

Summary

The Chamberlain's Department undertakes financial appraisals on potential commercial tenants, suppliers and service providers. Such appraisals have been undertaken based on practical experience and knowledge using an internally developed procedure guide. In February 2015 new procurement regulations were transposed into UK law with an increased requirement on transparency and compliance in respect of selection criteria. The new regulations also require a 'light touch' regime for low value contracts below the OJEU threshold. Consequently, the procedure guide was amended to incorporate selection criteria required by the new regulations, and the assessment methodology is disclosed to suppliers up front to ensure transparency. Pre-Qualification Questionnaires (PQQ) now include, where relevant, explicit financial criteria from the procedure guide, against which potential tenderers can assess their own suitability on a pass/fail basis. For contracts below the OJEU threshold, the procedure guide was revised to allow a proportional approach based upon the risk of the contract. Ensuring the procedure guide has official status represents a logical development that protects the City from external challenge, and makes the procurement process more accessible to SMEs.

This report presents this procedure guide for formal adoption by the City Corporation. The new regulations will require modest changes to the working practices of the appraisals team, however it is expected that this can be accommodated within existing resources.

Recommendations

Members are asked to:

- a) Note the report
- b) Adopt the financial appraisal procedure guide
- c) Delegate authority to the Chamberlain to amend the guide as necessary to comply with United Kingdom and European Community procurement law and any other legal and accounting requirements which may arise in due course.

Main Report

Background

1. The City Corporation has a diverse range of commercial and business interests which require it to interact financially with the wider world, which exposes its financial resources to risk, either by losing income or by incurring excessive expenditure when interacting with third parties. Financial appraisals are a means of mitigating that risk in some part.
2. The main areas of risk are retail and commercial leases, property developments, contracts for goods or services and the Approved List of Caterers for Guildhall functions.
3. In February 2015, the Public Contract Regulations 2015 (PCR 2015) were transposed into UK law, with increased requirements on transparency and compliance in respect of selection criteria used in financial appraisals. The new requirements have resulted in financial appraisals coming under more scrutiny as they represent a visible and important facet of the procurement process. As such they are exposed to challenge, particularly where an adverse financial appraisal is given.
4. Members of the Barbican Board have queried the appropriateness of financial appraisal procedures applied and the Chairman of Finance Committee has agreed that a review of the procedures should be undertaken.
5. This report seeks Members' approval for the formal adoption of the current financial appraisal procedure guide to be used when undertaking financial appraisals of third party entities.

Current Position

6. Financial appraisals are undertaken on third party entities which are:
 - a. taking tenancies of City commercial and retail properties;
 - b. undertaking developments of City property holdings;
 - c. being shortlisted for City Corporation contracts with a value in excess of £172,000 for goods and services or £400,000 for works;
 - d. being retained on the Approved List of Caterers for Guildhall functions.
7. A procedure guide has been developed from existing documentation, current working practices and practical experience. The intention has been to codify City practice, ensure robust assessment procedures to mitigate financial risk, and demonstrate compliance with Regulation 58 (Selection Criteria – Economic and Financial Standing) of PCR 2015. The guide is a living document which continues to be amended as necessary in the light of experience and in response to changing statutory requirements. It currently has no formal status, being an internal working document used to ensure that all financial appraisals are undertaken to the same standards of analysis.

8. During 2014 the financial appraisal practices in nine other local authorities were benchmarked against the City's current practice. Within these nine examples practice ranged from one instance of sole reliance on Credit Reference Agency (CRA) to sole reliance on analysing company accounts (three instances). Four authorities analysed company accounts supplemented by CRA. One authority was implementing an on-going project to move away from financial appraisals in favour of risk based assessment. There appeared to be no standard model or guidance for financial appraisals in use.
9. The City uses company accounts supplemented by the background information provided in Credit Reference Agency reports for financial appraisals. This compares favourably to those authorities that only used information from a single source, and would accord with the practices of the majority of those authorities included in the benchmarking.

Proposals

10. It is proposed that the procedure guide should be adopted as the City's standard procedure to be applied for all financial appraisals undertaken by the Chamberlain's Research and Technical section.
11. It is also proposed that authority should be delegated to the Chamberlain to amend the guide as necessary, once adopted, in order to reflect the continuing development of procurement policy under PCR 2015 and any other legal and accounting requirements which may arise.
12. The main change to existing procedures is to incorporate mandatory assessment criteria required by PCR 2015, such as those relating to turnover thresholds. The revised procedures are more transparent, with the financial criteria and method of assessment communicated to prospective suppliers up front. This enables them to undertake a measure of self-assessment to determine whether they have the financial and economic standing to perform the contract.
13. The procedures also incorporate the requirements of PCR 2015 relating to low value contracts below the OJEU threshold. For these tenders, contractors submit a self-assessment against the City's evaluation criteria and the financial appraisal process is only applied to the winning bidder. The revised procedures allow a proportional approach to the appraisal criteria based upon the size of the contract, and the pool of likely contractors.
14. The procedure guide is attached at Appendix 1 and incorporates the financial appraisal criteria used in the Pre-Qualification Questionnaire (PQQ) for contracts being let by City Procurement e.g. the calculation of turnover requirements, standard accounting ratios, and Altman's Z- Score.

Implications

15. With the advent of PCR 2015 it is imperative that the procurement process should demonstrate transparency and compliance with the new regulations. The financial appraisal of potential tenderers is a part of the procurement process which does come under scrutiny and challenge by external parties exercising their rights to challenge contract awards in accordance with regulations 88-104

(Chapter 6 Applications to the Court) of PCR 2015. Adopting the procedure guide and its PQQ criteria will underpin the already robust procurement procedures in place.

16. The procedures are compliant with regulation 111 (Assessing suitability – Chapter 8 Below threshold contracts) of PCR 2015, which requires a light touch procurement regime for low value contracts. Compliance with the new regulations reinforces the City's support for SME's, making it easier for them to engage with the procurement process and ensuring that any appraisal undertaken is proportionate to the risk of the contract.
17. Should the procedure guide and its PQQ criteria *not* be adopted, the financial appraisal elements of procurement projects will potentially breach statutory requirements and also leave such projects open to challenge by external parties. In addition the current unofficial status of the procedure guide detracts from the robustness of the actual procedures themselves and the validity of a strong corporate response to challenge.
18. It is not expected that adoption of the procedure guide will result in any adverse financial or HR implications. The revised procedures will require modest changes to the working practices of the appraisals team, however these changes can be accommodated within existing resources.

Conclusion

19. The financial appraisals of third party entities are coming under greater scrutiny as a result of PCR 2015. The adoption of the procedure guide and associated PQQ criteria will give formal status to what is currently an internal departmental working document and will also present the opportunity to demonstrate transparency and compliance as procurement practices develop.

Appendices

- Appendix 1 – Chamberlain's Financial Appraisals: Procedure Guide and Manual, including Pre-Qualification Questionnaire financial criteria.

Contact:

Caroline Al-Beyerty

Financial Services Director

T: 020 7332 1113

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

City of London Corporation

CHAMBERLAIN'S FINANCIAL APPRAISALS

Procedure Guide and Manual

Michael Clarke
Clem Harcourt

SECTION 1: INTRODUCTION

1.1 ABOUT THIS PROCEDURE GUIDE

This procedure guide has been written to replace several existing documents within Corporate Treasury in order to present a consistent approach to financial appraisals regardless of the source of the request e.g. commercial lettings, City property developments, procurement projects, and ad hoc background checks. The guide seeks to incorporate best practice and officers' experience and knowledge developed over several years. The main changes to previous practice brought about by the Public Contract Regulations 2015 [PCR 2015] are that only 2 years' full signed accounts can be requested for appraisal in respect of procurement projects and the Pre-Qualification Questionnaire now discloses financial criteria to potential tenderers to facilitate self-assessment. All other appraisals remain outside of these changes. In every respect however – analytical techniques, quality of evidence, and interpretation of results - all financial appraisals are undertaken in a standard manner and this guide should be read accordingly.

1.2 WHAT IS A FINANCIAL APPRAISAL?

1. A financial appraisal of a company [or other entity which produces accounts – e.g. charity, limited liability partnership, sole trader] in the context of the Research and Technical team [R&T] is a desk top evaluation of publically available financial information, usually in the form of published accounts or summaries thereof. Constituent members of consortia are treated as standalone individual entities for the purposes of financial appraisals; the format of a consortium will determine the impact of the appraisal results.
2. A financial appraisal undertaken on a set of accounts is valid and relevant solely to that set of accounts at the time of the appraisal.
3. A financial appraisal is not:
 - a. An exercise in due diligence [which is a phrase with a very specific meaning in law];
 - b. A guarantee of future performance, whether good or bad;
 - c. An opinion which applies forever afterwards;
 - d. Fool proof, as it can only be as good as the available information;
4. All appraisals are undertaken to common standards of analysis and presentation and also require the same standard of information to be provided to the R&T team. City Procurement requests are based on 2 years' full signed accounts. Other departments' requests are based on 3 years' full signed accounts.

1.3 WHY UNDERTAKE A FINANCIAL APPRAISAL?

5. The City of London Corporation [CoL] has a diverse range of commercial and business interests. This means that its financial resources are exposed to risk, either by loss of income or by incurring excessive expenditure, when engaging with other entities. Financial appraisals are a means of mitigating that risk in some part.
6. The main areas of risk are retail and commercial leases, property developments, contracts for the supply of goods or services and the Approved List of Caterers for Guildhall functions.

1.4 WHAT SOURCES OF INFORMATION ARE USED?

7. The principal sources of information are company accounts, management accounts and business plans with financial information.
8. Credit reference agency reports are used for accounts information, company structure, shareholdings and directorship histories and not for the credit rating/procurement limits suggested by the agency. There are several reasons for this – credit ratings utilise information to which the CoL is not privy, the information is analysed by methodologies which are not disclosed and the ratings themselves are not directly applicable for the purposes of a Chamberlain's financial appraisal.
9. Companies [or other entities] which are recently incorporated or still in inception will not have accounts as such to be appraised. In such instances business plans and supporting financial information are acceptable.
10. Accounts provided for appraisal should be:
 - a. The accounts of the entity in question
 - b. The latest available set;
 - c. Fully signed where required;
 - d. Full and not abbreviated accounts.
11. In the case of contract tenders, if at the date of the tender the last accounts were for a period ended more than ten months previously, interim management accounts and/or turnover statements for the current period should be provided.

SECTION 2: TECHNICAL

2.1 QUALITY OF THE INFORMATION REQUIRED

1. Where accounts are requested R&T requires full signed accounts which should meet the criteria in paragraph 10 above. The only exception allowable to this is where an entity has not been in existence long enough to file or produce this information. Prior year comparatives are not an acceptable substitute as they are usually lacking detailed notes.
2. Where a business entity is yet to be incorporated or has not yet filed any accounts it is the usual practice to request business plan type information and other ancillary information as follows:
 - a. An opening balance sheet;
 - b. Management accounts for the initial trading period to latest period [including detailed income/expenditure or profit & loss and latest balance sheet];
 - c. A medium term trading/cash flow forecast [preferably first year analysed month by month] or medium term business plan;
 - d. Information concerning the owners/partners/directors [names, dates of birth and addresses with postcodes];
 - e. Information about parent and ultimate parent companies [names and registrations numbers] if applicable.

This information should be produced and signed by a person in a senior position within the business.

3. Not every entity is obliged to produce accounts for filing or external scrutiny e.g. Limited Partnerships [N.B. these are distinct from Limited Liability Partnerships which are regulated in a similar manner to companies], sole traders. In such cases the certification or otherwise of the accounts can vary widely but as far as is practicable the same standard of verification should be applied. In all cases the standards of appraisal remain the same – the status of an entity does not influence the final opinion.
4. Business entities may be registered with regulatory bodies other than Companies House e.g. The Charity Commission, Financial Conduct Authority, and these can have different requirements for the filing of accounts. Companies registered in Crown dependencies or foreign countries are not necessarily governed by the same standards of certification and audit as mainland UK companies.
5. In such cases, if accounts are provided however they should still be checked for compliance with local statute/regulation as far as this can be ascertained. It is the general practice of R&T to accept such accounts as provided in good faith, subject to any additional source of information

available which can be cross checked to information in credit reference reports.

2.2 HOW FINANCIAL APPRAISALS ARE UNDERTAKEN

6. A financial appraisal is initiated by a request from another officer and should include all of the following information where applicable:
 - a. The name of the contract;
 - b. The total amount of contract [actual or estimated];
 - c. The length of the contract in years;
 - d. If the contract is more than 12 months in length - the specific phasing of contract amounts in each of the succeeding periods;
 - e. The names of the tendering entities and company registration numbers [which should be sourced from PQQ/application form not financial accounts supplied];
 - f. The reasons for particular concern if the contract cost is below any pre-determined de minimis level;
 - g. Which OJEU procedures are applicable to the contract procurement;
 - h. Whether or not the provision of financial statements was a mandatory condition under the OJEU procedure or similar.
 - i. The name of the relevant contact officer; and
 - j. The name of the Head of Finance who will financially review the associated Committee Report [if applicable].
7. The City Surveyor's department has a standard procedure to determine whether or not an appraisal is required and uses a request form which should include all of the relevant information for an appraisal if required.
8. The standard timescale applies to all appraisals but in cases where a short list exceeds 6 companies, an extension to this time should be agreed and confirmed with the requesting officer as soon as possible.
9. Once the information received for an appraisal is confirmed as being complete and correct the appraisal proper can commence.

2.3 HOW FINANCIAL APPRAISALS ARE UNDERTAKEN: ANALYSING THE FINANCIAL INFORMATION

10. Financial appraisals are conducted on a case-by-case basis and there is no set formula or threshold applied, provided the organisation has not failed in respect of any initial pass/fail criteria published on the PQQ. The results of the appraisal are down to the analysis of the information provided and the judgement of the individual R&T officers undertaking the appraisal.
11. In cases where the provision of financial information is a mandatory condition of a procurement exercise, R&T does not have freedom of action to obtain or utilise financial information unless it has been provided directly as part of the exercise. Once the information has been checked for quality

[see above section on quality] a standard working paper is completed. This applies regardless of whether a company files full accounts or not. Credit reference reports are to be obtained as near to simultaneous real time as possible to demonstrate equity of treatment.

12. Where an entity has not yet filed or published accounts then such business plan information as is supplied which also satisfies the quality requirements above may be used. This information rarely includes profit and loss accounts so it is not usually the case that a working paper can be completed. Credit reference agency reports should be obtained if available as these contain useful background information.

13. In general, the main items examined include, but are not limited to:

- a. Turnover;
- b. Profitability;
- c. Working capital;
- d. Net worth;
- e. Cash flow;
- f. Funding;
- g. Intercompany trading;
- h. Company ownership;
- i. Directors' appointments;
- j. The auditor's report;
- k. The directors' report;

14. Standard accounting ratios and Altman's Z-Score are used on PQQ as an initial check on financial suitability. Entities which fail to meet these criteria as published on the PQQ are not appraised. Entities which do meet these criteria will not necessarily be appraised as financially satisfactory.

15. In the case of charity accounts the proportion of restricted funds received and held should be noted. The charity's general effectiveness is more properly assessed from its level of general reserves and unrestricted incoming resources. The reserves policy should also be noted, whether or not this has actually been achieved. The relevance of restricted funds is not solely financial e.g. a charity's priorities may be dictated by the need to meet service delivery conditions attached to a restricted grant received.

16. The results of financial appraisals are reported to the requesting officer and the relevant departmental finance head if applicable.

SECTION 3: DEVELOPMENTS

3.1 CHALLENGES FACING FINANCIAL APPRAISALS

1. The financial and operational environment in which the City must function is changing, particularly with regard to contracts and tendering, procurement initiatives and accounting regulation. It is important that R&T keeps abreast of changes in order to maintain relevance and accuracy.
2. The main challenges identifiable in early 2015 include:
 - a. Closer regulation of procurement and prescription of financial appraisal requirements under EU directives e.g. Directive 2014/24 was transposed into UK law as PCR 2015 with effect from 26 February 2015;
 - b. Greater transparency of procedures required by City Procurement to meet challenges to tender evaluation results;
 - c. The effects of using strict financial criteria on PQQ as an initial self-certifying assessment by prospective tenderers;
 - d. How to monitor contractors' financial accounts over the life of contracts where the term extends past the next accounting date [as a minimum];
 - e. How to deal with consortia/Joint Venture Companies and remain compliant with EU regulation where applicable;
 - f. How to maintain a robust analysis in cases where usual appraisal practices are not ideally suited e.g. contracts tendered specifically with community interest companies/charities/social enterprises in mind;
 - g. Incorporation of more factors into the appraisals themselves e.g. cash flow analysis, cost benefit analysis of rent free periods vs. empty rates costs, weighting of risk assessment of money vs. time period.
 - h. Potential incorporation of more detailed financial appraisal information into committee reports which will raise the profile of R&T and emphasise the need for robust and defensible appraisal opinions in the face of member challenge.
3. How and when R&T meets these challenges will depend on the source – for example, forthcoming procurement regulation changes will be externally imposed and require immediate implementation whereas accounting standards will require internal review of working papers in the period after 2015.

SECTION 4: ANNEXES

ANNEXE 1: PQQ FINANCIAL CRITERIA

Appraisal Of Applicants' Financial And Economic Standing

1. Applicants are required to pass the City's appraisal of their financial and economic standing. The appraisal consists of three parts as described below:

PART A: Applicants are required to satisfy minimum standards with regards to their turnover requirement, standard accounting ratios and Altman's Z Score. Details of these standards and their calculation are set in para 2 to 5 below.

PART B: The Applicants' accounts will be examined following the process described in para 5 to 7 below to determine whether there is material evidence to show that they do not have the financial and economic standing to perform the contract.

PART C: Applicants with accounts that display any of the factors listed in para 8 below will automatically result in a failed appraisal. Applicants with accounts that display any of the factors listed in para 9 below will be failed unless there are strong mitigating circumstances.

Applicants Must Pass All Three Parts Of The Appraisal Process

PART A:

Turnover Ratio

2. Minimum Turnover Requirement:

The turnover requirement is calculated as the annual average of the last two reported financial years, divided by the estimated annual contract value. Applicants will be required to have a result of '**2.0**' or greater.

Standard Accounting Ratios

3. Applicants will be required to meet minimum standards with regards to the following accounting ratios calculated from their last reported set of financial accounts.

- a. Current Ratio: being total current assets divided by total current liabilities. Applicants will be required to have a result of '**Y.Y**' or greater.

- b. Quick Ratio: being total current assets excluding stock and work in progress divided by total current liabilities. Applicants will be required to have a result of '**Z.Z**' or greater.
- c. Profits before interest and tax as a percentage of an entity's turnover: Applicants are expected to be profitable and not to be loss making. No minimum profit percentage is prescribed as long as the applicant is profitable.
- d. Profits before interest and tax as a percentage of total assets: Applicants are expected to be profitable and not to be loss making. No minimum profit percentage is prescribed as long as the applicant is profitable.

Altman's Z Score

4. A definition and explanation of Altman's Z score and its calculation can be found on: http://en.wikipedia.org/wiki/Altman_Z-score

5. Applicants are required to have an Altman's Zones of Discrimination score of '**1.8**' or greater calculated as follows from the latest reported set of financial accounts:

- a. The sum of [Working Capital divided by Total Assets] multiplied by 1.2; plus
- b. The sum of [Retained Earnings divided by Total Assets] multiplied by 1.4; plus
- c. The sum of [Profits before interest and tax divided by Total Assets] multiplied by 3.3; plus
- d. The sum of [Market Capital divided by Total Liabilities] multiplied by 0.6; plus
- e. The sum of [Turnover divided by Total Assets] multiplied by 1.0.
- f. The sum of factors (a)-(e) above is compared to Altman's Zones of discrimination to reach a numerical score.

PART B:

Assessment of financial statements for evidence of financial and economic standing

5. In addition to the requirements set out in Part A above, the City will critically examine the following items in the accounts to determine whether the applicant has the financial and economic standing to perform the contract:

- a. Turnover
- b. Profitability
- c. Working Capital
- d. Net Worth
- e. Cash Flow
- f. Funding

- g. Intercompany Trading
- h. Company Ownership
- i. Directors Appointments
- j. Auditors Report
- k. The director's report
- l. Indices calculated on turnover, retained profit and working capital over three years.
- m. Notes to the accounts

Where the applicant is a charity, the following items will also be considered:

- a. The proportion of restricted funds received and held;
- b. The level of general reserves;
- c. The level of unrestricted incoming resources;
- d. The reserves policy, and whether or not this has actually been achieved;

6. In relation to the items above, the City will examine year to year changes, the accuracy of the data, any unexplained large movements, any changes in ownership, unexplained restating of prior year comparative figures and any relevant narrative to establish whether the applicant has the financial and economic standing to perform the contract.

7. The applicant will be failed if in making the assessment above, there is material evidence to show that the applicant lacks the financial and economic standing to perform the contract.

PART C:

Factors which will lead to a failed appraisal of the applicant's economic and financial standing

8. The following factors **will** result in a failed appraisal of the applicant's financial and economic standing:

- a. A qualified audit report on the latest set of accounts;
- b. Loss making entities with negative working capital and negative net worth
- c. Entities in administration;
- d. A refusal to provide 2 years' full signed accounts where it is known that such information exists;
- e. Signed accounts which are numerically inaccurate, incomplete or which contradict other versions of the same accounts;
- f. Accounts with pages inserted belonging to other entities;

Factors which will lead to a failed appraisal of the applicant's economic and financial standing unless there are strong mitigating circumstances

9. Applicants with accounts displaying any of the factors listed below will result in a failed appraisal of their economic and financial standing unless

there are strong mitigating circumstances shown in the accounts, or other financial documents that the applicant is able to provide to the satisfaction of the Chamberlain:

- a. Accounts overdue for filing by more than one month;
- b. Accounts disclosing a loss with negative working capital and whose net worth is negative if intangible assets are discounted.
- c. Three or more late filings out of the last five of documentation required by Companies House eg the annual return or accounts;
- d. Registrar's Motions to Strike Off from the register of Companies;
- e. Entities operating under a Corporate Voluntary Arrangement or other such agreement with creditors;
- f. An Emphasis of Matter raised by the Auditor eg on the validity or otherwise of a going concern statement;
- g. Failure to disclose a conflict of interest revealed by examination of the accounts.

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Committee	Dated:
Finance Committee	21 July 2015
Subject: City Re Limited – Performance Monitoring	Public
Report of: The Chamberlain	For Information

Summary

The City established a Reinsurance Captive Insurance Company (the Captive), City Re Limited, on 24 December 2010, a separate legal structure which allows the City to share in the risks and benefits of insuring its property portfolio, whilst controlling the financial exposure. In the event of an 'average' year's claims experience it was anticipated that the Captive would achieve an underwriting profit of £600,000.

This report provides information on the claims experience and Underwriting Profit and Loss Account for the fourth accounting period of the Captive, from 1 April 2014 to 31 March 2015, and reveals that a retained profit of £830,013 was achieved.

At its meeting on 16 June 2015, the Board of City Re Limited declared this sum as a dividend for the 2014/15 financial year and this amount has already been paid over to the City. The Company holds substantial claims reserves for the 2014/15 accounting period and also an 'Incurred but not yet Reported' reserve of £250,000.

The report also provides information on the governance arrangements for the captive and of various matters discussed at the last Board meeting on 16 June 2015, including the adoption of the accounts, the dividend policy with regard to the retained profit and the receipt of the auditors' Management Letter and Compliance Reports. The auditors' Management Letter and the signed, audited Directors' Report and Financial Statements are attached to this report.

Recommendation

Members are asked to note this report.

Main Report

Background

1. The Finance Committee, at its meeting on 26 October 2010, approved the principle of establishing a Reinsurance Captive Insurance Company (the Captive), and on 24 December 2010 such an entity, City Re Limited, was created, based in Guernsey, where the optimum managerial and administrative expertise is located to operate such a company.

2. Members may recall that the Captive provides a separate legal structure which allows the City to share in the risks and benefits of insuring its property portfolio, whilst controlling the financial exposure. Effectively, the Captive allows the City to participate in its own insurance placement and to capture underwriting profits with a known capped downside financial risk.

Main Characteristics of the Captive

3. The main elements of the Captive are set out below:
 - The City Captive covers the first £250,000 of each and every property claim, effectively leaving the main insurers, RSA and Aviva, to cover any greater losses.
 - The City Captive receives a reinsurance premium of approximately £1.7m per annum from RSA and Aviva.
 - The maximum payable (downside) by the City Captive is limited to £250,000 per annum above the reinsurance premium received from RSA and Aviva.
 - Based on an actuarial analysis (undertaken in 2010) of the last 10 years' claims experience of the City, the value of claims likely to be met by the Captive in an average year would be £1.1m.
 - The Captive does not cover any terrorism risk which continues to be covered by RSA and Aviva and re-insured with Pool Re.
4. The potential range of financial implications for the City, based on the actuarial analysis of past claims experience at the time the company was set up is summarised below:

	Worst Case £000	Average Year £000	'Good Year' £000
Reinsurance Premium received by Captive Net of Charge Payable to RSA	(1,660)	(1,660)	(1,660)
Claims Payable by Captive	1,910	1,060	860
(Profit)/Loss	250	(600)	(800)

5. Based on these assumptions and previous years' experience, a projected saving of £750,000 was included in the City's financial plans for 2014/15.

Financial Performance for period 1 April 2014 to 31 March 2015

6. The audited Financial Statements for the fourth trading period of the Captive were submitted for approval and signing to a meeting of the Board of Directors held in Guernsey on 16 June 2015, and these are attached to this report. The meeting was attended by the City of London Corporation's Directors on the City Re Board, i.e. the Chairman of the Finance Committee and the Chamberlain.
7. For the accounting period, City Re Limited achieved a retained profit of £830,013. The accounts also include an 'Incurred But Not Reported' (IBNR) loss reserve of £250,000 which is equal to one maximum loss applicable to the 2014/15 underwriting period that commenced on 25 December 2014. This is in line with the company's reserves policy which is that "for each annual

underwriting period, an IBNR equal to one maximum loss of £250,000 is established. Consideration will be given to release the IBNR by the close of the following accounting period”.

8. The Board of Directors declared a dividend of £830,013 in respect of the 2014/15 financial year and this sum has been paid over to the City. The dividends received in the previous financial years are set out below:

2013/14	£92,569
2012/13	£810,883
15 months to 31/03/12	£997,747

The dividend for 2013/14 was significantly less than in previous years due to one significant claim, a further potential significant claim that has been settled and an increase in water damage claims. At the time the Directors believe that 2013/14 was an unusual year and expected the claims experience to return to the level of previous years.

Auditor’s Management Letter and Company Compliance

9. At the March 2015 Board meeting it was agreed that quotes should be sought for the audit of the Company’s accounts from three firms. Moore Stephens were subsequently appointed. At their meeting on 16 June the Board of Directors received a presentation from Moore Stephens. They noted the Management Letter which stated that there were no issues arising during the course of their audit that required being brought to the attention of the Board.
10. The Board of Directors and external auditors also confirmed that there was no objection to the audited Directors’ Report and Financial Statements being in the public domain, and these will be made available as a distinct item on the City of London Corporation’s website following this Finance Committee Meeting.
11. In addition, the Board received a Compliance Monitoring Report from Active Compliance Services Limited which showed an overall rating of “satisfactory”, which is the highest rating available.

Conclusion

12. At the 16 June Board meeting the directors of City Re Limited declared a dividend of £830,013 for the 2014/15 financial year and this amount has already been paid over to the City.

Appendices

- Appendix 1 – Auditors’ Management Letter and Accounts to 31 March 2015

Kate Limna
Corporate Treasurer

T: 020 7332 3952
E: kate.limna@cityoflondon.gov.uk

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Your Ref:

102/7292

Our Ref:

16 June 2015

The Directors
City Re Ltd
PO Box 155
Mill Court
La Charroterie
St Peter Port
GY1 4ET

PO Box 146
Town Mills South
La Rue du Pré
St. Peter Port, Guernsey
Channel Islands, GY1 3HZ

T +44 (0) 1481 721769

F +44 (0) 1481 724657

E ms@msgsy.comwww.moorestephens-guernsey.com

Dear Sirs,

CITY RE LIMITED (THE 'COMPANY')
AUDIT FOR THE YEAR ENDED 31 MARCH 2015

Introduction

The purpose of this letter is to bring to your attention the findings from the recent audit. We appreciate that you will already be aware of the majority of the matters contained in this letter. However, we are required by Auditing Standards to communicate them to you formally.

This report has been prepared for the sole use of City Re Limited, and no responsibility is assumed by us to any other person who may choose to rely on it for his or her own purposes.

Independence

The engagement team and the firm have complied with relevant ethical requirements regarding independence. There are no relationships between the firm, network firms and the company that may reasonably be thought to affect our independence.

Expected modifications to the audit report

We do not expect to make any modifications to our audit report. However, our responsibilities with regard to the audit report extend up to the date on which it is signed and we will advise you of any changes to this position if necessary.

Unadjusted misstatements

There were no unadjusted misstatements noted during the audit, excluding those that we consider to be trivial.

Material weaknesses in the accounting and internal control systems identified during the audit

In the course of our audit we examined the principal internal controls which your company has established to safeguard its assets and to enable it to ensure, as far as possible, the accuracy and reliability of its records.

The examination of the system's internal control which we carried out cannot necessarily be expected to disclose every weakness, since our audit work is designed primarily to enable us to report on the company's financial statements, and for this reason the matters below may not necessarily be the only shortcomings which exist in the system.

We are pleased to report that there are no significant weaknesses in control which came to our notice during the audit.

Qualitative aspects of accounting practice and financial reporting

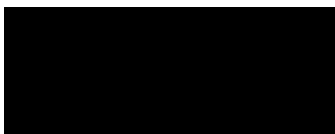
UK GAAP is changing. The Insurance SORP has been withdrawn. With effect from the year ended 31 March 2016 onwards FRS 102: The Financial Reporting Standard and FRS 103: Insurance Contracts will apply to the company. FRS 103 will require disclosure of insurance risks and financial risks, and will also require sensitivity analysis.

There are no other qualitative aspects of accounting practice or financial reporting that we wish to draw to your attention.

Matters required by other Auditing Standards to be communicated to you

There are no matters required by other auditing standards to be communicated to you.

Yours faithfully,



Moore Stephens

CITY RE LIMITED

Directors' Report and Financial Statements

For the year ending 31 March 2015

CITY RE LIMITED

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CITY RE LIMITED

CORPORATE INFORMATION

DIRECTORS

The directors of the Company who held office during the year were:

Mr G A Hollingsworth
Mr R A H Chadwick
Dr P R Kane (appointed 2nd June 2014)
Mr S A Le Prevost (appointed 25 March 2015)
Mr C N Bilisland (resigned 5 May 2014)
Mr N H Wild (resigned 10 March 2015)

INSURANCE MANAGER AND GENERAL REPRESENTATIVE

The insurance manager and general representative of the Company throughout the year was JLT Insurance Management (Guernsey) Limited.

SECRETARY

The secretary of the Company throughout the year was JLT Insurance Management (Guernsey) Limited.

REGISTERED OFFICE

Mill Court
La Charroterie
St Peter Port
Guernsey
GY1 4ET

Auditor

Moore Stephens
Town Mills South
La Rue Du Pre
St Peter Port
Guernsey
GY1 1LT

CITY RE LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ending 31 March 2015.

INCORPORATION

The Company was incorporated in Guernsey, Channel Islands on 20 December 2010 with registered number 52816. It operates in accordance with the provisions of The Companies (Guernsey) Law, 2008 and The Insurance Business (Bailiwick of Guernsey) Law, 2002 to carry out general insurance business, excluding domestic business.

ACTIVITIES

The principal activity of the Company during the year was to provide re-insurance protection to the RSA Group on the risks associated with material damage and loss of rent for the City of London's property portfolio.

RESULTS

The results for the year are shown on page 7.

DIVIDENDS

During the year the directors proposed and agreed the payment of a dividend in the sum of £92,569 (2014: £810,883)

DIRECTORS

The directors of the Company who held office during the period are detailed on page 3.

DISCLOSURE OF INFORMATION TO AUDITOR

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

AUDITOR

The Auditor, Moore Stephens, has indicated its willingness to continue in office and offer themselves for re-appointment at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board

G A Hollingsworth

Director: 

R A H Chadwick

Director: 

Date: 16th June 2015

CITY RE LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Director's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the company and the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CITY RE LIMITED

We have audited the financial statements of City Re Limited for the year ended 31 March 2015 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Section 262 of The Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- comply with The Companies (Guernsey) Law, 2008 and The Insurance Business (Bailiwick of Guernsey) Law, 2002.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where The Companies (Guernsey) Law, 2008 requires

- proper accounting records have not been kept by the company; or
- the financial statements are not in agreement with the accounting records; or
- we have failed to obtain all the information and explanations, which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

We have nothing to report in respect of the following matters where The Insurance Business (Bailiwick of Guernsey) Law, 2002 requires us to report to you if, in our opinion:

- the information given in the annual return prepared pursuant to section 33 is inconsistent with the financial statements; or
- there is any transaction outside the normal course of business which resulted in the balance sheet showing a situation materially different from that which would otherwise have obtained, and which is not adequately disclosed in the financial statements.

CITY RE LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDING 31 MARCH 2015

CONTINUING OPERATIONS	<i>Notes</i>	31 Mar 2015 £	31 Mar 2014 £
REVENUES			
Gross premiums written	1	1,700,456	1,717,679
Change in unearned premium provision	1	-	-
Premium earned for the year		1,700,456	1,717,679
UNDERWRITING EXPENSES			
Claims paid / payable	1	(1,069,293)	(623,204)
Claims reserve movement - Outstanding Loss Reserve	1	310,348	(914,776)
Commission	1	(42,512)	(42,942)
Total underwriting expenses		(801,457)	(1,580,922)
UNDERWRITING RESULT FOR THE YEAR		898,999	136,757
Interest income	1	18,632	32,196
Administrative expenses	3	(74,978)	(74,974)
PROFIT BEFORE TAXATION AND COMMISSION		842,653	93,979
Profit commission payable	1	(12,640)	(1,410)
PROFIT BEFORE TAXATION		830,013	92,569
Taxation	2	-	-
RETAINED PROFIT FOR THE YEAR		830,013	92,569

The Company has had no gains and losses other than the profit for the year.

The notes on pages 11 to 13 form part of these financial statements.

CITY RE LIMITED

STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2015

	Notes	31 Mar 2015 £	31 Mar 2014 £
CURRENT ASSETS			
Accrued interest income	1	-	18
Deferred commission		31,346	31,346
Prepaid expenses		15,483	14,993
Cash and cash equivalents	4	4,282,275	3,694,172
TOTAL ASSETS		4,329,104	3,740,529
EQUITY AND LIABILITIES			
Issued capital	5	500,000	500,000
Retained earnings		830,013	92,569
TOTAL EQUITY		1,330,013	592,569
LIABILITIES			
Trade and other payables	6	201,243	39,764
TECHNICAL RESERVES			
Unearned premium reserve	1	1,253,866	1,253,866
Claims reserves	7	1,543,982	1,854,330
TOTAL EQUITY AND LIABILITIES		4,329,104	3,740,529

These financial statements were approved by the Board of Directors on 16 June 2015

Signed on behalf of the Board of Directors

G A Hollingsworth
Director

R A H Chadwick
Director

The notes on pages 11 to 13 form part of these financial statements.

CITY RE LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDING 31 MARCH 2015

	31 Mar 2015 £	31 Mar 2014 £
Balance at the beginning of the year	592,569	1,310,883
Dividend paid during the year	(92,569)	(810,883)
Profit for the year	830,013	92,569
Balance at the end of the year	<u>1,330,013</u>	<u>592,569</u>

CITY RE LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDING 31 MARCH 2015

	31 Mar 2015	31 Mar 2014
	£	£
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the year	830,013	92,569
Less interest income	(18,632)	(32,195)
Increase in unearned premiums	-	1
Increase in prepaid expenses	(490)	(12)
Increase / (decrease) in trade and other payables	161,479	(25,722)
(Decrease) / increase in reserves for losses and loss expenses	(310,348)	914,776
Net cash inflow from operating activities	662,022	949,417
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	18,650	32,587
Decrease in bank deposits	-	2,665,000
Net cash from investing activities	18,650	2,697,587
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(92,569)	(810,883)
Net cash from financing activities	(92,569)	(810,883)
Net increase in cash and cash equivalents	588,103	2,836,121
Cash and cash equivalents brought forward	3,694,172	858,051
Cash and cash equivalents carried forward	4,282,275	3,694,172

The notes on pages 11 to 13 form part of these financial statements.

CITY RE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2015

1. PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements:

(a) Basis of preparation

The financial statements have been prepared in accordance with the provisions of the Companies (Guernsey) Law, 2008. The Insurance Business (Bailiwick of Guernsey) Law, 2002 and the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers ("the ABI SORP") amended December 2006.

The financial statements have been prepared on a going concern basis under the historical cost convention as the directors consider this gives the most meaningful picture of the state of affairs of the business. They give a true and fair view and have been prepared in accordance with UK Generally Accepted Accounting Practice.

(b) Underwriting business

Premiums written

Gross premiums written in respect of the cover for providing reinsurance protection to the RSA group on the risks associated with material damage and loss of rent insurance programmes of the City of London portfolio.

Unearned premiums

Unearned premium represents the proportion of premium which has been pre-paid for the following financial period.

Claims

Claims are accounted for on an accruals basis

Provisions are made for outstanding claims incurred at the balance sheet date including an estimate for the cost of claims incurred but not reported ("IBNR"). The current IBNR is in the sum of £250,000 representing one maximum loss to the Company and is determined by the Board of Directors using both historical data and any data available at the time of preparation of the Financial Statements.

Commission

Fronting fees calculated as 2.5% of premiums written is payable to Royal and Sun Alliance PLC and are earned over the related policy period.

Profit commission calculated as 1.5% of the profit before tax in the financial period is payable to JLT Insurance Management (Guernsey) Limited.

(c) Bank deposits

Bank deposits included term deposits are held at cost, and matured within three to twelve months of the balance sheet date and were carried on the balance sheet at cost.

(d) Interest income

Interest income is accounted for on an accruals basis.

CITY RE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDING 31 MARCH 2015

2. TAXATION

The Company is taxed at the standard rate of income tax for Guernsey companies of 0%

3. ADMINISTRATIVE EXPENSES

	31 Mar 2015 £	31 Mar 2014 £
Management fees	51,536	50,987
Audit fees	5,500	6,000
Directors' fees	7,500	7,158
Consultancy fees	400	500
Company registration fees	5,742	5,694
Directors and officers premium	2,624	2,656
Sundry expenses	1,676	1,979
	<u>74,978</u>	<u>74,974</u>

4. CASH AND CASH EQUIVALENTS

	31 Mar 2015 £	31 Mar 2014 £
Bank balances	4,282,275	2,005,671
Fixed deposits	-	1,688,501
	<u>4,282,275</u>	<u>3,694,172</u>

Cash and cash equivalents comprise bank balances and short term fixed deposits with maturity of three months or less at the balance sheet date.

5. SHARE CAPITAL

	31 Mar 2015 £	31 Mar 2014 £
ISSUED SHARE CAPITAL		
500,000 GBP1 Ordinary Shares	<u>500,000</u>	<u>500,000</u>

6. TRADE AND OTHER PAYABLES

	31 Mar 2015 £	31 Mar 2014 £
Claims payable	180,602	29,672
Profit commission	12,640	1,410
Audit fees	5,500	6,000
Directors and officers premium	26	58
Consultancy fees	400	400
Directors' fees	2,075	2,075
Insurance payables	-	141
Bank charges	-	8
	<u>201,243</u>	<u>39,764</u>

7. CLAIMS RESERVES

	31 Mar 2015 £	31 Mar 2014 £
IBNR Reserve	250,000	250,000
Outstanding loss reserves	1,293,982	1,604,330
	<u>1,543,982</u>	<u>1,854,330</u>

CITY RE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDING 31 MARCH 2015

8. FINANCIAL RISK MANAGEMENT

Interest rate risk

The Company is exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its bank deposits, cash and cash equivalents and cash flows. At 31 March 2015 the Company had various interest bearing accounts bearing interest rates ranging from 0.39% to 0.55% (2014: 0.39% to 0.65%) all maturing within 12 months of the balance sheet date.

All of the above risks are monitored by the appointed Insurance Manager and reviewed on a regular basis by the Board of Directors.

9. IMMEDIATE AND ULTIMATE CONTROLLING PARTIES

The Company is a wholly owned subsidiary of the City of London Corporation, the municipal governing body of the City of London, acting in its City's Cash capacity.

10. RELATED PARTY TRANSACTIONS

Mr N H Wild served as a director of the Company and of the insurance manager, JLT Insurance Management (Guernsey) Limited during the year. Management fees paid in respect of the financial year totalled £51,536 (2014: £50,987).

Profit commission calculated as 1.5% of the profit before tax in the financial year is payable to the insurance manager JLT Insurance Management (Guernsey) Limited. An amount of £12,640 is payable as at 31 March 2015. (2014: £1,410)

11. POST BALANCE SHEET EVENT

Following a Board meeting on the 16th June 2015, the directors declared a dividend in the sum of £830,013 relating to the profit for the year.

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Committee:	Date:
Finance	21 July 2015
Subject: Charities Risk Registers	Public
Report of: Town Clerk and Chamberlain	For Decision

Summary

1. This report provides a key risks register for each charity administered by the Finance Committee on behalf of the trustee (the City of London Corporation).
2. In accordance with the Charity Commission's Statement of Recommended Practice (SORP), Trustees are required to confirm in the charity's annual report that any major risks to which the charity is exposed have been identified and reviewed and that systems are established to mitigate those risks.
3. The Finance Committee administers each of the following trusts on behalf of the trustee (the City of London Corporation) and, in accordance with the SORP requirement to manage risk, it is requested to review the risk registers which are attached as follows:
 - Corporation of London Charities Pool - Annex B;
 - City Educational Trust Fund – Annex C; and
 - The City of London Combined Relief of Poverty Charity - Annex D.
4. Charities SORP requires that the registers are reviewed annually to ensure that existing risks are reconsidered and any new risks are identified.

Review of Risks

5. The method of assessing risk reflects the City of London's standard approach to risk assessment as set out in its Risk Management Strategy as approved by the Audit and Risk Management Committee. The section of the Strategy which explains how risks are assessed and scored is reproduced at Annex A of this report.
6. Each risk in the registers has been considered by the responsible officer within the Corporation who is referred to as the 'Risk Owner' in each register.

Conclusions

7. The various risks faced by the charities have been reviewed and Members are asked to confirm that the attached registers satisfactorily sets out the key risks together with their potential impact and that appropriate measures are in place to mitigate the risks identified.

Recommendations

8. It is recommended that the three registers are reviewed to confirm that:
 - they satisfactorily set out the risks faced by each charity; and
 - appropriate measures are in place to mitigate those risks.

Contacts:

Chris Braithwaite
Town Clerk's Department
020 7332 1427

Christopher.braithwaite@cityoflondon.gov.uk

Kate Limna
Chamberlain's Department
020 7332 1382

kate.limna@cityoflondon.gov.uk

City of London Risk Management Strategy

Assessing Risks

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 the 'Risk Scoring' section below on how risks should be scored.

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	Likely (4)	4	8	16	32
	Possible (3)	3	6	12	24
	Unlikely (2)	2	4	8	16
	Rare (1)	1	2	4	8

COL risk matrix

What the colours mean (as a guide):

- Red (dark grey) - Urgent action required to reduce rating
- Amber (light grey) - Action required to maintain or reduce rating
- Green (mid grey) - Action required to maintain rating.

Risk scoring

Risk scoring is purely subjective. Perceptions of a risk will vary amongst individuals and hence it is better to score the risk collectively 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

City of London Charities Pool risks to be considered by the FINANCE COMMITTEE

Risk No.	Risk (Short description)	Risk Owner	Committee	Existing Controls	Current Risk				Planned Actions	Target Risk		
					Likelihood	Impact	Rating	Direction		Likelihood	Impact	Rating
1	The income from investments in the Charities Pool may decline	Chamberlain	Finance	Funds are managed by professional fund manager. Quarterly monitoring of fund manager's performance by Chamberlain/ Financial Investment Board.	Possible	Major	A	↔	Continue with current course of action.	Possible	Major	A
2	Conflicts of interest	Chamberlain	Finance	Understanding of trust law. Protocol for disclosure of potential conflict of interest.	Unlikely	Serious	G	↔	Continue with current course of action.	Unlikely	Serious	G
3	Loss of directly employed staff and/or support staff	Chamberlain	Finance	Documentation of systems, plans and projects. Training programmes.	Unlikely	Serious	G	↔	Continue with current course of action.	Unlikely	Serious	G

City Educational Trust Fund risks to be considered by the FINANCE COMMITTEE

Risk No.	Risk (Short description)	Risk Owner	Committee	Existing Controls	Current Risk				Planned Actions	Target Risk		
					Likelihood	Impact	Rating	Direction		Likelihood	Impact	Rating
1	The income from investments in the Charities Pool may decline	Chamberlain	Finance	Funds are managed by professional fund manager. Quarterly monitoring of fund manager's performance by Chamberlain/ Financial Investment Board.	Possible	Major	A	↔	Continue with current course of action.	Possible	Major	A
2	Investment income from cash balances reduces significantly.	Chamberlain	Finance	Surplus cash invested with a carefully selected and regularly reviewed range of counterparties and across various time periods to maximise returns.	Possible	Minor	G	↔	Continue with current course of action.	Possible	Minor	G
3	Grants/awards/loans may be given for purposes not complying with charity's objectives	Town Clerk	Finance	Trustees have their objectives before them when agreeing grants.	Unlikely	Serious	G	↔		Unlikely	Serious	G
4	Applicants for financial assistance do not disclose full details of their circumstances	Town Clerk	Finance	Applicants are required to complete and sign application form and provide supporting evidence. Officers follow up obvious discrepancies when assessing the application. References obtained from other funders where appropriate.	Unlikely	Serious	G	↔		Unlikely	Serious	G
5	Grants/awards/loans may not be used for the purpose for which they were given.	Town Clerk	Finance	The purpose of the grant is described in the letter sent with the grant. The applicant is required to report back on the use of the grant within one year. In some cases, monitoring will be undertaken by the Grants Assessor including a visit to the recipient.	Unlikely	Serious	G	↔		Unlikely	Serious	G
6	Insufficient beneficiaries complying with the objects of the Trust	Town Clerk	Finance	Advertising, actively looking for beneficiaries. Widen objects of Trust if still insufficient beneficiaries.	Unlikely	Serious	G	↔	Being considered as part of the charities review.	Unlikely	Serious	G
7	The Charity lacks direction, strategy and forward planning	Town Clerk	Finance	Key aims, objectives and policies, financial plans and budgets. Monitoring of financial and operational performance.	Unlikely	Serious	G	↔	Being considered as part of the charities review.	Unlikely	Serious	G
8	Conflicts of interest	Town Clerk	Finance	Understanding of trust law. Protocol for disclosure of potential conflict of interest.	Rare	Major	G	↔		Rare	Major	G
9	Loss of directly employed staff and/or support staff	Town Clerk	Finance	Documentation of systems, plans and projects. Training programmes.	Possible	Minor	G	↔		Possible	Minor	G

CoL Combined Relief of Poverty risks to be considered by the FINANCE COMMITTEE

Risk No.	Risk (Short description)	Risk Owner	Committee	Existing Controls	Current Risk				Planned Actions	Target Risk		
					Likelihood	Impact	Rating	Direction		Likelihood	Impact	Rating
1	The income from investments in the Charities Pool may decline	Chamberlain	Finance	Funds are managed by professional fund manager. Quarterly monitoring of fund manager's performance by Chamberlain/ Financial Investment Board.	Possible	Major	A	↔	Continue with current course of action.	Possible	Major	A
2	Investment income from cash balances reduces significantly.	Chamberlain	Finance	Surplus cash invested with a carefully selected and regularly reviewed range of counterparties and across various time periods to maximise returns.	Possible	Minor	G	↔	Continue with current course of action.	Possible	Minor	G
3	Grants/awards/loans may be given for purposes not complying with charity's objectives	Town Clerk	Finance	Trustees have their objectives before them when agreeing grants.	Unlikely	Serious	G	↔		Unlikely	Serious	G
4	Applicants for financial assistance do not disclose full details of their circumstances	Town Clerk	Finance	Applicants are required to complete and sign application form and provide supporting evidence. Officers follow up obvious discrepancies when assessing the application.	Unlikely	Serious	G	↔		Unlikely	Serious	G
5	Grants/awards/loans may not be used for the purpose for which they were given.	Town Clerk	Finance	The purpose of the grant is described in the letter sent with the grant. The applicant is required to report back on the use of the grant within one year. In some cases, monitoring will be undertaken by the Grants Assessor.	Unlikely	Serious	G	↔		Unlikely	Serious	G
6	Insufficient beneficiaries complying with the objects of the Trust	Town Clerk	Finance	Advertising, actively looking for beneficiaries. Widen objects of Trust if still insufficient beneficiaries.	Possible	Serious	A	↔	Being considered as part of the charities review.	Unlikely	Serious	G
7	The Charity lacks direction, strategy and forward planning	Town Clerk	Finance	Key aims, objectives and policies, financial plans and budgets. Monitoring of financial and operational performance.	Unlikely	Serious	G	↔	Being considered as part of the charities review.	Unlikely	Serious	G
8	Conflicts of interest	Town Clerk	Finance	Understanding of trust law. Protocol for disclosure of potential conflict of interest.	Rare	Major	G	↔		Rare	Major	G
9	Loss of directly employed staff and/or support staff	Town Clerk	Finance	Documentation of systems, plans and projects. Training programmes.	Possible	Minor	G	↔		Possible	Minor	G

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Committee: Finance	Date: 21 July 2015
Subject: Central Contingencies	Public
Report of: Chamberlain	For Information

1. Service Committee budgets are prepared within the resources allocated by the Policy and Resources Committee and, with the exception of the Policy and Resources Committee, such budgets do not include any significant contingencies. The budgets directly overseen by the Finance Committee therefore include central contingencies to meet unforeseen and/or exceptional items that may be identified across the City Corporation's range of activities. Requests for allocations from the contingencies should demonstrate why the costs cannot, or should not, be met from existing provisions.
2. In addition to the central contingencies, the Committee has a specific City's Cash contingency of £100,000 to support humanitarian disaster relief efforts both nationally and internationally.
3. The uncommitted balances that are currently available and the requests against these balances are set out in the table below.

2015/16 Contingencies - Uncommitted Balances at 7 July 2015				
	City Fund £'000	City's Cash £'000	Bridge House Estates £'000	Total £'000
General Contingencies	800	650	50	1,500
National and International Disasters	0	80	0	80
Uncommitted Balances	800	730	50	1,580
Requests for contingency allocations	0	(38)	0	(38)
Balances pending approval	800	692	50	1,542

5. The request for allocations from the City's Cash Contingency relates to a report in the non-public section of the agenda.
6. The requests which the Committee has previously agreed against the 2015/16 contingencies are listed at Appendix 1.

Recommendation

7. Members are asked to note the report.

Stephen Telling

Chief Accountant

T: 020 7332 1284, E: steve.telling@cityoflondon.gov.uk

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Appendix 1 2015/16 Contingencies

2015/16 General Contingency – City’s Cash

Committee Date	Description	Responsible Officer	Allocation £	Contingency Balance £
	2015/16 Provision			950,000
	2014/15 Provision brought forward to fund commitments entered into in previous financial years			145,000
	Total Provision			1,095,000
10 Dec 2013	£55,000 (£30,000 in 2014/15 and £25,000 in 2015/16) for additional one-off revenue costs in respect of the Education/Community Programme to launch the Heritage Gallery; and the provision of retail stock to promote the opening and the City’s role in looking after London and the Nation’s heritage. The first £15,000 of income from the sale of the special retail stock will be credited centrally.	DCHL	25,000	
21 Oct 2014	Up to £98,500 in match funding (in partnership with the Mercers' Company) for a biography of Sir Thomas Gresham. Phased over 5 years - £33,500, £5,000, £5,000, £25,000 and £30,000 in 2014/15, 2015/16, 2016/17, 2017/18 and 2018/19 respectively.	TC	65,000	
13 Jan 2015	Funding to meet the transport and freight costs of taking the Guildhall School’s opera scenes to Shanghai in April 2015.	GSM	29,800	
17 Feb 2015	Grant funding for The Honourable The Irish Society (£25,000 p.a. for 2014/15 and 2015/16)	CH	25,000	
14 Apr 2015	“Founding Sponsor” contribution towards the cost of a major City spectacular in commemoration of the 350 th anniversary of the Great Fire of London.	DCHL	300,000	
	Total allocations agreed to date			444,800
	Balance remaining prior to any requests that may be made to this meeting			650,200

Appendix 1 2015/16 Contingencies

2015/16 General Contingency – City Fund

Committee Date	Description	Responsible Officer	Allocation £	Contingency Balance £
	2015/16 Provision			800,000
	2014/15 Provision brought forward to fund commitments entered into in previous financial years			83,000
	Total Provision			883,000
13 Jan 2015	£50,000 (£25,000 in 2014/15 and £25,000 in 2015/16) for additional funding towards the LGPS Collective Investment Vehicle (CIV).	CH	25,000	
17 Feb 2015	£142,000 (£84,000 in 2014/15 and £58,000 in 2015/16) towards an appeal regarding Greater London Authority Roads.	CH	58,000	
	Total allocations agreed to date			83,000
	Balance remaining prior to any requests that may be made to this meeting			800,000

2015/16 General Contingency – Bridge House Estates

Committee Date	Description	Responsible Officer	Allocation £	Contingency Balance £
	2015/16 Provision			50,000
	Total allocations agreed to date			0
	Balance remaining prior to any requests that may be made to this meeting			50,000

Appendix 1 2015/16 Contingencies

2015/16 National & International Disasters Contingency – City’s Cash

Committee Date	Description	Responsible Officer	Allocation £	Contingency Balance £
	2015/16 Provision			100,000
	2014/15 unspent provision brought forward			30,000
	Total Provision			130,000
27 Apr 2015 Urgency	Disasters Emergency Committee, Nepal Earthquake Appeal	TC	25,000	
1 May 2015 Urgency	Disasters Emergency Committee, Nepal Earthquake Appeal	TC	25,000	
	Total allocations agreed to date			50,000
	Balance remaining prior to any requests that may be made to this meeting			80,000

Key to Responsible Officers:

CH: Chamberlain

DCHL: Director of Culture, Heritage and Libraries

GSM: Principal, Guildhall School of Music and Drama

TC: Town Clerk

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