



Finance Committee

Date: TUESDAY, 15 MARCH 2016
Time: 2.30 pm – PLEASE NOTE THE LATER START TIME
Venue: COMMITTEE ROOM - 2ND FLOOR WEST WING, GUILDHALL

Members:

Deputy Roger Chadwick (Chairman)	Deputy Jamie Ingham Clark
Jeremy Mayhew (Deputy Chairman)	Clare James
Randall Anderson	Alderman Vincent Keaveny
Deputy John Barker	Deputy Alastair King
Nicholas Bensted-Smith	Gregory Lawrence
Chris Boden	Oliver Lodge
Sheriff & Alderman Charles Bowman	Alderman Professor Michael Mainelli
Nigel Challis	Deputy Robert Merrett
Simon Duckworth	Deputy Henry Pollard
Deputy Anthony Eskenzi	Adam Richardson
John Fletcher	James de Sausmarez
Stuart Fraser	Ian Seaton
Lucy Frew	Sir Michael Snyder
Deputy Brian Harris	David Thompson
Christopher Hayward	Deputy John Tomlinson
Alderman Peter Hewitt	Philip Woodhouse
Tom Hoffman	Mark Boleat (Ex-Officio Member)
Alderman Robert Howard	Deputy Alastair Moss (Ex-Officio Member)
Wendy Hyde	

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

Due to the later start time, lunch will be served in Guildhall Club at 1.30PM
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 16 February 2016.

For Decision
(Pages 1 - 12)
4. **OUTSTANDING ACTIONS FROM PREVIOUS MEETINGS**
Report of the Town Clerk.

For Information
(Pages 13 - 14)
5. **TO NOTE THE DRAFT PUBLIC MINUTES OF THE CORPORATE ASSET SUB-COMMITTEE HELD ON 29 JANUARY 2016**

For Information
(Pages 15 - 18)
6. **FINANCIAL SERVICES DIVISION - QUARTERLY UPDATE**
Report of the Chamberlain.

For Information
(Pages 19 - 22)
7. **REVIEW OF UK PUBLIC CONTRACT REGULATIONS AND EU PROCUREMENT DIRECTIVES**
Joint report of the Chamberlain and the Comptroller and City Solicitor. This report was also considered by the Projects Sub-Committee on 25 February 2016.

For Information
(Pages 23 - 28)
8. **RISK MANAGEMENT - MONTHLY REPORT**
Report of the Chamberlain.

For Information
(Pages 29 - 30)
9. **CENTRAL CONTINGENCIES**
Report of the Chamberlain.

For Information
(Pages 31 - 36)
10. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
11. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**

12. **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

13. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**
To agree the non-public minutes of the meeting held on 16 February 2016.
- For Decision**
(Pages 37 - 42)
14. **OUTSTANDING ACTIONS FROM NON-PUBLIC MINUTES OF PREVIOUS MEETINGS**
Report of the Town Clerk.
- For Information**
(Pages 43 - 44)
15. **TO NOTE THE DRAFT NON-PUBLIC MINUTES OF THE CORPORATE ASSET SUB-COMMITTEE HELD ON 29 JANUARY 2016**
- For Information**
(Pages 45 - 50)
16. **IT STORAGE & SERVER USAGE COST MITIGATION PLANS**
Report of the Chamberlain.
- For Information**
(Pages 51 - 58)
17. **POLICE ACCOMMODATION PROJECT - GATEWAY 3/4 UPDATE REPORT AND DECANT PLAN**
Joint report of the Chamberlain, the City Surveyor and the Commissioner of the City of London Police.
- For Decision**
(Pages 59 - 84)
18. **INSURANCE (DECEMBER PROGRAMME) PROCUREMENT**
Report of the Chamberlain.
- For Decision**
(Pages 85 - 94)
19. **55 GRESHAM STREET - SURRENDER AND RE-GRANT OF NEW HEAD LEASE TO FACILITATE DEVELOPMENT (BRIDGE HOUSE ESTATES)**
Report of the City Surveyor. This report will also be considered by the Property Investment Board on 9 March 2016 and by the Court of Common Council under urgency procedures.
- For Decision**
(Pages 95 - 106)

20. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
21. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**

Part 3 - Members' Only Agenda

22. **RESTRUCTURE OF A TEAM WITHIN THE FINANCIAL SERVICES DIVISION, CHAMBERLAIN'S DEPARTMENT**
Report of the Chamberlain.

For Decision

FINANCE COMMITTEE

Tuesday, 16 February 2016

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

Present

Members:

Deputy Roger Chadwick	Wendy Hyde
Jeremy Mayhew (Deputy Chairman)	Deputy Jamie Ingham Clark
Randall Anderson	Alderman Vincent Keaveny
Deputy John Barker	Gregory Lawrence
Nicholas Bensted-Smith	Alderman Professor Michael Mainelli
Nigel Challis	Deputy Henry Pollard
Simon Duckworth	David Thompson
Deputy Anthony Eskenzi	Deputy John Tomlinson
Christopher Hayward	Mark Boleat (Ex-Officio Member)
Alderman Peter Hewitt	

Officers:

Peter Lisley	- Assistant Town Clerk
Sue Baxter	- Town Clerk's Department
Christopher Braithwaite	- Town Clerk's Department
Peter Kane	- Chamberlain
Caroline Al-Beyerty	- Chamberlain's Department
Christopher Bell	- Chamberlain's Department
Graham Bell	- Chamberlain's Department
Connie Dale	- Chamberlain's Department
Carla-Maria Heath	- Chamberlain's Department
Steve Telling	- Chamberlain's Department
Ian Dyson QPM	- Commissioner of the City of London Police
Michael Cogher	- Comptroller and City Solicitor
Peter Bennett	- City Surveyor
Neal Hounsell	- Community and Children's Services Department

1. APOLOGIES

Apologies for absence were received from Alderman and Sheriff Charles Bowman, John Fletcher, Stuart Fraser, Lucy Frew, Deputy Brian Harris, Tom Hoffman, Clare James, Alastair King, Deputy Robert Merrett, Oliver Lodge, James de Sausmarez, Ian Seaton, Sir Michael Snyder and Philip Woodhouse.

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

The Town Clerk advised Members that Greg Lawrence and Alderman Michael Mainelli had received dispensations from the Standards Committee to speak and vote on matters relating to the level of the Business Rates Premium.

Alderman Vincent Keaveny declared a pecuniary interest in the matter of the level of the Business Rates Premium, as it related to item 8 of the agenda ("City Fund 2016/17 Budget Report and Medium Term Financial Strategy") by virtue of being a Partner at a ratepaying business. Alderman Keaveny advised the Committee that he did not have a dispensation from the Standards Committee, and would not speak or vote on issues relating to level of the Business Rates Premium.

Jeremy Mayhew declared an interest in items 14 and 25 ("Non-Domestic Rates – Review of Discretionary Rate" and the non-public appendix to this report) by virtue of being a Director of the London Chamber of Commerce.

Jeremy Mayhew declared an interest in item 26 ("Oracle Programme Closure Report") by virtue of having a business relationship with PriceWaterhouse Cooper, who were named in the report.

3. **MINUTES OF THE PREVIOUS MEETING**

RESOLVED – That the public minutes and summary of the meeting held on 19 January 2016 be approved as an accurate 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. **TO NOTE THE DRAFT PUBLIC MINUTES OF THE EFFICIENCY AND PERFORMANCE SUB-COMMITTEE HELD ON 13 JANUARY 2016**

RESOLVED – That the Committee notes the draft public minutes of the meeting of the Efficiency and Performance Sub-Committee which was held on 13 January 2016.

6. **TO NOTE THE DRAFT PUBLIC MINUTES OF THE JOINT MEETING OF THE RESOURCE ALLOCATION AND EFFICIENCY AND PERFORMANCE SUB-COMMITTEES HELD ON 14 JANUARY 2016**

RESOLVED – That the Committee notes the draft public minutes of the joint meeting of the Resource Allocation Sub-Committee and the Efficiency and Performance Sub-Committee which was held on 14 January 2016.

7. **DRAFT NOTES OF THE BUSINESS RATEPAYERS CONSULTATION EVENT**

RESOLVED – That the Committee notes the draft minutes of the Business Ratepayers' Consultation Meeting which was held on 3 February 2016.

8. **CITY FUND 2016/17 BUDGET REPORT AND MEDIUM TERM FINANCIAL STRATEGY**

The Committee considered a report of the Chamberlain which presented the Committee with the overall financial position of the City Fund. The report set out the overall financial framework and Medium Term Financial Plan and the City Fund Budget requirement. The report requested that Members recommend to the Court of Common Council that the Council Tax level for 2016/17 remains unchanged, and asked Members to consider whether an increase in the Business Rates Premium should be recommended to the Court.

The Chairman advised the Committee that the budget setting process for this year had been particularly consultative, in light of the challenging budget position, particularly in relation to the budget for the City of London Police. He highlighted that three Member breakfast meetings had been held, hosted jointly by the Chairmen of Finance Committee and Police Committee, in November 2015 and January 2016, to give Members the opportunity to discuss the Police budget position in detail. He also noted that the issue of the Police's budget position, and the potential impact this may have on the discussions regarding whether to increase the level of the Business Rates Premium.

The Chairman noted that this issue had also been discussed at the joint meeting of the Resource Allocation and Efficiency and Performance Sub-Committees (with Committee Chairman in attendance) on 21 January 2016, where a vote had indicated that those present were in favour of increasing the Business Rates Premium (by a margin of 16 to 10). The Chairman highlighted that a further discussion had been held at the meeting of the Policy and Resources Committee on 21 January 2016, where a vote had indicated that those present were against an increase in the level of the Business Rates Premium (by a margin of 15 to 14).

The Chairman also noted that the potential for there to be an increase in the level of the Business Rates Premium had been indicated to business ratepayers in the consultation event which had been held on 3 February 2016.

The Committee noted that the previous discussions held at the Members' breakfast events, the joint meeting of the Resource Allocation and Efficiency and Performance Sub-Committees and the Policy and Resources Committee had been without a report previously being circulated to the Members for consideration. The Committee thanked the Chamberlain for the comprehensive report which was before them, which provided all the relevant information for consideration of the budget as a whole and the Police budget and Business Rates Premium in particular.

Members discussed these issues and agreed that there were two separate issues which required consideration: firstly, whether there was a requirement for the City of London Budget to be increased, and secondly, whether that increase should be funded by an increase in the level of the Business Rates Premium.

On the first matter, Members noted that the environment in which the City of London Police operated had changed significantly as a result of the terrorist attacks in Paris on 13 November 2015. Members noted that these had occurred at a late stage during the Corporation's budget setting process, and therefore it had not been possible to factor the changed environment in to the 2016/17 budget, although Members noted that there had been a greater level of Government spending than had previously been expected, largely as a result of the Paris attacks.

Members that there was a strong case to increase the Police budget in light of the changes to the security environment after the Paris attacks. However, Members also noted that such a budget increase for 2016/17 would only be justifiable if the budget increase led to an increased provision of Police services in 2016/17, rather than an smaller decrease in the level of Police reserves. The proposed funding for additional firearms officers and Counter Terrorism Security Advisors (CTSAs) indicated that improved Police services would be provided through an increase in the Police budget.

On the matter of the potential for an increase in the Police budget to be funded through an increase in the level of the Business Rates Premium, Members commented that such an increase needed to be funded through sustainable means, and that funding through either the Police reserve or City Fund was not sustainable.

A Member, also Chairman of the Police Committee, stated that, on average, Police authorities raised 32% of their funding through their Police Precept, while the City of London Police on raised 10% of its funding through its equivalent, the Business Rates Premium. The Member also noted that the majority of Police Authorities had increased their Precepts in recent years and were expected to do so again this year.

Following the discussion, the Committee agreed to vote on the issue of whether the Committee should recommend to the Court that the City Fund Net Budget Requirement for 2016/17 should be increased from £105.4m to £107m. This was unanimously agreed.

The Committee then agreed to vote on whether the Committee should recommend to the Court that the level of the Business Rates Premium be increased by 0.1p in the pound, from 0.4p in the pound to 0.5p in the pound. The Committee agreed by a vote of 14 in favour, 0 against (1 abstention) to recommend this increase to the Court.

RESOLVED – That the Committee recommends that the Court of Common Council approve all of the following recommendations:

- Approve the overall financial framework and the revised Medium Term Financial Strategy (as set out at paragraph 2 of the report)
- Approve the City Fund Net Budget Requirement of £107.0m (as set out at paragraph 12 of the report).

- Note the following changes in assumptions from the previous forecast (as set out at paragraphs 3 and 28 of the report):
 - Allowances for pay and prices are factored in at 1.5% in 2016/17 and then reducing to 1% across the rest of the period; and
 - A £250k contingency is provided in 2016/17 for the final stages of moving suppliers to the London Living Wage contracts;
 - A contingency has been provided for severance costs relating to service based review savings (£0.5m p.a. in both 2016/17 and 2017/18);
 - Following the identification of a bow-wave of delayed cyclical repairs work, an additional £1m p.a. funding has been included; and
 - Provision has been included for transformation funds – £0.5m p.a. from 2016/17 to 2018/19.
- Note that a provision of £1.2m p.a. has been made in the revenue estimates from 2017/18 for reductions in the City's baseline funding level as part of the Rates Retention Scheme.
- Approve the publication of an efficiency plan, subject to assessment of detailed requirements.
- Note the Local Council Tax Reduction Scheme set by the Court of Common Council on 14 January 2016 and as set out at paragraph 27.

Key decisions

The key decisions to make are in setting the levels of Non Domestic Rates and Council Tax.

Business Rates

- Set, exclusive of the Business rate premium, a Non-Domestic Rate multiplier of 49.7p for 2016/17 together with a Small Business Non-Domestic Rate multiplier of 48.4p (as set out at paragraph 15 of the report).
- Approve an increase in the Business Rates Premium of 0.1 in the pound (from 0.4p in the pound to 0.5p in the pound), with the additional income to be allocated to the City of London Police.
- Note that the Greater London Authority is, in addition, levying a Business Rate Supplement in 2016/17 of 2p in the £ on properties with a rateable value greater than £55,000 (as set out at paragraph 20 of the report).
- As in previous years, delegate to the Chamberlain the award of the discretionary rate reliefs under Section 47 of the Local Government Finance Act 1988 as set out in paragraph 19 of the report.

Council Tax

- Recommendation is for the City's Council Tax (excluding the Greater London Authority precept) to remain unchanged.
- Based on a zero increase from 2015/16, determine the provisional amounts of Council Tax for the three areas of the City to which are added the precept of the Greater London Authority (appendix A to the report).

- Determine that the relevant (net of local precepts and levies) basic amount of Council tax for 2016/17 will not be excessive in relation to the requirements for referendum.
- Approve that the cost of highways, transportation planning, waste collection and disposal, drains and sewers, open spaces and street lighting functions for 2016/17 be treated as special expenses to be borne by the City's residents outside the Temples (appendix A to the report).

Other recommendations

All other recommendations are largely of a technical and statutory nature; the only one to highlight for particular attention is that it is proposed that the City of London Corporation remains debt free.

Capital expenditure

- Note the proposed financing methodology of the capital programme in 2016/17 (as set out at paragraph 30 of the report).
- Approve the Prudential Code indicators (Appendix B to the report).
- Approve the following resolutions for the purpose of the Local Government Act 2003 (as set out at paragraph 33 of the report and Appendix E to the report) that:
 - at this stage the affordable external borrowing limit (which is the maximum amount which the Corporation may have outstanding by way of external borrowing) be zero.
 - the prudent amount of Minimum Revenue Provision (MRP) for 2016/17 is zero. For subsequent years MRP will equal the amount of deferred income released from the premiums received for the sale of long leases in accordance with the MRP Policy at Appendix E to the report.
- Any potential external borrowing requirement and associated implications will be subject to a further report to Finance Committee and the Court of Common Council.
- Note that the funding for the £200m contribution from City Fund to Crossrail has been assembled over the past few years from a planned strategy in relation to investment properties and is now in place, with payment anticipated to be in March 2017.

Chamberlain's assessment

- Take account of the Chamberlain's assessment of the robustness of estimates and the adequacy of reserves (as set out paragraphs 36, 37 and 42 of the report, and Appendix D to the report)

9. REVENUE AND CAPITAL BUDGETS 2015/16 AND 2016/17

The Committee considered a report of the Chamberlain which provided the 2015/16 and 2016/17 budgets for each of the City of London Corporation's three main funds. The Town Clerk explained that these would be submitted to the Court of Common Council, subject to amendments arising from the decisions made by the Committee at the consideration of the previous agenda item.

RESOLVED – That the Committee:

- a) notes the latest revenue budgets for 2015/16;
- b) agrees the 2016/17 revenue budgets, subject to any amendments on the City Fund that may be agreed in relation to the report on “City Fund – 2016/17 Budget Report and Medium Term Financial Strategy”;
- c) agrees the capital budgets;
- d) delegates authority to the Chamberlain to determine the financing of the capital budgets; and
- e) submits this report to the Court of Common Council for its approval.

10. REVENUE BUDGET MONITORING TO DECEMBER 2015

The Committee considered a report of the Chamberlain which provided the Committee with the quarterly Revenue Budget monitoring update to the end of December 2015.

RESOLVED – That the Committee notes the report.

11. INCOME GENERATION - REPORT OF A CROSS-CUTTING SERVICE BASED REVIEW

The Committee considered a report of the Chamberlain (on behalf of the Performance and Strategy Summit Group) which provided the Committee with information of the cross-cutting review of Income Generation, which had arisen as a part of the Service Based Review.

RESOLVED – That the Committee endorses the overall report and its recommendations.

12. COST OF INSURANCE PREMIUMS

The Committee considered a report of the Chamberlain which provided the Committee with information regarding the cost of Insurance Premiums paid by the Corporation, following a request for this information at the Committee’s last meeting.

The Chairman asked for clarification regarding the reason for the increase in the Pool Re Terrorism premium. The Chamberlain explained that there were two main reasons for the increase. These were due to a 10% increase in the premium rates for material damage and a requirement from Pool Re that the recovery of VAT could not be assumed for properties subject to a commercial leasehold contract. Therefore, this effectively increased the material value of all properties in the commercial property portfolio by 20%.

RESOLVED – That the Committee notes the report.

13. STATUTORY DISMISSAL PROCEDURES FOR THE HEAD OF PAID SERVICE (TOWN CLERK AND CHIEF EXECUTIVE), MONITORING OFFICER (COMPTROLLER AND CITY SOLICITOR) AND CHIEF FINANCIAL OFFICER (CHAMBERLAIN)

The Committee considered a joint report of the Town Clerk and the Director of Human Resources which set out the process by which disciplinary action could be taken in respect of the Head of Paid Service (Town Clerk), Section 151 Officer (Chamberlain) and Monitoring Officer (Comptroller and City Solicitor).

The Committee also received a copy of the minutes of the meeting of the Establishment Committee on 4 February at which this report had been considered. The Town Clerk explained that the Establishment Committee had agreed to expand the role of the Chairman of the Finance Committee in the disciplinary process, such that they would now be involved in the oversight of the investigation in relation to all three of the aforementioned officers, rather than just the Chamberlain.

A Member suggested that the Chairman of the General Purposes Committee of Aldermen should also be included in the

RESOLVED – That the Committee agrees that the Chairman of the Finance Committee, in conjunction with the Chairman of the Policy and Resources Committee and the Chairman of the Establishment Committee, will be responsible for the management of the investigation of complaints or concerns regarding the Head of Paid Service (Town Clerk), Section 151 Officer (Chamberlain) and Monitoring Officer (Comptroller and City Solicitor).

14. NON-DOMESTIC RATES – REVIEW OF DISCRETIONARY RATE RELIEF

The Committee considered a report of the Chamberlain which advised the Committee of the results of the annual review of discretionary non-domestic rate relief which was currently being granted under Section 47 of the Local Government Finance Act 1988.

RESOLVED – That the Committee agrees that discretionary relief be continued at the levels previously determined for all organisations reported noting that for 2016/17 the total estimated cost of the discretionary relief to be met from the City's share of business rates is £106,603 and £2,860 will be met from the premium.

15. IRRECOVERABLE NON-DOMESTIC RATES AND COUNCIL TAX

The Committee considered a report of the Chamberlain which sought approval for the write off of irrecoverable amounts in excess of £5,000 in relation to non-domestic rates debts and up to £1,000 in relation to council tax debts.

RESOLVED – That the Committee:

- a) Approves the write off of irrecoverable non-domestic rates in the sum of £2,205,822 noting that £631,204 will be met by the City Corporation and £18,336 from the premium; and
- b) Approves the write off of irrecoverable council tax in the sum of £16,509.

16. RISK MANAGEMENT - MONTHLY REPORT

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

RESOLVED – That the Committee notes the report.

17. **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.

RESOLVED – That the Committee notes the report.

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

There were no questions.

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

There were no urgent items.

20. **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
21-32, 34-36	3
33	1
37	1 and 3

21. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**

The non-public minutes of the meeting held on 19 January 2016 were approved as an accurate record.

22. **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.

23. **TO NOTE THE DRAFT NON-PUBLIC MINUTES OF THE EFFICIENCY AND PERFORMANCE SUB-COMMITTEE HELD ON 13 JANUARY 2016**

The Committee noted the draft non-public minutes of the Efficiency and Performance Sub-Committee which was held on 13 January 2016.

24. **TO NOTE THE DRAFT NON-PUBLIC MINUTES OF THE JOINT MEETING OF THE RESOURCE ALLOCATION AND EFFICIENCY AND PERFORMANCE SUB-COMMITTEES HELD ON 14 JANUARY 2016**

The Committee noted the draft non-public minutes of the joint meeting of the Resource Allocation Sub-Committee and the Efficiency and Performance Sub-Committee which was held on 14 January 2016.

25. **NON-DOMESTIC RATES – REVIEW OF DISCRETIONARY RATE RELIEF**

The Committee noted the non-public appendices to the report of the Chamberlain regarding the review of discretionary rate relief for non-domestic rates.

26. **ORACLE PROGRAMME CLOSURE REPORT - GATEWAY 7**

The Committee considered and approved a Gateway 7 report of the Chamberlain which provided the Committee with the project closure report for the Oracle Programme.

27. **ENERGY PROCUREMENT AND THE NEXT GENERATION CONTRACT**

The Committee considered and approved a report of the City Surveyor which requested the Committee to recommend to the Court to appoint a company as the Corporation's managing agent for energy procurement for a two year period (October 2016 to September 2018).

28. **INSURANCE (JUNE PROGRAMME) PROCUREMENT - EVALUATION CRITERIA**

The Committee considered and approved a report of the Chamberlain which provided the proposed strategy for procuring Insurance (June programme) for the City of London in 2016/17 and sought Member approval for the recommended evaluation criteria to be used in the selection of a preferred supplier(s).

29. **CENTRAL CRIMINAL COURT PLANT REPLACEMENT PHASE 1 - GATEWAY 6 PROGRESS REPORT**

The Committee noted a report of the City Surveyor which provided an update regarding Phase 1 of the Central Criminal Plant Replacement Works.

30. **METRICS USED IN MAKING MAJOR PROPERTY DECISIONS**

The Committee noted a joint report of the Chamberlain and City Surveyor which provided Members with a background to the appraisal metrics used in City of London Corporation property reports to Property Investment Board and Finance Committee.

31. **WAIVER OF PROCUREMENT REGULATIONS FOR THREE CONTRACTS TO ENABLE A RETENDER EXERCISE - EARLY INTERVENTION AND PREVENTION SERVICES**

The Committee considered and approved a report of the Director of Community and Children's Services which requested approval procurement waivers for one year extensions to for three contracts with providers delivering early intervention and prevention services through group and individual support to older people, carers and people with memory or cognitive difficulties.

32. **WAIVER OF PROCUREMENT REGULATIONS FOR TWO CONTRACTS TO ENABLE A RETENDER EXERCISE - COMMUNITY HEALTH AND WELLBEING**

The Committee considered and approved a report of the Director of Community and Children's Services which requested approval procurement waivers for two contracts for community health and wellbeing, to enable a retender exercise.

33. NOTIFICATION OF AN URGENT WAIVER APPROVAL BY THE CHAMBERLAIN - EMERGENCY PLACEMENT IN A FAMILY ASSESSMENT UNIT

The Committee noted a report of the Director of Community and Children's Services which informed the Committee of a waiver approved under urgency by the Chamberlain for an emergency placement in a family assessment unit.

34. 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 regarding funding for repairs to the Guildhall West Wing Staircase.

35. 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.

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

The Committee considered and approved an item of urgent business relating to a property transaction.

37. CHAMBERLAIN'S DEPARTMENTAL RESTRUCTURE

The Committee considered and endorsed a report of the Chamberlain regarding the restructure of his Department.

The meeting closed at 3.25 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	Item and Action	Officer responsible	To be completed/ progressed to next stage	Progress Update
1.	19 January 2016, Item 7	<u>IT Storage and Server Usage</u> A report to be submitted on the mitigation plan for the estimated growth in server usage and storage.	Chamberlain	March 2016 meeting.	A report was considered by the IT Sub-Committee on 9 March 2016 and is included in the agenda for this meeting.
2.	22 September 2015, Item 9	<u>Purchasing Card Policy</u> The Purchasing Card Policy to be reviewed on an annual basis.	Head of City Procurement	September 2016	Purchasing Card Policy to be reviewed in September 2016.

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CORPORATE ASSET SUB (FINANCE) COMMITTEE

Friday, 29 January 2016

Minutes of the meeting of the Corporate Asset Sub (Finance) Committee held at the Guildhall EC2 at 1.45 pm

Present

Members:

Deputy Roger Chadwick (Chairman)	Deputy Brian Harris
Jeremy Mayhew (Deputy Chairman)	Tom Sleigh
Randall Anderson	Deputy John Tomlinson
Deputy John Chapman	

Officers:

Christopher Braithwaite	- Town Clerk's Department
Dianne Merrifield	- Chamberlain's Department
Peter Bennett	- City Surveyor
Chris Hartwell	- City Surveyor's Department
Alison Hurley	- City Surveyor's Department
Paul Nagle	- Chamberlain's Department
Peter Young	- City Surveyor's Department
Michael Dick	- Barbican Centre

1. APOLOGIES

Apologies for absence were received from Mark Boleat.

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

No declarations of interest were made.

3. MINUTES OF THE PREVIOUS MEETING

RESOLVED – That the public minutes and non-public summary of the previous meeting held on 24 November 2015 are approved as an accurate record.

4. HOUSING AND PLANNING BILL

The Sub-Committee considered a report of the Remembrancer which advised Members of provisions included in the Housing and Planning Bill, currently before Parliament, which are intended principally to encourage land held in the public sector to be made available for housing development. The provisions included a duty to consult other public authorities when developing proposals to dispose of land, a duty to prepare annual reports about surplus land-holdings, a broader power for the Secretary of State to direct the disposal of land, and a duty to prepare annual assessments on the sustainability and efficiency of the property estate.

RESOLVED – That the Sub-Committee notes the report.

5. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE SUB-COMMITTEE**

There were no questions.

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

There were no urgent items.

7. **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
8-13, 15-19	3
14	3, 5

8. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**

The non-public minutes of the previous meeting held on 24 November 2015 were approved as an accurate record.

9. **GUILDHALL WEST WING STAIRCASE REPAIRS**

The Sub-Committee considered and approved a report of the City Surveyor which detailed urgent repairs which were required as a result of a glass panel failure causing a glass panel to be blown out from the North face of the third floor West Wing Staircase.

10. **BARBICAN CENTRE - UPDATE ON CAPITAL WORKS - JANUARY 2016**

The Sub-Committee noted a report of the Managing Director of the Barbican Centre which provided an update on the Centre's Capital Cap Programme and provided summary information regarding a number of non-Capital Cap projects related to the Centre.

11. **ADDITIONAL REPAIRS AND MAINTENANCE PROGRAMMES - PROGRESS REPORT**

The Sub-Committee noted a report of the City Surveyor which provided an overview of progress and expenditure on the Additional Works Programmes for 2013/14, 2014/15 and 2015/16.

12. **ADDITIONAL WORKS PROGRAMME 2016/17 - REFERRAL FROM RESOURCE ALLOCATION SUB (POLICY AND RESOURCES) COMMITTEE**

The Sub-Committee considered and approved a presentation of the City Surveyor which provided the Sub-Committee with information regarding how the Additional Works Programme was developed, the priority levels assigned to projects, and the overall scope and scale of the Additional Works Programme. The presentation also provided further information regarding the largest projects within the Additional Works Programme.

13. **BARBICAN CENTRE AND GUILDHALL SCHOOL OF MUSIC AND DRAMA CAPITAL CAP REPLACEMENT - DETAILED ARRANGEMENTS**

The Sub-Committee considered and approved a report of the Chamberlain which provided Members with information regarding the detailed arrangements for the administration of the Cyclical Works Programme.

14. **GLA ROADS - LAND DISPUTE WITH TRANSPORT FOR LONDON**

The Committee noted a report of the Comptroller and City Solicitor which provided information of the ruling made by the High Court regarding the land dispute with the Greater London Authority regarding the ownership of strategic roads within the City.

15. **FIRST REGISTRATION OF THE CITY'S FREEHOLD TITLES - PROGRESS SINCE JANUARY 2015**

The Sub-Committee noted a report of the City Surveyor which provided an annual update on progress with the programme to register the City Corporation's freehold titles.

16. **THE WARREN HOUSE - DECLARATION OF PROPERTY AS SURPLUS TO OPERATIONAL REQUIREMENTS**

The Sub-Committee considered a report of the Director of Open Spaces which set out a proposal to designate The Warren House as surplus to operational requirements. The Sub-Committee approved the recommendations within the report, subject to the approval of the Epping Forest and Commons Committee.

17. **REPORT OF ACTION TAKEN UNDER DELEGATED AUTHORITY**

The Sub-Committee noted a report of the Town Clerk which provided information of a decision taken under delegated authority.

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

The Chairman advised that one Member had provided notification of two questions which he planned to ask at Sub-Committee. However, he explained that these questions were on areas not within the remit of the Sub-Committee.

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

There were no items of urgent business.

The meeting closed at 3.00 pm

Chairman

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

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Committee: Finance Committee	Date: 15 March 2016
Subject: Financial Services Division - quarterly update	Public
Report of: The Chamberlain	For Information
Report author: Caroline Al-Beyerty	

Summary

Over the last quarter the key areas of work have been:

- Publication of the budgets and medium term financial plans for all four funds;
- Setting council tax and the business rate premium for 2016/17;
- New framework for the pension fund- pooling funds with other London boroughs; and
- Close down of the Oracle project, delivering the upgrade and improvement to our financial system.

Recommendations

Members are asked to note this report.

Main Report

Background

1. There are six main areas of work in Financial Service Division:
 - Corporate Finance, providing a range of financial and management services including: stewardship of the City's finances and assets, budget setting, forecasting and monitoring; strategic financial advice to members, departments and the Corporation as a whole;
 - City Revenues; responsible for the collection of most income due to the City of London Corporation: Council Tax, Business Rates, Commercial Rents, Residential Service Charges and Sundry Debts;
 - Payments and Support Services, covering pensions administration, payroll, supporting our financial system- Oracle and administrative support to the department;
 - Corporate Treasury, covering a range of services from investment securities portfolios and treasury management of cash balances to tax advice, financial appraisals, insurance and research;
 - Service Department facing Finance Units, promoting stewardship of the City's finances and assets as well as being active business partners, providing strategic financial advice and supporting departments as an integral part of their management teams; and
 - Chamberlain's Court, which carries out the ceremonial duties of the Chamberlain.

2. Following the Court of Common Council's approval the post of Deputy Financial Services Director has been established.
3. The City Revenues team has now moved from Walbrook Wharf to the Guildhall as part of the Chamberlain's together project, but also to release floor space in Walbrook Wharf as part of the Operational Property Review.

Key performance indicators

4. The key performance indicators in the Chamberlain's business plan for the financial service division relevant for the last quarter (Oct-Dec) are:

FSD KPI's Balanced Scorecard							
				Quarterly update			
	Measure	2014/15 performance	2015/16 target	Qtr 1	Qtr 2	Qtr 3	Qtr 4
Business Rates collection	% collected (cumulative)	99.09%	99.75%	31.62%	58.10%	87.16%	
Council Tax Collection	% collected (cumulative)	99.13%	97.5%	28.19%	53.17%	81.73%	
Implementation of 2015/16 FSD SBR savings				Status:			On track
Publication of City Fund Accounts within Statutory Deadline City's Cash and BHE to Time Frame				Complete			
Delivery of a balanced budget and Medium Term Financial Plan for City Fund, approved by Court of Common Council by 31 March				Complete			
PO Compliant Invoices	Percentage	-	>88%	93%	94%		
Income from Chamberlain's Court: Freedoms	Number of freedoms /period compared to same period in previous year (cumulative)	n/a	>1	-19	-6	+5	
Professionally qualified accountancy staff as a % of total finance staff undertaking reporting, controls and decision support processes (measured annually)	CIPFA Indicator FS1	22.8%	24%	n/a	n/a	25.7 %	
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	n/a	7.61 %	
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	n/a	93%	

Current Position

5. A few key areas to draw out from the division's work over the last quarter:

6. **Business Rates and Council Tax collection** levels are on track to achieve targets by year end.
7. On the **Service Based Review Cross Departmental Workstreams**, a key focus over the last quarter has been on implementing the operational property review. Key proposals have been agreed with Corporate Asset Sub Committee and Resource Allocation Sub Committee. The individual proposals are now being presented to service committees to declare surplus. We have also worked on developing an effective operating model for facilities management.
8. The division's own **Service Based Review** savings are on track for delivery.
9. We have carried out a **Value for Money** review using the CIPFA Public Sector Corporate Services VFM indicators for Finance, HR and Legal Services. The findings were reported to the January meeting of the Efficiency and Performance Sub Committee. Overall, the services scored well in embedding the modern practices and on impact in the organisation. Although, all three departments are relatively high cost compared to other local authorities in the comparator group, the costs are reducing. Our costs will be higher due to the nature of our corporate structure, the mix of work undertaken and the strategic prioritisation of activities that other local authorities have cut back on, such as training. Further work is being undertaken to maximise efficiencies.
10. On the **financial position**, City's Cash and Bridge House Estates are in a healthy financial position across the medium term. City's Fund is forecast to breakeven across the medium term provided that departmental savings are implemented as agreed during the service based review. The City of London Police finances pose more of a challenge over the medium term, but are balanced for 2016/17. Within City's Cash the key financial risk relates to Guildhall School Music and Drama which is forecasting a deficit of over £3million by 2017/18. We are currently scoping a fundamental review of the operating model to discuss with the Chairman of the School.
11. **Chamberlain's Court**: Between October and December 2015 a total of 518 people were admitted to the freedom, an increase of 5 applicants on the same period from 2014 (513).
12. Freedom orientated merchandise continues to sell well. The frames are the most profitable items and cuff links, tie pins and ties continue to sell well. New products have included an umbrella and shortly toy fluffy sheep. Information around the least profitable items such as the silver cuff links, is now feeding into pricing and procurement decisions.
13. The **Oracle project** was closed in September 2015, a small number of defects were handed over from the programme and the in-house Oracle team has worked with colleagues in PWC to close the remaining defects and implement the system. Further work has been undertaken to introduce more automation in profiling and forecasting year end position on service committee budgets and project spend on individual projects. The solution for profiling and forecasting year end position has been piloted and profiling will be introduced during the first quarter of the new financial year. Automated forecasting

requires some additional piloting to iron out a few further technical issues, with a target for full implementation in September.

14. **New framework for the pension fund- pooling pension funds with other London boroughs.** Responses to the Investment Reform and Guidance Criteria document and the Consultation on revoking and replacing the LGPS (Management and Investment of Funds) Regulations 2009 were submitted to the DCLG on 19 February. The City of London is part of the London LGPS Collective Investment Vehicle and as the administering authority believes that this is the most appropriate Pool to collaborate with. A further response to the DCLG on the pooling of assets is due in July 2016.
15. Tender documents for the City's **insurances** that are due for renewal in June have been published and documents for the policies with a December renewal date are being drafted and will be published in April/May.
16. In **Supporting and developing our people**, we continue with the programme of lunchtime learning and secondments throughout the divisions to improve learning and expand the skills base.

Conclusion

17. The division is delivering all its core objectives and contributing to the transformation agenda of the Corporation, whilst also supporting the development of staff. The key challenges over the next quarter will be the production of the financial statements including the implementation of Financial Reporting Standard 102 in relation to our non-local authority financial statements, supporting the new Strategic Resources Group chaired by the Chamberlain, developing the reporting from the Oracle system, reviewing the operating model at Guildhall School, developing arrangements for the pension fund pooling and work to support the Education agenda.

Contact:

Caroline Al-Beyerty

Financial Services Director

T: 020 7332 1113

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

Committee:	Date:
Projects Sub-Committee Finance Committee	25 February 2016 15 March 2016
Subject: Review of UK Public Contract Regulations and EU Procurement Directives	Public
Report of: Joint report of the Chamberlain and Comptroller and City Solicitor	For Information
Report authors: Chris Bell and Michael Cogher	

Summary

The Head of City Procurement and the Comptroller and City Solicitor were asked to review the current UK and City of London Procurement regulations and procedures to ascertain whether there is a tendency to ‘Gold-plate’ the interpretation of the EU Procurement Directives in comparison to other EU member states. This key findings of this review are:

- The research findings do not point to the UK (and the City Corporation) “gold plating” procurement activity with a negative impact other than the early introduction of the UK Public Contract Regulations 2015.
- The UK Public Contract Regulations 2015 was introduced 14 months prior to the EU Directives deadline; the majority of other members will introduce their new contract law in April 2016 (including Scotland).
- Any “gold plating” of UK regulations have been positive steps to ensure more opportunity for SME/Social Enterprise businesses and greater powers to negotiate in specific critical contract areas.
- Research shows the UK procurement is on average more time consuming than other EU member states but it also has the lowest number of legal challenges with respect it procurement processes.
- The Corporation has run six open OJEU tenders in the last two years with a value of £130M. This is 1.7% of all contracts let in this period.
- The introduction of City Procurement and the City Procurement Code 2015 provides the Corporation with a modern, flexible, innovative and commercially focused procurement service that operates within a regulated environment.
- Early planning and consultation with City Procurement is the key to the success of procurement activity, ensuring all options are fully explored and not limited by time or risk.
- Our default position is to follow the Procurement Code for all activity but there is a decision making process in place to consider alternative procurement strategies for non-local authority or non-police authority spend if there are specific risk, sensitivity or commercial reasons to do so.

Recommendation

Members are asked to note the report.

Background

1. At Projects Sub-Committee in July, The Chairman reported the receipt of an email from the Deputy Chairman concerning a recent meeting that had referred to differences in the way that EU countries interpreted EU procurement regulations, with the UK interpreting the requirements in a more onerous way than other member states. He suggested that a review of the issue be undertaken, drawing on whatever research has been undertaken and the practices of other public bodies. The follow report prepared by City Procurement and the Comptroller's Department outlines the findings of this review. The report aims to answer the following three questions in covering the entire topic:
 - I. Has the UK interpreted the requirements of the EU Procurement Directives more onerously than other EU Member States?
 - II. What is the practice of other public bodies?
 - III. Could the City of London Corporation be more "innovative and liberal" in the way it interprets EU and UK Procurement Regulations?

Has the UK interpreted the requirements of the EU Procurement Directives more onerously than other EU Member States?

2. There has been a long standing perception amongst some policy makers and industry leaders that the EU procurement directives are applied more rigorously (or gold plated) in the UK compared to other Member States to the detriment of industry, the public purse and the economy as a whole.
3. This was emphasised in the House of Commons Public Accounts Select (PASC) Committee Report on Government Procurement published in July 2013 which was concerned that the UK's £227 billion procurement budget was not being used efficiently. The report stated "We (UK) are concerned that (EU) Directives reinforce a process-oriented, risk averse culture in procurement, which in the UK has resulted in delay, increased costs and a failure to focus on outcome. It is intolerable that UK public procurement takes on average 50% longer than it does in France or Germany under the auspices of the same Directives."
4. The report cited a litany of procurement and contract failures such as the G4S and Serco Ministry of Justice contracts as examples of the problem and criticised the capability of public procurement. On the other hand the report conceded that the regulation of public procurement served a valid purpose and it would need to be regulated in the UK regardless of the EU Directives.
5. Whilst the perceptions and problems addressed in the report are real it was acknowledged that there was a dearth of comparative empirical data both within the UK and the EU as a whole, to aid analysis of the differences in the application of the regulations.
6. There could be numerous good and bad reasons why UK procurement is slower and they may not be wholly attributable to the EU Regulations themselves. These may include differences in the structure of public services, commercial, technical and project management capacity in terms of staffing and technology, cultural and economic differences.

7. However, critics of the report argue that the evidence considered by the committee is both incomplete and weighted towards the supplier perspective, although PASC took evidence from business, SME and the third sector it took little or no evidence from active procurement practitioners.
8. The evidence used in the report to suggest that UK business is disadvantaged was selective and contradicted by the most recent studies from the EU and University of Glasgow which indicated that the UK's application of the EU procurement directives is similar to other member states and there was no evidence to suggest that British firms were discriminated against in the process or by other member states in terms of contract awards.
9. The PASC report challenged civil servants for what was perceived to be unnecessarily strict adherence to process in the UK resulting in longer times to contract awards 161 days in the UK rather than 108 in the wider EU.
10. However, it could be that different procedures are used in the UK and in any event time to award is only one measure, quality of outcome is or equal if not greater importance and this wasn't discussed in the PASC report. It has been suggested for example that EU contract awards are subject to a far greater amount of legal challenges than in the UK so it could be that quality is compromised for speed.
11. Over and above this, some leading procurement and legal experts argue that EU procedures have made public procurement in the UK more, not less, professional and the imperative to act quickly and get a good deal must be balanced against the need to spend money in a responsible fair and transparent manner whilst minimising opportunities for fraud and corruption.
12. The UK government's accelerated transposition and the Public Contracts Regulations 2015 ("PCR 2015") were implemented in England and Wales on 26 February 2015, 14 months before the deadline, therefore the UK at present are more regulated than many of our EU colleagues. It is too early to make comparisons on how member states have implemented the new Regulations as many are not implementing until 2016. Interestingly Scotland, which has a separate legal system and devolved powers, is not planning to implement the new Regulations until April 2016.
13. There are significant parts of PCR 2015 which are unique to England and Wales which could amount to "gold plating". These provisions largely concern the implementation of specific SME-friendly recommendations from Lord Young, arising from his 'Growing Your Business' report in May 2013 (Regulations 105-114) such as simplified Pre Qualifying Questionnaire's, mandatory payment terms and a new Mystery Shopper regime to improve standards.
14. On the whole PCR 2015 is the result of years of consultation with a view to addressing any shortcomings from the previous UK regulations and to facilitate flexibility and innovation.

15. The UK brought in new provisions for framework agreements; greater scope for market engagement; light- touch procedures for social, health and other services below £625k and new tendering procedures to facilitate pre market engagement and negotiation for complex contracts.

What is the practice of other public bodies?

16. PCR 2015 is a statutory requirement and all UK public bodies are bound by the regulations. Aggrieved suppliers have the right to challenge non-compliance in the High Court via the Remedies Directive for above threshold contracts and the Mystery Shopper scheme for below threshold contracts that breach EU principles of fairness and transparency and the Lord Young reforms.
17. The new EU Directive required member states to each nominate a single body responsible for public procurement. In the UK this is the Cabinet Office working through Crown Commercial Services (CCS). CCS are responsible for improving standards and consistency in public procurement and also for addressing concerns raised about public sector procurements as well as managing the Mystery Shopper scheme.
18. There is at the moment no readily available comparative data on the performance of UK public bodies in relation to the application of the OJEU regulations regarding speed, efficiency and quality. However, the recent advent of developments such as the Local Government Transparency Code 2015, greater use of Freedom of Information rights and commonly used E-tendering applications will make benchmarking reporting easier and a publicly available “league table” environment will inevitably arise in the next 12 to 24 months.

Could the Corporation be more “imaginative and liberal” in the way it handles the requirements?

19. The Corporation’s Procurement Code acknowledges that PCR 2015 applies to the Corporation without distinguishing between its various functions. When acting in a capacity other than as a local authority or police authority, the PCR 2015 will be applicable to ensure transparency and fairness values are upheld unless approval from the appropriate Committee(s) and Performance and Strategy Summit Group has been granted to do otherwise. In such circumstances there will still be a requirement for a competition to be concluded ensuring value for money and transparency.
20. The new City of London Procurement Code (“the Code”), which was approved by Common Court of Council, went live on 1 November 2015.
21. The Code complies with EU Procurement Directives, PCR 2015 and Small Business Employment and Enterprise Act 2015 as well as other laws that govern public procurement and policing activity. The Code also supports our City of London Procurement Strategy 2015-18. The Code has been developed to allow the Corporation through the City Procurement function to be as innovative and commercially astute as allowed within the UK Public Contract Regulations.

22. It is important to place the number of OJEU tenders undertaken by the City into context. In financial year (FY) 2014/15 the newly formed City Procurement service undertook 531 requests for quotations (RFQs and tenders) with only one tender being advertised openly in the OJEU. In FY 2015/16 to date 320 RFQ's and tenders have been undertaken and only five were advertised openly in the OJEU, this represents 0.2% and 1.5% by volume for each year.
23. The total value of the six OJEU tenders undertaken during these two years was £130M giving an average OJEU advertised contract value of £19M. Of the six tenders, three (namely Police Accommodation, Corporate Cleaning and Action and Know Fraud) had a combined total value (over the life of the contracts) of more than £114M.
24. The figures indicate in the Corporation at least that the full OJEU procedure is used by exception for high value high risk projects where time and resources required when undertaking lengthy procurement processes, are proportionate to the technical and commercial complexity of the projects and the risks of challenge. This is opposed to using government approved Frameworks.
25. It is important to note also that the vast majority of the Corporation's tenders are below the OJEU thresholds of £164k for supplies and services and £4.1m for works.
26. Even when projects are above OJEU thresholds City Procurement and departmental officers at the planning stage consider alternative options to reduce costs and increase speed at the same time as achieving value for money.
27. In addition to external frameworks City Procurement is looking to increase the number of corporate contracts and in-house frameworks specifically tailored to the operational and commercial requirements of the Corporation. Once in place these can obviate the need to undertake numerous OJEU procurements.
28. In cases, such as urgency or highly sensitive projects, when acting in a non-local authority basis officers may after due consultation with the Comptroller and approval from Committee(s) and Performance and Strategy Summit Group may choose not to apply the OJEU process and undertake a negotiation or seek tenders from a select list, this process would be managed by City Procurement to ensure competitive principles are upheld.
29. Even when undertaking OJEU tenders the capacity and expertise of City Procurement enable such procurements to be undertaken efficiently using the expertise of officers and template forms and appropriate e-tendering applications and robust evaluation processes. Although a small number of contract awards have been challenged by aggrieved bidders the systems in place has meant that the Corporation has been well placed to resist them and proceed with the award.
30. It should be noted that the OJEU process is only part of the procurement cycle. Equally important is project management and governance, pre market engagement, careful budgetary control, specification and evaluation drafting and mobilising the correct level of expertise proportionate to risk and opportunity. If

these factors are not appropriately aligned the procurement will be at risk of not realising best value and in the worst case failing whatever process is chosen.

31. The Corporation's procurement processes are continuously reviewed so that the Corporation can introduce its own improvements as well as exploiting new opportunities or developments and responding to statutory requirements. This approach also includes the recruitment and development of the right people.

Conclusion

32. The UK Public Contract Regulations 2015, although introduced 14 months in advance of the EU deadline has a positive impact on topics such as fair competition for SME businesses, greater flexibility in ways to procure, clearer guidance on concession contracts and the introduction of a light touch regime of social care and education contracts. The Corporation, with the introduction of the Procurement Code 2015 and the service delivered by City Procurement, provides an innovative, commercially led service that ensures the services procured meet the quality required whilst managing risk and procedural requirements to comply with the regulated environment we work within.

Christopher Bell

Head of City Procurement

Email: Christopher.bell@cityoflondon.gov.uk

Michael Cogher

Comptroller and City Solicitor

Email: Michael.cogher@cityoflondon.gov.uk

References

House of Commons Public Accounts Select Committee Report of Public Procurement 2013 :

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'Incomplete' MPs' procurement report fails to consider the frontline

<http://www.theguardian.com/public-leaders-network/2013/jul/30/incomplete-pasc-procurement-report-frontline>

Committee: Finance Committee	Date: 15 March 2016
Subject: Risk Management – Monthly Report	Public
Report of: Chamberlain	For Information
Report author: Joy Ahwieh, Chamberlain’s Department	

Summary

This report has been produced to provide Finance Committee with an update on the most significant risks faced by the Chamberlain’s Department.

There is currently one RED risk on the departmental risk register and one RED risk on the Corporate Risk Register:

- **CR19 - IT Service Provision**

This risk remains red but is expected to reduce as on-going infrastructure changes, particularly to the Police IT estate, are implemented. Progress against the transition plan is measured regularly to ensure the risk continues to reduce towards the target status of GREEN by 31 December 2016.

- **CHB011 – Corporate Contract Management (New)**

This risk is a new entry to the departmental risk register following consideration by the Chief Officer Risk Management Group and the departmental Senior Leadership Team. Recommendations to establish a Corporate Contract Management policy and associated procedures have been approved by Procurement Steering Group and Summit Group and will now be made to Efficiency and Performance Sub (Finance) Committee in March. Once approval to establish a budget for Corporate Contract Management has been received, actions to mitigate this risk will be implemented with a GREEN target status date of 1 April 2017.

Recommendation

Members are asked to note the report.

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.

Current Position

2. This report provides an update on the current RED risks that exist in relation to the operations of the Chamberlain's department and, therefore, Finance Committee.
3. There is currently one RED risk on the Corporate Risk Register for which the Chamberlain's Department is responsible and one RED risk on the departmental Risk Register:

CR19 - IT Service Provision (Current Status: RED – no change)

The current status of this risk is specifically in relation to the position of the Police IT Estate. This risk has reduced from October 2015 following the implementation of back up storage and spare network equipment.

The Police server migration to the Infrastructure as a Service (IaaS) is on-going and due to be completed by the end of March. From this point on, the Police and Corporation risk will be synchronised and is expected to reduce to Amber, then continue towards the target status of Green by 31 Dec 2016. Quotes have now been received and are being explored with regards to investment in any retained IT infrastructure to ensure that this meets the same standards of resilience and continuity as delivered by the IaaS infrastructure.

CHB011 – Corporate Contract Management (Current Status: RED New)

This risk relates to the current absence of a clearly defined Corporate Contract Management policy and related procedures. This may result in strategic corporate contracts not being monitored and managed in a consistent and planned manner. The outcome of this could be that contracts may not deliver the commercial benefits and quality that were anticipated at contract letting together with the added risk of prices escalating and contract scope creep. To mitigate this risk, a number of actions have been identified including the launch of a City Contract management framework, establishing a strategic and commercial contract management unit and training of staff on the newly developed contract management toolkit. Once approval to establish a budget for Corporate Contract Management has been received, actions to mitigate this risk will be implemented with a GREEN target status date of 1 April 2017.

Conclusion

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

Joy Ahwiah, Business Manager, Chamberlain's Department
T: 020 7332 1033, E: joy.ahwiah@cityoflondon.gov.uk

Agenda Item 9

Committee: Finance Committee	Date: 15 March 2016
Subject: Central Contingencies	Public
Report of: Chamberlain	For Information
Report author: Laura Yeo, Chamberlain's Department	

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 are set out in the table below. At the time of preparing this report, there were no further requests for use of the contingencies included on the agenda.

2015/16 Contingencies - Uncommitted Balances at 3 March 2016				
	City Fund £'000	City's Cash £'000	Bridge House Estates £'000	Total £'000
General Contingencies	153	240	35	428
National and International Disasters	0	80	0	80
Uncommitted Balances	153	320	35	508
Requests for contingency allocations	0	0	0	0
Balances pending approval	153	320	35	508

4. The sums which the Committee has previously allocated from the 2015/16 contingencies are listed at Appendix 1.

Recommendation

5. Members are asked to note the report.

Stephen Telling, Deputy Financial Services Director
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)	TC	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	
21 Jul 2015	£33,000 to match fund a grant that The Honourable The Irish Society is making to the National Citizenship Scheme. £5,000 for the Lord Mayor to host a dinner in Belfast to mark the giving of this grant.	TC	38,000	
15 Dec 2015	£50,000 to the Police Arboretum Memorial Trust in support of its project to create a new national memorial to pay tribute to the UK’s Police Service.	TC	50,000	
15 Dec 2015	£80,000 to fund six Assistant Property Facilities Manager posts for the period January to March 2016.	CS/CH	80,000	
19 Jan 2016	£150,000 to fund emergency repair works.	CS	150,000	
16 Feb 2016	£92,000 in relation to Oracle project costs.	CH	92,000	
	Total allocations agreed to date			854,800
	Balance remaining prior to any requests that may be made to this meeting			240,200

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.	C&CS/CS	58,000	
9 Oct 2015	£366,000 to fund the cost of urgent waterproofing and drainage works at Frobisher Crescent.	DCCS	366,000	
19 Jan 2016	£80,000 in relation to an ongoing legal dispute.	C&CS	80,000	
16 Feb 2016	£201,000 in relation to Oracle project costs	CH	201,000	
	Total allocations agreed to date			730,000
	Balance remaining prior to any requests that may be made to this meeting			153,000

2015/16 General Contingency – Bridge House Estates

Committee Date	Description	Responsible Officer	Allocation £	Contingency Balance £
	2015/16 Provision			50,000
16 Feb 2016	£15,000 in relation to Oracle project costs	CH	15,000	
	Total allocations agreed to date			15,000
	Balance remaining prior to any requests that may be made to this meeting			35,000

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
 C&CS: Comptroller and City Solicitor
 CS: City Surveyor
 DCCS: Department of Community and Children’s Services
 DHL: Director of Culture, Heritage and Libraries
 GSM: Principal, Guildhall School of Music and Drama
 TC: Town Clerk

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