

PLEASE BRING THIS AGENDA WITH YOU

1

The Lord Mayor will take the Chair at ONE
of the clock in the afternoon precisely.



COMMON COUNCIL

SIR/MADAM,

You are desired to be at a Court of Common Council, at **GUILDHALL**, on
THURSDAY next, **the 3rd day of March, 2016**.

JOHN BARRADELL,
Town Clerk & Chief Executive.

*Guildhall,
Wednesday 24th February 2016*

Dame Fiona Woolf
Robert Picton Seymour Howard

}

Aldermen on the Rota

1 **Apologies for Absence**2 **Declarations by Members under the Code of Conduct in respect of any items on the agenda**3 **Minutes**

To agree the minutes of the meeting of the Court of Common Council held on 14 January 2016.

For Decision
(Pages 1 - 20)

4 **Resolutions on Retirements, Congratulatory Resolutions, Memorials**5 **Mayoral Visits**

The Right Honourable The Lord Mayor to report on his recent overseas visits.

For Information

6 **Docquets for the Hospital Seal**7 **The Freedom of the City**

To consider a circulated list of applications for the Freedom of the City.

For Decision
(Pages 21 - 26)

8 **Legislation**

To receive a report setting out measures introduced into Parliament which may have an effect on the services provided by the City Corporation.

For Information
(Pages 27 - 28)

9 **Ballot Result**

The Town Clerk to report the outcome of a ballot taken at the last Court:

One Member to the **Board of Governors of the City of London School**, for the balance of a term expiring June 2017.

* denotes appointed.

| | Votes |
|------------------------------------|--------------|
| Keith David Forbes Bottomley | 56 * |
| The Revd. Dr Martin Raymond Dudley | 27 |
| Michael Hudson | 10 |

10 **Appointments**

To consider the following appointments:

- (A) Three Members on the **Guild Church of St Lawrence Jewry**, for one year terms expiring in March 2017.

* denotes a Member standing for re-appointment

Nominations received:-

*Roger Arthur Holden Chadwick, Deputy

*Simon D'Olier Duckworth, O.B.E., D.L.

*Gregory Percy Jones, Q.C.

- (B) Four Members on **Christ's Hospital**, for four year terms expiring in January 2020.

Nominations received:-

Nicholas Michael Bensted-Smith, J.P.

- (C) One Member on the **Thames Festival Trust**, for a three year term expiring in March 2019.

** denotes a Member standing for re-appointment*

Nominations received:-

*John Alfred Barker, O.B.E., Deputy
John George Stewart Scott, J.P.

11 **The Honourable The Irish Society**

- (A) To appoint four Common Councilmen to The Honourable The Irish Society, for three year terms expiring in March 2019:

** denotes a Member standing for re-appointment*

Nominations received:-

*Douglas Barrow, Deputy
*Roger Arthur Holden Chadwick. Deputy
*Simon D'Olier Duckworth, O.B.E., D.L.
*James Henry George Pollard, Deputy
Jeremy Lewis Simons

- (B) To appoint a Governor for the year ensuing.

12 **Questions**

13 **Motions**

14 **Awards and Prizes**

To receive a report of the Chairman of the Port Health and Environmental Services Committee.

For Information

(Pages 29 - 30)

15 **Policy and Resources Committee**

To consider reports of the Policy and Resources Committee, as follows:

- (A) **European Union Referendum** – *(to follow)*
- (B) **Health and Social Care Scrutiny Committee** – proposing the creation of a new Committee.

For Decision

(Pages 31 - 34)

- (C) **Report of Urgent Action Taken: London Councils Grants Scheme 2016/17 Levy** – to note action taken under urgency procedures in approving the 2016/17 Levy.

For Information
(Pages 35 - 38)

16 **Hospitality Working Party of the Policy and Resources Committee**

To consider reports of the Hospitality Working Party of the Policy and Resources Committee, as follows:

- (A) **Applications for the Use of Guildhall** – to note the prior approval of the listed applications for the use of Guildhall.

For Information
(Pages 39 - 40)

- (B) **Applications for Hospitality** – to consider two recommendations concerning the provision of hospitality.

For Decision
(Pages 41 - 42)

17 **Finance Committee**

To consider reports of the Finance Committee, as follows:

- (A) **City Fund 2016/17 Budget Reports and Medium Term Financial Strategy including Non Domestic Rates and Council Taxes** – to approve the budget for 2016/17 including a 0.1p in the pound increase in the Business Rates Premium and an unchanged Council Tax and pass a resolution to that effect, as set out at Appendix F.

For Decision
(Pages 43 - 108)

- (B) **Revenue and Capital Budgets 2015/16 and 2016/17** – to receive the latest revenue budgets for 2015/16 and approve the revenue budgets for 2016/17 and the capital budgets.

For Decision
(Pages 109 - 130)

18 **Port Health and Environmental Services Committee**

To consider a report concerning the annual increases to be applied in respect of services provided at the Heathrow Animal Reception Centre.

For Decision
(Pages 131 - 136)

19 **Establishment Committee**

To consider a report setting out the proposed Pay Policy Statement for 2016/17.

For Decision
(Pages 137 - 146)

MOTION20 **By the Chief Commoner**

“That the public be excluded from the meeting for the following items of business below on the grounds that they involve the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act, 1972:”

21 **Non-Public Minutes**

To agree the non-public minutes of the meeting of the Court held on 14 January 2016.

For Decision
(Pages 147 - 148)

22 **Finance Committee**

To consider a report concerning the procurement of energy.

For Decision
(Pages 149 - 154)

23 **Property Investment Board**

To consider a report concerning a property transaction.

For Decision
(Pages 155 - 158)

24 **Education Board**

To consider a Gateway 4b project report relative to the City of London Primary Academy project.

For Decision
(Pages 159 - 160)

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MOUNTEVANS, MAYOR COURT OF COMMON COUNCIL

14th January 2016
MEMBERS PRESENT

ALDERMEN

Nicholas Anstee
Sheriff Charles Bowman
Peter Estlin
Sir Roger Gifford
Alison Gowman
David Andrew Graves

Timothy Russell Hailes JP
Gordon Warwick Haines
Vincent Thomas Keaveny
Ian David Luder JP
Professor Michael Raymond Mainelli
Julian Henry Malins QC

The Rt Hon the Lord Mayor, The Lord
Mountevans, Jeffrey Evans
Matthew Richardson
William Anthony Bowater Russell
Sir David Wootton

COMMONERS

John David Absalom, Deputy
Randall Keith Anderson
Alex Bain-Stewart JP
John Alfred Barker, OBE, Deputy
Douglas Barrow, Deputy
John Bennett, Deputy
Christopher Paul Boden
Mark Boleat
Keith David Forbes Bottomley
David John Bradshaw
Revd Dr William Goodacre
Campbell-Taylor
Roger Arthur Holden Chadwick,
Deputy
Nigel Kenneth Challis
John Douglas Chapman, Deputy
Henry Nicholas Almroth Colthurst
Dennis Cotgrove
Alexander John Cameron Deane,
Deputy
Karina Dostalova
William Harry Dove OBE, Deputy
(Chief Commoner)
Simon D'Olier Duckworth, OBE,
DL

The Revd Dr Martin Raymond
Dudley
Peter Gerard Dunphy
Emma Edhem
Anthony Noel Eskenzi, CBE,
Deputy
Sophie Anne Fernandes
John William Fletcher
William Barrie Fraser, OBE,
Deputy
Stuart John Fraser, CBE
George Marr Flemington Gillon
Stanley Ginsburg, JP, Deputy
The Revd Stephen Decatur
Haines, Deputy
Brian Nicholas Harris, Deputy
Graeme Harrower
Christopher Michael Hayward
Tom Hoffman
Ann Holmes
Michael Hudson
Wendy Hyde
Jamie Ingham Clark, Deputy
Clare James

Alastair John Naisbitt King,
Deputy
Gregory Alfred Lawrence
Vivienne Littlechild JP
Edward Lord, OBE, JP
Professor John Stuart Penton
Lumley
Paul Nicholas Martinelli
Jeremy Mayhew
Catherine McGuinness, Deputy
Andrew Stratton McMurtrie, JP
Wendy Mead, OBE
Robert Allan Merrett, Deputy
Brian Desmond Francis Mooney
Gareth Wynford Moore
Hugh Fenton Morris
Alastair Michael Moss, Deputy
Sylvia Doreen Moys
Joyce Carruthers Nash, OBE,
Deputy
Barbara Patricia Newman, CBE
Dhruv Patel
James Henry George Pollard,
Deputy

Stephen Douglas Quilter
Richard David Regan, OBE,
Deputy
Elizabeth Rogula
Virginia Rounding
James de Sausmarez
John George Stewart Scott, JP
Ian Christopher Norman Seaton
Jeremy Lewis Simons
Tom Sleigh
Graeme Martyn Smith
Sir Michael Snyder
Angela Mary Starling
Patrick Thomas Streeter
David James Thompson
John Tomlinson, Deputy
James Richard Tumbridge
Michael Welbank, MBE
Mark Raymond Peter Henry
Delano Wheatley
Philip Woodhouse

1. Apologies The apologies of those Members unable to attend this meeting of the Court were noted.
2. Declarations No declarations were made.
3. Minutes *Resolved* - That the Minutes of the last Court are correctly recorded.

4. Resolutions

*Dove, W.H.,
O.B.E., J.P., Deputy.;
Chadwick,
R.A.H., Deputy*

Resolved unanimously – that the sincere congratulations of this Court be offered to Alderman Sir Alan Yarrow on his recent appointment by Her Majesty the Queen as a Knight Bachelor in recognition of his services to international business inclusion and the City of London.

*Dove, W.H.,
O.B.E., J.P., Deputy.;
Chadwick,
R.A.H., Deputy*

Resolved unanimously – that the sincere congratulations of this Court be offered to Ian Christopher Dyson QPM, newly appointed Commissioner of the City of London Police, on his recent award of the Queen's Police Medal by Her Majesty the Queen.

*Dove, W.H.,
O.B.E., J.P., Deputy.;
Chadwick,
R.A.H., Deputy*

Resolved unanimously – that the sincere congratulations of this Court be offered to Peter Adams MBE, one of the Verderers of Epping Forest and a longstanding member of the Corporation's Epping Forest and Commons Committee, on his recent appointment by Her Majesty the Queen as a Member of the Most Excellent Order of the British Empire in recognition of his services to conservation and the environment in South West Essex and East London.

*Dove, W.H.,
O.B.E., J.P., Deputy.;
Chadwick,
R.A.H., Deputy*

Resolved unanimously – that the sincere congratulations of this Court be offered to Charles Frederick Andrews and Sean McCarthy, both members of the City's cleansing team, on their recent award by Her Majesty the Queen of the British Empire Medal, in recognition of their voluntary service to the Poppy Appeal in London.

Resolved unanimously – That this Honourable Court wishes to extend to

*Chadwick,
R.A.H., Deputy;
Dove, W.H.,
O.B.E., J.P., Deputy*

Gerald Albert George Pulman, JP

its sincere gratitude for his much valued service as a Member and Deputy for the Ward of Tower. Gerald has been a stalwart of the Court, dedicating himself to the citizens of this City for some 32 years since he was first elected.

Elected as a Common Councilman in 1983 and appointed Ward Deputy in 1994, Gerald has served with distinction on a large number of Corporation Committees, including the Barbican Residential, Port Health and Environmental Services, Markets, and Finance Committees. Gerald's civic dedication was not limited to the City however, as he also served as a County Councillor for Hertfordshire from 1997 to 2001, and as a Justice of the Peace for some 25 years.

During his term as Chief Commoner he played an important role in the successful celebrations in the Mansion House to celebrate Her Majesty The Queen's 80th Birthday, accompanied the Lord Mayor on his official visit to Ghana and was subsequently closely involved in the important State Banquet for His Excellency the President of Ghana in Guildhall. I know Gerald will look back with fondness on these memories in particular as he takes his leave of us.

The Members of this Honourable Court would therefore wish to take this opportunity to express their heartfelt appreciation for the significant efforts that Gerald has made in his 32 years and extend their very best wishes to him, his wife June and his family, for their future good health and happiness.

5. Hospital Seal There were no documents to be sealed.

6. Freedoms The Chamberlain, in pursuance of the Order of this Court, presented a list of the under-mentioned, persons who had made applications to be admitted to the Freedom of the City by Redemption:-

| | | |
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| Sarah Mary Hughes | an Office Manager | Haddenham, Aylesbury, Buckinghamshire |
| <i>Alan Roy Willis</i> | <i>Citizen and Baker</i> | |
| <i>Flora Ann Reed</i> | <i>Citizen and Glass Seller</i> | |
| Gerald Vivian Stimson | a Professor, retired | Richmond, Surrey |
| <i>Hugh Fenton Morris, CC</i> | <i>Citizen and Maker of Playing Cards</i> | |
| <i>Marianne Bernadette Fredericks, CC</i> | <i>Citizen and Baker</i> | |
| Patricia Louise Fitzsimons | a Chief Executive | Waltham Forest |
| <i>John Eric Gilbert</i> | <i>Citizen and Gardener</i> | |
| <i>Jonathan Martin Averbs</i> | <i>Citizen and Fletcher</i> | |
| Terry Stewart Meek | a Head of Sustainability & Estates Compliance | Aylesbury, Buckinghamshire |
| <i>Adarsh Kumar Sharma</i> | <i>Citizen and Chartered Accountant</i> | |
| <i>Michael Peter Cawston</i> | <i>Citizen and Tyler & Bricklayer</i> | |
| Andrew Kenneth Bartles | an Investment Management Company Director | Ecclesall, Sheffield, Yorkshire |
| <i>Donald Howard Coombe, MBE</i> | <i>Citizen and Poulter</i> | |
| <i>Richard Howard Coombe</i> | <i>Citizen and Poulter</i> | |
| Sheryn Kim Ross | an Information Compliance Officer | Chalfont St Peter, Buckinghamshire |
| <i>Anthony Ben Charlwood</i> | <i>Citizen and Basketmaker</i> | |
| <i>Simon Victor Langton</i> | <i>Citizen and Basketmaker</i> | |
| Giles Rackley Orpen-Smellie | an Army Officer, retired | Wood Norton, Norfolk |
| <i>Peter Lionel Raleigh Hewitt, Ald.</i> | <i>Citizen and Woolman</i> | |
| <i>Douglas Gordon Fleming Barrow, Deputy</i> | <i>Citizen and Shipwright</i> | |
| Victoria Jane Owen | a Secretary | Brentwood , Essex |
| <i>Michael Peter Cawston</i> | <i>Citizen and Tyler & Bricklayer</i> | |
| <i>Geoffrey Douglas Ellis</i> | <i>Citizen and Joiner</i> | |
| Alison Julia Thomas | a Civil Servant | Loughton, Essex |
| <i>Anthony Ben Charlwood</i> | <i>Citizen and Basketmaker</i> | |
| <i>Simon Victor Langton</i> | <i>Citizen and Basketmaker</i> | |
| Dawn Brook | a Financial Services Head | Birch Hill, Croydon, Surrey |
| <i>Virginia Rounding, CC</i> | <i>Citizen and Common Councilman</i> | |
| <i>Catherine Sidony McGuinness, Deputy</i> | <i>Citizen and Solicitor</i> | |
| Andrew John Bowen | a Head of Global Markets | Tonbridge, Kent |
| <i>Joyce Nash, OBE, Deputy</i> | <i>Citizen and Feltmaker</i> | |
| <i>Wendy Marilyn Hyde, CC</i> | <i>Citizen and World Trader</i> | |

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| Jessica Harriet Rachel Parry <i>Kevin Joseph McNicholas</i> <i>Malcolm Brooks</i> | an Event Co-ordinator <i>Citizen and Loriner</i> <i>Citizen and Loriner</i> | Wandsworth |
| Lord Michael Maurice Cashman, CBE <i>Timothy Russell Hailes, Ald., JP</i> <i>Charles Edward Lord, OBE, JP, CC</i> | a Life Peer/actor <i>Citizen and International Banker</i> <i>Citizen and Broderer</i> | Limehouse |
| Fraser William Easton <i>Michael Steele Keith Grant</i> <i>Jeremy Nigel Fortescue Norman</i> | a Company Secretary <i>Citizen and Information Technologist</i> <i>Citizen and Solicitor</i> | Lenham, Kent |
| Jennifer Ann Williams <i>Christopher Maxwell Woolley</i> <i>William Standish O'grady Haly</i> | a Managing Director <i>Citizen and Merchant Taylor</i> <i>Citizen and Merchant Taylor</i> | Wynyard, Billingham, Cleveland |
| Garry Lee Pain <i>Alan Robert Brumwell</i> <i>Mark Kennedy Wheeler</i> | a Television Cameraman <i>Citizen and Plumber</i> <i>Citizen and Plumber</i> | Romford, Essex |
| Michael Barry Heathcote <i>Patricia Agnes Campfield</i> <i>Wendy Mead, OBE, CC</i> | a Chartered Accountant <i>Citizen and Wheelwright</i> <i>Citizen and Glover</i> | Arundel, West Sussex |
| Oliver George Hall <i>Peter Kenneth Estlin, Ald.</i> <i>Sir Roger Gifford, Kt., Ald.</i> | a Student <i>Citizen and International Banker</i> <i>Citizen and Musician</i> | Guildford, Surrey |
| Angus Duncan Pierpoint Watts <i>Mark Anthony Grove</i> <i>Anthony John Keith Woodhead</i> | a Security Consultant, retired <i>Citizen and Cook</i> <i>Citizen and Tax Adviser</i> | Basildon, Essex |
| Michael Keith Seigel <i>Patricia Agnes Campfield</i> <i>Joseph Charles Felix Byllam</i> <i>Byllam-Barnes</i> | a Headmaster, retired <i>Citizen and Wheelwright</i> <i>Citizen and Upholder</i> | Kingston Upon Thames |
| John David Perkins <i>Vincent Keaveny, Ald.</i> <i>Christopher Paul Boden</i> | a Telecommunications Manager <i>Citizen and Solicitor</i> <i>Citizen and Common Councilman</i> | Bexleyheath, Kent |
| John Merlin Hinton Hutchings <i>Michael Steele Keith Grant</i> <i>David Anthony Bickmore</i> | a Lawyer <i>Citizen and Information Technologist</i> <i>Citizen and Wax Chandler</i> | Westminster |
| Alun Thomas-Evans <i>Lorna Zaitzeff</i> <i>Antony John Zaitzeff</i> | a Director of Education <i>Citizen and Wax Chandler</i> <i>Citizen and Arbitrator</i> | Tynewydd, Treorchy, Rhondda Cynon Taff |
| Edward Joseph Galgano <i>Anthony John Keith Woodhead</i> <i>Anne Elizabeth Holden</i> | a Banker <i>Citizen and Tax Adviser</i> <i>Citizen and Basketmaker</i> | Billericay, Essex |

| | | |
|---|---|------------------------------------|
| Anthony Gorman <i>Anne Elizabeth Holden</i> <i>Anthony John Keith Woodhead</i> | a Telecommunications Manager, retired <i>Citizen and Basketmaker</i> <i>Citizen and Tax Adviser</i> | Ickenham, Middlesex |
| John Michael Halligan <i>Leslie Ralph Jackson</i> <i>Spencer Howard Kerven Williams</i> | a Printing Company Director, retired <i>Citizen and Joiner</i> <i>Citizen and Solicitor</i> | Hayes, Kent |
| John Alan Schofield <i>Jeremy Penn</i> <i>Douglas Gordon Fleming Barrow,</i> <i>Deputy</i> | a Maritime Arbitrator <i>Citizen and Shipwright</i> <i>Citizen and Shipwright</i> | Petts Wood, Orpington, Kent |
| Ronald Sidney Archibald Storer <i>Malcolm Brooks</i> <i>Wesley Val Hollands</i> | a Shop Operative, retired <i>Citizen and Loriner</i> <i>Citizen and Loriner</i> | Minster On Sea, Sheerness, Kent |
| David Victor Hagger <i>John Alexander Smail</i> <i>Gordon Mark Gentry</i> | a Solicitor, retired <i>Citizen and Distiller</i> <i>Citizen and Baker</i> | Cropston, Leicester |
| Charles Jonathan Whitburn Bailey <i>Michael Steele Keith Grant</i> <i>David Anthony Bickmore</i> | an Account Director <i>Citizen and Information Technologist</i> <i>Citizen and Wax Chandler</i> | Weston Colley, Hants |
| David Martin James Hickey <i>Richard Leslie Springford</i> <i>Richard Stuart Goddard</i> | a Financial Service Company Chairman <i>Citizen and Carman</i> <i>Citizen and Shipwright</i> | Wimbledon |
| Michael Frederick Warner <i>James William Lane</i> <i>Michael Peter Cawston</i> | a Publican, retired <i>Citizen and Tyler & Bricklayer</i> <i>Citizen and Tyler & Bricklayer</i> | Bromley, Kent |
| Anthony Stocker <i>James William Lane</i> <i>Michael Peter Cawston</i> | a Heating and Ventilation Company Director <i>Citizen and Tyler & Bricklayer</i> <i>Citizen and Tyler & Bricklayer</i> | Kingswood, Surrey |
| Peter James Ashley <i>Michael Peter Cawston</i> <i>David Robert Attwood</i> | a Retail Company Director, retired <i>Citizen and Tyler & Bricklayer</i> <i>Citizen and Plumber</i> | Bexley |
| Ankita Patel <i>Angus MacLennan</i> <i>John Elder</i> | a Livery Company Finance Manager <i>Citizen and International Banker</i> <i>Citizen and International Banker</i> | Chingford, Essex |
| Nicola Anne Foster <i>Thomas Roger Cloke</i> <i>Jeanette Clements Ayre</i> | a Banker <i>Citizen and Fueller</i> <i>Citizen and Fueller</i> | Dulwich |

| | | |
|---|--|---------------------------------------|
| <p>Christopher John Birch <i>David Michael Bole</i></p> <p><i>Lawrence John Day</i></p> | <p>a Design Consultant <i>Citizen and Maker of Playing Cards</i></p> <p><i>Citizen and Maker of Playing Cards</i> <i>Cards</i></p> | <p>Surbiton, Surrey</p> |
| <p>Andrew Philip Beaumont <i>Adarsh Kumar Sharma</i> <i>Michael Peter Cawston</i></p> | <p>an Information Technologist Manager, retired <i>Citizen and Chartered Accountant</i></p> <p><i>Citizen and Tyler & Bricklayer</i></p> | <p>Norton St. Philip, Bath</p> |
| <p>Linda Mei Harlow <i>His Hon. Judge Nicholas Richard Maybury Hilliard, QC</i> <i>Charles Edward Beck Bowman, Ald.</i></p> | <p>a Civil Servant <i>Citizen and Wax Chandler</i></p> <p><i>Citizen and Grocer</i></p> | <p>Hadley Wood, Hertfordshire</p> |
| <p>Guy Alexander Oxley <i>Michael Richard Adkins</i> <i>Stanley Brown, QGM, TD</i></p> | <p>a Hearing Aid Audiologist <i>Citizen and Water Conservator</i></p> <p><i>Citizen and Loriner</i></p> | <p>Bromley, Kent</p> |
| <p>Arabella Boxer <i>David Robert Stanley Pearson</i></p> <p><i>Vivienne Littlechild, CC, JP</i></p> | <p>a Food Writer, retired <i>Citizen and Stationer & Newspaper Maker</i></p> <p><i>Citizen and Common Councilman</i></p> | <p>Chelsea</p> |
| <p>Francis John Paszyk <i>Douglas William Abbott</i> <i>Ivor Cook</i></p> | <p>a London Market Broker <i>Citizen and Poulter</i></p> <p><i>Citizen and Poulter</i></p> | <p>Chelsea</p> |
| <p>John Black <i>Andrew John Gillett</i> <i>Clive Tudor Shaw Allport</i></p> | <p>a Surgeon, retired <i>Citizen and Founder</i></p> <p><i>Citizen and Founder</i></p> | <p>Malvern, Worcestershire</p> |
| <p>George Bizos <i>The Rt. Hon The Lord Mayor Patricia Janet Scotland Baroness Scotland of Asthal, PC, QC</i></p> | <p>a Lawyer <i>Citizen and Alderman</i></p> | <p>Johannesburg, South Africa</p> |
| <p>Ahmed Mohamed Kathrada <i>The Rt. Hon The Lord Mayor Patricia Janet Scotland Baroness Scotland of Asthal, PC, QC</i></p> | <p>a Politician, retired <i>Citizen and Alderman</i></p> | <p>Houghton, South Africa</p> |
| <p>Andrew Mlangeni <i>The Rt. Hon The Lord Mayor Patricia Janet Scotland Baroness Scotland of Asthal, PC, QC</i></p> | <p>a Politician <i>Citizen and Alderman</i></p> | <p>Soweto, Gauteng, South Africa</p> |
| <p>Denis Theodore Goldberg <i>The Rt. Hon The Lord Mayor Patricia Janet Scotland Baroness Scotland of Asthal, PC, QC</i></p> | <p>a Government Special Adviser, retired <i>Citizen and Alderman</i></p> | <p>Cape Town, South Africa</p> |
| <p>Lord Joffe Joel Goodman Joffe <i>The Rt. Hon The Lord Mayor Patricia Janet Scotland Baroness Scotland of Asthal, PC, QC</i></p> | <p>a Member of the House of Lords, retired <i>Citizen and Alderman</i></p> | <p>Liddington, Swindon, Wiltshire</p> |

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| His Excellency, Dr Gordon Muir Campbell <i>The Rt. Hon The Lord Mayor Mark John Boleat, CC</i> | The High Commissioner of Canada <i>Citizen and Insurer</i> | Westminster |
| His Grace, The Duke of Wellington, Arthur Charles Valerian Wellesley, OBE DL <i>Alan Colin Drake Yarrow, Ald. Peter Lionel Raleigh Hewitt, Ald.</i> | a Peer of the Realm <i>Citizen and Fishmonger Citizen and Woolman</i> | Piccadilly, London |
| The Rt Hon John Simon Bercow, MP <i>The Rt. Hon The Lord Mayor Mark John Boleat, CC</i> | The Speaker of the House of Commons <i>Citizen and Insurer</i> | House of Commons, Westminster |

Resolved – That this Court doth hereby assent to the admission of the said persons to the Freedom of this City by Redemption upon the terms and in the manner mentioned in the several Resolutions of this Court, and it is hereby ordered that the Chamberlain do admit them severally to their Freedom accordingly.

7. Legislation

The Court received a report on measures introduced by Parliament which might have an effect on the services provided by the City Corporation as follows:-

Subordinate Legislation

| Title | with effect from |
|---|-------------------------|
| The NHS Bodies and Local Authorities Partnership Arrangements (Amendment) Regulations 2015, S.I. No. 1940 | 1 April 2016 |
| The Animal By-Products (Enforcement) (England) (Amendment) Regulations 2015, S.I. No. 1980 | 31 December 2015 |
| The School and Early Years Finance (England) Regulations 2015, S.I. No. 2033 | 7 January 2016 |
| The Non-Domestic Rating (Levy and Safety Net) (Amendment) (No. 2) Regulations 2015, S.I. No. 2039 | 16 December 2015 |

(The text of the measures and the explanatory notes may be obtained from the Remembrancer's office.)

8. Appointments

The Court proceeded to consider appointments to the Board of Governors of the City of London School, the Castle Baynard Educational Foundation & Samuel Wilson Fund, the City Arts Trust, and Christ's Hospital.

- a) **Board of Governors of the City of London School** (one vacancy for the balance of a term expiring June 2017).

Nominations received:-

Keith David Forbes Bottomley
The Revd. Dr Martin Raymond Dudley
Michael Hudson

Read.

The Court proceeded, in accordance with Standing Order No.10, to ballot on the vacancy.

The Lord Mayor appointed the Chief Commoner and the Chairman of the Finance Committee, or their representatives, to be the scrutineers of the ballot.

Resolved – That the votes be counted at the conclusion of the Court and the result printed in the Summons for the next meeting.

b) **Castle Baynard Educational Foundation & Alderman Samuel Wilson Fund** (three vacancies for three year terms expiring in March 2019).

** denotes a Member standing for re-appointment*

Nominations received:-

- *Nigel Kenneth Challis
- *Catherine McGuinness, Deputy
- *Jeremy Lewis Simons

Read.

Whereupon the Lord Mayor declared Nigel Challis, Deputy Catherine McGuinness and Jeremy Simons to be appointed to the Castle Baynard Educational Foundation & Alderman Samuel Wilson Fund .

c) **City Arts Trust** (one vacancy for a four year term expiring in January 2020).

** denotes a Member standing for re-appointment*

Nominations received:-

- *Jeremy Mayhew

Read.

Whereupon the Lord Mayor declared Jeremy Mayhew to be appointed to the City Arts Trust.

d) **Christ's Hospital** (seven vacancies for four year terms expiring in January 2020).

** denotes a Member standing for re-appointment*

Nominations received:-

- *Dennis Cotgrove
- *Lucy Frew
- *Ian Christopher Norman Seaton

Read.

Whereupon the Lord Mayor declared Dennis Cotgrove, Lucy Frew and Ian Seaton to be appointed to Christ's Hospital.

9. Questions

Photo opportunities involving the Mayoralty

Deputy Alex Deane asked a question of the Chairman of the General Purposes Committee of Aldermen regarding the procedures in place concerning media and photographic opportunities involving the Lord Mayor. In response, the Chairman outlined the process by which prospective meetings and visits were assessed with a view to ensuring that the Lord Mayor was not exposed to any undue risk of negative publicity.

Responding to a supplementary question from Deputy Deane concerning a photograph of the Lord Mayor taken at a recent event in Northern Ireland, the Chairman confirmed that this had been entirely appropriate and in line with procedures.

Operational Property Review

Alderman Tim Hailes asked a question of the Chairman of the Policy and Resources Committee seeking clarity as to the strategy in place to maintain the City Corporation's operational property. The Chairman outlined the work that had been undertaken to date as part of the Operational Property Review, including the identification of potential assets for disposal and the allocation of additional resource for maintenance purposes.

In response to a supplementary question from Alderman Hailes, the Chairman agreed that it would be timely for a report to be brought back to the Court later in the year on the progress that has been made to date.

Markets Review

Patrick Streeter asked a question of the Chairman of the Markets Committee concerning the possibility of a review into the future of Billingsgate and Smithfield markets. In response, the Chairman advised that a strategic review of the City's three wholesale markets had already been initiated; this would need to be a comprehensive review involving consultation with all interested parties.

In response to a supplementary question from Mr Streeter, the Chairman made clear that any review would need to be undertaken in a thorough and considered manner and would not be rushed. Officers would conduct the review as swiftly as prudently possible and he was hopeful that an initial report would be available for the Markets Committee by the end of the year.

Voter Registration

Tom Sleigh asked a question of the Chairman of the Policy and Resources Committee seeking clarity as to the progress of the annual canvas of voters for Ward Lists, including the number of voters in comparison to the previous year and the proportion of the eligible pool of potential voters. In reply, the Chairman set out the latest provisional figures and compared them to previous years, advising that the Policy and Resources Committee would be considering at its next meeting what steps could be taken to increase registration levels ahead of the 2017 elections.

Responding to supplementary questions from Tom Sleigh and James Tumbridge, the Chairman agreed to circulate the figures referred to in his response once they had been confirmed in February. He also noted the previous agreement whereby

electoral services officers, at the appropriate stage during the annual canvas, should be contacting those prospective voters who had previously expressed an interest in registering.

In replying to an additional supplementary question from John Fletcher, the Chairman reiterated that the Policy and Resources Committee would be looking at what could be done to increase registration and that thought would need to be given to producing guidance around appropriate methods by which the electorate could be engaged by Members.

In response to a further supplementary question from Keith Bottomley, the Chairman advised that he had only recently become aware of an issue concerning multi-occupied premises, whereby qualifying bodies were not able to register at the same premise as sole traders and partnerships. He noted that identifying the businesses that were located within shared workspaces could also be challenging, advising that the Town Clerk's Electoral Services and the City Occupier's Database teams were aware of the issues around registering voters in these types of premises and would continue to attempt to maximise registration at them through good intelligence on which businesses were in occupation, and providing clear advice and guidance to the businesses on the registration process. In addition, the Policy and Resources Committee would also be exploring what more could be done to ensure these new vital businesses had the opportunity to play their part in the democratic process.

10. Motions

*Chadwick,
R.A.H., Deputy;
Dove, W.H.,
O.B.E., J.P., Deputy*

Motion – “That James Tumbridge be appointed to the Culture, Heritage and Libraries Committee and that Marianne Fredericks be appointed to the Port Health and Environmental Services Committee, both for the Ward of Tower, in the room of Gerald Pulman?”

Resolved - That the Motion be agreed.

11. Awards and Prizes

There was no report.

12.

POLICY AND RESOURCES COMMITTEE

(Mark Boleat)

19 November 2015

(A) Election of Chief Commoner

The annual election of a Chief Commoner is conducted in accordance with Standing Order No. 18, as agreed following the 2011 Governance Review Process and as amended following the Post Implementation review in 2012. Whilst the election process had worked well to date, Members had identified a number of potential opportunities to enhance and further refine the parts of the process relating to the nomination of candidates for election.

The Policy and Resources Committee had considered these proposals, namely the introduction of an official “campaign period” and the introduction of an upper limit to

the number of nominations candidates can receive, and **recommended** that the Court of Common Council approve the introduction of an official start date of 1st September for prospective candidates to begin canvassing for support; the introduction of an upper limit to the number of nominations a candidate could receive, such that once ten nominations have been obtained the candidate would be considered to be validly nominated and no further names in support of their nomination would be accepted; and the requirement for candidates to submit the signatures of each of the ten Members nominating them to the Town Clerk in order to be considered validly nominated.

A number of Members queried the practicalities of the restriction on canvassing, seeking clarity as to what would be considered to constitute such an activity and how any transgressions would be adjudged and dealt with. It was suggested that a protocol would need to be produced to appropriately define this and that this would be a more suitable approach to dealing with this matter. It was felt therefore that the proposed amendment to Standing Order 18(6) should be removed from the recommendation.

Following debate the following amendment was considered:-

Hudson, M.;
Boleat, M

Amendment – That the recommendation concerning the introduction of an official start date of 1st September for prospective candidates to begin canvassing for support, along with the subsequent proposed amendment to Standing Order 18(6), be withdrawn from the Motion being put.

Upon the Question being put, the Lord Mayor declared the amendment to be carried.

The original Motion, as amended, being before the Court.

Resolved – That approval be given to:-

- The introduction of an upper limit to the number of nominations a candidate can receive, such that once ten nominations have been obtained the candidate is considered to be validly nominated and no further names in support of their nomination will be accepted;
- The requirement for candidates to submit the signatures of each of the ten Members nominating them to the Town Clerk in order to be considered validly nominated; and
- The consequent amendments to Standing Order 18(5) as set out in the report.

19 November 2015

(B) Elections to Single Vacancies

Following the various ballots for places on Committees undertaken at the 23 April meeting of the Court of Common Council, the suggestion was made at a meeting of the Policy and Resources Committee that alternative voting arrangements should be explored. This was with a view to achieving a fairer and more open democratic process and one that would ensure that those elected had a significant proportion of support from the full Court.

The Policy and Resources Committee had since considered a number of potential systems and was minded that the introduction of an Alternative Vote (AV) system for electing to single vacancies on committees would increase the fairness of the process. This report provided an explanation as to the practicalities and advantages of an AV electoral method and detailed how such a system would work and **recommended** its adoption for elections to single vacancies.

Resolved – That the implementation of an Alternative Vote system be agreed for Court of Common Council elections to single vacancies, with the requisite amendments to Standing Orders approved as set out at Appendix 2

10 December 2015

(C) Governance of City Sole Sponsored Academies

The City of London Corporation is the sole sponsor for one secondary academy and one primary academy (Redriff, affiliated to Southwark Academy), and had been approved to progress to the ‘Pre-opening Phase’ for two new primary academies, for which the City Corporation would also be sole sponsor. The Corporation also co-sponsors Hackney Academy (with KPMG) and the City of London Academy Islington (with City University). The current structure reflected the organic development of the City of London Corporation academy offer over the last decade. Overall it lacked coherence and did not reflect best practice in academy governance as recommended by the Department for Education.

The Policy and Resources Committee and Education Board **recommended** that to address this lack of coherence and deliver best practice in the governance of the City of London academies, the existing Southwark Multi Academy Trust (MAT) be ‘scaled up’ into the new corporate governing body for all of the City of London Corporation’s existing and future sole sponsored academies, with an associated change of name to become the “City of London Academies”.

Responding to queries raised Deputy Bill Fraser, the Chairman provided reassurance that there was no intention to appropriate any reserves or funds set aside by the City of London Academy Southwark (CoLAS) to pay for any other school’s activities. He added that he would expect the sixth form expansion plans at CoLAS to continue, but noted that this would ultimately be a matter for the Multi-Academy Trust’s Board of Trustees to decide upon. Similarly, the character of each of the individual schools would also be a matter for the Board of Trustees, but each should of course have their own characters reflecting the roles they play in their local communities. The Chairman clarified that the proposals being made were not intended in any way to threaten what the Academies had achieved to date but were simply concerned with putting in place strong governance arrangements.

Resolved – That:

- i) The City of London Corporation have one legal entity to continue to deliver the academies for which it is sole-sponsor and that this entity should be the City of London Academies (Southwark) (“Southwark MAT”);
- ii) The City of London Primary Academy Islington (COLPAI) undertaking should be transferred to Southwark MAT and the COLPAI company be wound up and this

- recommendation be made to the members of that company who are all City Corporation officers and elected Members;
- iii) Consistent with (1) above the City Corporation recommend to the Southwark MAT that the company change its name to the “City of London Academies” and that the registered office be transferred to the Guildhall;
 - iv) The City Corporation as sponsor exercises its rights to make the following changes to the Southwark MAT’s company members –
 - a. by replacing the current members (whether by resignation or removal); and
 - b. to appoint up to four new members of the company, to be the Chairman and a Deputy Chairman of the Policy Committee, and the Chairman and Deputy Chairman of the Education Board.
 - v) It be recommended to the members of the company, once appointed under 4 (b) above, that they adopt new Articles of Association effective on a named date (“the transition date”) which reflect the current Department for Education (DfE) model multi-academy trust (MAT) Articles of Association and which provide for a smaller Board of Directors/Trustees which will be responsible for the strategic direction of the company (and which provide the City Corporation as sponsor with the right to appoint and to remove up to six Directors/Trustees, the City Corporation having majority appointment rights), which Board will hold the ultimate legal accountability for the educational outcomes of the company’s academies, the management of its finances and all regulatory compliance;
 - vi) Subject to the company members adopting new Articles of Association as proposed, that at the transition date –
 - a. the City Corporation agree to be appointed as a corporate member of the company and to appoint the Town Clerk (and his representatives appointed under the City Corporation’s Officer Scheme of Delegations) to be its authorised representative(s) for that purpose;
 - b. the existing Board of Directors be removed; and
 - c. the City Corporation appoint up to six Directors/Trustees to consist of two Directors/Trustees nominated by the Policy Committee, two Directors/Trustees nominated by the Education Board, and the Chairman and Deputy Chairman of the Education Board;
 - vii) The Town Clerk, in consultation with the Chairman and Deputy Chairman of the Education Board be given delegated authority, in consultation with the Director of Community and Children’s Services and the Comptroller and City Solicitor, to take any other decisions relating to the above (including any negotiations with the Department for Education) necessary to implement the proposal that the City have one academy trust company to deliver its sole-sponsored academies.

19 November 2015

(D) Review of Grant Giving Activity

As part of the Service Based Review (SBR) process, a review of the grant giving activities of the City of London Corporation under City Fund and City’s Cash was commissioned. This review excluded the activities of the City Bridge Trust. The objective was to analyse the grants programmes offered by the Corporation to

make a more consistent approach to grant giving, improve value for money and increase impact.

The review was conducted by officers and proposals were presented to the Policy and Resources Committee in May 2015, which agreed the overall approach. The report provided information of the review of the proposals by each of the relevant Service Committees. The broad outcome of this was that a new process for the making of grants would come into effect, which would be:

- The Resource Allocation Sub (Policy and Resources) Committee identifies various priorities for grant giving activities for the coming year.
- The relevant Service Committee considers the applications related to priorities within their area of responsibilities.
- The Finance Grants (Sub) Committee provides monitoring of the grants which have been awarded, and reports annually to Resource Allocation Sub (Policy and Resources) Committee on the effectiveness of the scheme.

The changes to the process for the awarding of grants would require the amendment to the Terms of Reference of various Committees. Proposed amendments to the Terms of Reference were set out within the report and would be submitted to the Court for approval within the White Paper in April 2016.

It was **recommended** that the Court receive this report for information.

Resolved – That the report be received.

13. **HOSPITALITY WORKING PARTY OF THE POLICY AND RESOURCES COMMITTEE**

(Billy Dove, O.B.E., J.P., Deputy, Chief Commoner)

11 December 2015

(A) Applications for the Use of Guildhall

In accordance with the arrangements approved by the Court on 21 June 2001 for the approval of applications for the use of Guildhall, the Court was informed of the following applications which had been agreed to:-

| <u>Name</u> | <u>Date</u> | <u>Function</u> |
|--|---|-------------------------|
| Institute of Fiscal Studies | Monday 8 February 2016 | Conference |
| Global Capital | Wednesday 25 May 2016 | Dinner |
| E-Act | Friday 8 July 2016 | Lunch |
| ifs School of Finance | Friday 9 September 2016 | Graduation |
| Emunah | Monday 12 September 2016 | Dinner |
| City of London Pensioners' Reunion Committee | Monday 7 November 2016 | Lunch |
| Mulberry | Thursday 18 February 2016 to Monday 22 February | Fashion Show and set-up |

Resolved – That the various applications be noted.

11 December 2015

100 Years of Anglo-Irish Relations: Lecture and Reception

In March, the Government of Ireland announced the launch of a national and international programme of events to commemorate the 100th anniversary of the Easter Rising. To mark the occasion, it was proposed that the President of Ireland be invited to deliver a lecture on the significance of the centenary and the future of Anglo-Irish relations. This would provide an opportunity for the City to develop and strengthen links and relationships formed during the State Visit in 2015. The lecture would be followed by reception and high level dinner.

It was **recommended** that hospitality be granted for a lecture, reception and private dinner at Guildhall with arrangements to be made under the auspices of the Policy and Resources Committee; the costs to be met from City's Cash and within the approved parameters.

This was to be a Committee event.

In response to a question from Edward Lord, the Chief Commoner gave assurances that the Governor, Deputy Governor and Assistants of The Honourable The Irish Society would form part of the host element for the event.

Resolved – That hospitality be granted and that the arrangements be made under the auspices of the Policy and Resources Committee; the costs to be met from City's Cash and within the approved cost parameters.

14.

FINANCE COMMITTEE

(Roger Arthur Holden Chadwick, Deputy)

15 December 2015

(A) Council Tax Reduction Scheme

Until 2013 there was a national Council Tax Benefit scheme to assist people on low incomes with their council tax bills. This was replaced by a locally determined Council Tax Reduction Scheme (CTRS) from the financial year 2013/14. The Government defined a default scheme which was almost identical to the old Council Tax Benefit scheme. To protect residents on low incomes, the City of London Corporation adopted the Government's default scheme and subsequently has kept the CTRS in line with Government increases of benefits generally.

However, changes having been made to national benefits in the July 2015 budget meant that the Scheme would no longer be compliant with legislation. Changes would therefore be required from 2016/17. As this would be a change to the Council Tax scheme, approval would be required from the Court of Common Council. It is obligatory to consult on any changes to the scheme and hence consultation was undertaken with all council tax payers on two options.

Option One was to introduce revised applicable amounts, personal allowances, backdating and non-dependant deductions, keeping these in line with Housing Benefit. This would protect existing claimants from possibly being worse off, although it would also limit backdating in future for new claimants and it would keep

the administration of CTRS in line with Housing Benefit. This was the option recommended to Council Tax payers.

Option Two was to make technical adjustments to allow the current scheme to continue broadly as at present, including the current rates of applicable amounts, personal allowances and non-dependant deductions. This would potentially make some claimants worse off and would cause the CTRS to be less aligned with Housing Benefit and other national benefits, but would continue to allow longer backdating for new claimants.

Consultation letters had been sent to 5,800 council tax payers, from whom there were 178 responses. 140 of these responses favoured Option One, 34 favoured Option Two and four stated no preference. Option One was therefore recommended as it would help protect the most vulnerable City residents, and was the preferred option from the consultation. Your Finance Committee agreed that this was the most appropriate option and **recommended** its adoption to the Court accordingly.

Resolved – That the introduction of a new Council Tax Reduction Scheme, with applicable amounts, personal allowances, backdating and non-dependent deductions in line with the Housing Benefit Scheme (Option One as set out in the report) be approved.

15 December 2015

(B) City of London Corporation Pension Fund Deficit

At the Court of Common Council meeting on 15 October 2015, Honourable Members asked questions regarding the Pension Fund deficit. It was agreed that the Finance Committee would provide a report on this matter to the Court to clarify the position; this paper had consequently been submitted to explain the position.

It was **recommended** that the Court receive the report.

Resolved – That the report be received.

17 November 2015

(C) City's Cash Financial Statements 2014/15

On 23 May 1996, the Court authorised the Finance Committee to approve, amongst other things, the Annual Report and Financial Statements for City's Cash. The Committee had duly considered and approved the Annual Report and Financial Statements for the year ending 31 March 2015.

Copies of the Statement had been placed in the Members' Reading Room and were available on the City's website. The management letter from Moore Stephens on its audit of the funds had been circulated for the information of the Court. In addition, the Annual Report and Financial Statements and Moore Stephens' management letter had also been published on the City's website.

It was accordingly **recommended** that the Court receive the 2014/15 City's Cash Statement of Accounts.

In response to a question from the Reverend William Campbell-Taylor, it was also confirmed that an accessible summary document would be produced as in previous years.

Resolved – That the 2014/15 City's Cash Statement of Accounts be received.

15.

PLANNING AND TRANSPORTATION COMMITTEE

(Michael Welbank, M.B.E.)

17 November 2015

Surplus Arising for On-Street Parking 2014/15 and Utilisation of Accrued Surplus

The City of London in common with other London authorities is required to report to the Mayor for London on action taken in respect of any deficit or surplus in its On-Street Parking Account for a particular financial year.

Member were advised that:

- the surplus arising from on-street parking activities in 2014/15 was £5.786m;
- a total of £6.452m, was applied in 2014/15 to fund approved projects; and
- the surplus remaining on the On-Street Parking Reserve at 31st March 2015 was £14.987m, which would be wholly allocated towards the funding of various highway improvements and other projects over the medium term.

The Court was recommended to note the contents of the report and approve its submission to the Mayor of London.

Resolved – That the report be approved for submission to the Mayor of London.

16.

THE CITY BRIDGE TRUST COMMITTEE

(Jeremy Mayhew)

26 November 2015

Proactive Grants for Strategic Initiatives

In the light of changes to the City Bridge Trust's operating environment, in particular, the reduction of approximately 40% in London Boroughs' budgets and the reduction in grant funding available at a time when many organisations faced increased demand, greater calls upon the Trust's resources from charitable organisations was anticipated. In response, the Trust had decided to make a shift in the balance in its funding – from its reactive grant-making (i.e. grants made in response to applications to its 'Investing in Londoners' grants programme) to more proactive grant making – from a circa 90:10 ratio to 80:20. This was intended to allow for more strategic responses, informed by the reactive work. At the same time, the Trust would be improving the transparency and processes of its proactive grant-making.

The City Bridge Trust Committee **recommended** that the Court of Common Council note its recent decisions, namely, that:

- up to 20% of the City Bridge Trust Committee's total annual grants budget would now be committed through proactive grant-making (not including the £1m

strategic grant to the Prince's Trust);

- up to one-quarter of this 20% (i.e. 5% of the annual proactive grants budget) would be ring-fenced for the consideration of grant proposals that fall outside of the reactive grants programme criteria, but which were informed by those criteria, and/or the broader evidence of need; and
- a number of improvements, filters and prioritisation guidance for proactive grants, as summarised in the report and attached appendix, had been agreed.

The proposed increase in the budget for strategic grants would not affect the monies available for the regular grants programme, nor the allocation to the Prince's Trust.

Resolved – That the amendments to the City Bridge Trust's grant-making approach be noted.

17. LICENSING COMMITTEE

(Marianne Bernadette Fredericks)

21 October 2015

Gambling Act 2005 – Review of Statement of Licensing Principles

The Gambling Act 2005 requires all licensing authorities to produce and publish a Statement of Licensing Principles ('policy'). As prescribed by the statutory timetable the City Corporation produced its first such statement at the time the Act came into force in January 2007. The legislation requires that all authorities review their policy at three yearly intervals. The Policy was last reviewed in January 2013 and therefore was required to be reviewed by January 2016.

The Licensing Committee had recently reviewed the City's policy and undertaken consultation on a proposed new policy, with the intention of publishing the new document by the end of January 2016. The new policy contained minor administrative amendments to reflect some of the latest guidance issued by the Gambling Commission and, as such, was intended to be an interim policy until a more substantial policy fully reflecting the government's changes to published guidance could be brought before Members for approval before the end of 2016.

The Deputy Chairman advised that the consultation period for the policy being proposed had concluded on 13 January 2016 and advised the Court that no substantial comments had been received to alter the policy as recommended.

It was therefore **recommended** that the draft Statement of Licensing Principles, as set out in the Appendix, be approved as the text of the City of London Statement of Licensing Principles.

Resolved – that the draft Statement of Licensing Principles, as set out in the Appendix to the report, be approved as the text of the City of London Statement of Licensing Principles.

18. *Resolved* – That the public be excluded from the meeting for the following items of business below on the grounds that they involve the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act, 1972, or which fall under paragraph 100A(2) of the Local Government Act 1972 relating to confidential information that would be disclosed in breach of an obligation of confidence by a department of Her Majesty's Government.

Summary of exempt items considered whilst the public were excluded:-

19. *Resolved* – That the non-public Minutes of the last Court are correctly recorded.

Application for Hospitality

20. The Court agreed the provision of hospitality to coincide with the forthcoming State Visit of His Majesty the King of Spain and approved the terms of an Address of Welcome.

The meeting commenced at 1.00 pm and ended at 2.20 pm

BARRADELL.

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List of Applications for the Freedom

To be presented on Thursday, 3rd March, 2016

To the Right Honourable The Lord Mayor, Aldermen and Commons of the City of London in Common Council assembled.

Set out below is the Chamberlain's list of applicants for the Freedom of the City together with the names, etc. of those nominating them.

| | | |
|---|--|--|
| Squadron Leader Michael John Daly, MBE <i>Professor Sir Arnold Wolfendale Clinton Eliot Leeks</i> | a University Bursar <i>Citizen and Clockmaker Citizen and Constructor</i> | Durham |
| Richard Stephen Kelly <i>Scott Marcus Longman John Alexander Smail</i> | a Researcher <i>Citizen and Blacksmith Citizen and Distiller</i> | Bristol |
| Anthony Frederic Cordonnier <i>Edward Archer Windsor Clive Alfred Bain</i> | a Reinsurance Underwriter <i>Citizen and Turner Citizen and Turner</i> | South Woodford, Redbridge |
| Teresa Mary Waller-Bridge <i>George Alexander Bastin Colonel Hamon Patrick Dunham Massey</i> | an Assistant Clerk <i>Citizen and Ironmonger Citizen and Loriner</i> | Battersea |
| Paul Flowerday <i>Mark Douglas EStaugh Christopher Roberts</i> | a Bursar <i>Citizen and Wheelwright Citizen and Blacksmith</i> | Rudgwick, West Sussex |
| Daniel Oliver Lewis Winkworth <i>Anthony John Keith Woodhead Anne Elizabeth Holden</i> | a Railway-Signalling Installer <i>Citizen and Tax Adviser Citizen and Basketmaker</i> | Barnet, Hertfordshire |
| Jacqueline Anne Gibbons <i>George Raymond Gibson Neil Frederick Purcell</i> | a Professor Emeritus <i>Citizen and Air Pilot Citizen and Painter Stainer</i> | Toronto, Ontario, Canada |
| Timothy James Lewis <i>Donald Howard Coombe, MBE David Peter Coombe</i> | a Travel Consultant <i>Citizen and Poulter Citizen and Poulter</i> | Blackheath, Royal Borough of Greenwich |
| Anne Christiansen <i>Richard David Regan, OBE, Deputy John Michael Pocock</i> | an Operations Director <i>Citizen and Cutler Citizen and Cutler</i> | Lewisham |

| | | |
|--|--|--|
| Anne-Marie Craven <i>Ronald Gulliver David Henry Clifton Griffiths</i> | a Tour Guide <i>Citizen and Farrier Citizen and Farrier</i> | Camden |
| Robert Michael Tilbury <i>Henry Llewellyn Michael Jones, Deputy Stanley Ginsburg, JP, Deputy</i> | a Senior Fraud Investigator <i>Citizen and Common Councilman Citizen and Glover</i> | Upminster, Essex |
| James Kenneth Emery <i>Michael Peter Cawston Geoffrey Douglas Ellis</i> | a Police Officer <i>Citizen and Tyler and Bricklayer Citizen and Joiner</i> | Billericay, Essex |
| James Grigsby Smith <i>Catherine Sidony McGuinness, Deputy Wendy Mead, OBE, CC</i> | a Garden Maintenance Company Director, retired <i>Citizen and Solicitor Citizen and Glover</i> | Snodland, Kent |
| Anthony Robert Wilson <i>James Edward Pullum Gary Mankelow</i> | a Transport Planning Manager <i>Citizen and Hackney Carriage Driver Citizen and Hackney Carriage Driver</i> | Southwark |
| Stephen Ernest John Raven <i>Terry Kenneth Morris David Roger Anthony John Formosa</i> | a Member of the London Stock Exchange, retired <i>Citizen and Pewterer Citizen and Fruiterer</i> | Esher, Surrey |
| Simon Philip Shalgosky <i>Stuart John Fraser, CBE, CC Roger Arthur Holden Chadwick, Deputy</i> | a Television Company Head of Development <i>Citizen and Fletcher Citizen and Bowyer</i> | Ashtead, Surrey |
| Jodi-Lynne Shalgosky <i>Stuart John Fraser, CBE, CC Roger Arthur Holden Chadwick, Deputy</i> | an Admissions Officer <i>Citizen and Fletcher Citizen and Bowyer</i> | Ashtead, Surrey |
| Colin Richard Watts <i>Richard Leslie Springford Richard Stuart Goddard</i> | a Marine Consultant <i>Citizen and Carman Citizen and Shipwright</i> | Huntham, North Curry, Taunton, Somerset |
| Janet Alison Smith <i>Anthony Sharp Keith Cledwyn Williams</i> | a Human Resources Consultant <i>Citizen and Loriner Citizen and Framework Knitter</i> | Snitterfield, Warwickshire |
| Stewart William Bell <i>Anthony Sharp Keith Cledwyn Williams</i> | a Finance Director, retired <i>Citizen and Loriner Citizen and Framework Knitter</i> | Snitterfield, Warwickshire |
| Brian Robert Lewis <i>Anthony Ben Charlwood Donald Newell</i> | a Pharmacist <i>Citizen and Basketmaker Citizen and Pattenmaker</i> | Westerham, Kent |
| Massimo Antoci <i>Michael Alan Rutherford Shravan Joshi</i> | a Business Executive (retired) <i>Citizen and Management Consultant Citizen and Fueller</i> | Rome, Italy |
| Nicole Michele Straker <i>Anthony Sharp Keith Cledwyn Williams</i> | an Executive Assistant <i>Citizen and Loriner Citizen and Framework Knitter</i> | Woolwich Arsenal |

| | | |
|--|---|---|
| Mark Hugh Nunns <i>Robert George Williams</i> <i>Christopher Punter, CC</i> | a Banker <i>Citizen and Information Technologist</i> <i>Citizen and Information Technologist</i> | Twickenham, Middlesex |
| Raymond William Clement <i>John Edmund Maccabe</i> <i>Catherina Anastasia Leonis Maccabe</i> | a Civil Engineer, retired <i>Citizen and Horner</i> <i>Citizen and Farrier</i> | Green Street Green, Orpington, Kent |
| Josephine Alison Crabb <i>Squadron Leader Antony Christopher</i> <i>Harley Farnath</i> <i>Virginia Susan Farnath</i> | a Solicitor <i>Citizen and Educator</i> <i>Citizen and Educator</i> | Cookham, Maidenhead, Berkshire |
| James Edward Cracknell <i>Alison Jane Gowman, Ald.</i> <i>Sir David Wootton, Kt., Ald.</i> | an Olympic Athlete <i>Citizen and Glover</i> <i>Citizen and Fletcher</i> | Chiswick |
| Lyndon Michael Jones <i>Thomas Anthony Denne</i> <i>John William Arthur Reuther</i> | a Police Officer, retired <i>Citizen and Pattenmaker</i> <i>Citizen and Pattenmaker</i> | Faversham, Kent |
| Richard John Feather <i>John Edmund Maccabe</i> <i>Catherina Anastasia Leonis Maccabe</i> | an Insurance Operations Director, retired <i>Citizen and Horner</i> <i>Citizen and Farrier</i> | Rayleigh, Essex |
| Francis Matthew Haggerty, MBE <i>David Robert Boston</i> <i>Frederick Joseph Trowman</i> | a United National Operative, retired <i>Citizen and Gold & Silver Wyre</i> <i>Drawer</i> <i>Citizen and Loriner</i> | Erimi, Limassol, Cyprus |
| George William Helon, JP <i>Frederick Joseph Trowman</i> <i>David Robert Boston</i> | an Historian, retired <i>Citizen and Loriner</i> <i>Citizen and Gold & Silver Wyre</i> <i>Drawer</i> | Kearneys Spring, Queensland, Australia |
| Sarah Nevin Locker <i>David Andrew Harry McGregor Smith,</i> <i>CBE</i> <i>Jonathan Martin Avern</i> | a Police Officer, retired <i>Citizen and Cook</i> <i>Citizen and Fletcher</i> | Woodford Green, Essex |
| Pamela Kay Anson <i>Anthony Ben Charlwood</i> <i>Aileen Elizabeth Wells-Martin</i> | a Financial Services Company Director <i>Citizen and Basketmaker</i> <i>Citizen and Basketmaker</i> | Chiswick |
| Ryan John Dignam <i>Henry Llewellyn Michael Jones, Deputy</i> <i>Stanley Ginsburg, JP, Deputy</i> | a Stockbroker <i>Citizen and Common Councilman</i> <i>Citizen and Glover</i> | Mottingham |
| Richard John Woodgate <i>Peter Ronald Elliott</i> <i>Michael Gerald Whyte</i> | a Delivery Driver <i>Citizen and Blacksmith</i> <i>Citizen and Blacksmith</i> | Orpington, Kent |

| | | |
|--|---|--------------------------------------|
| Philippa Tamsin Watmough <i>Daniel Edward Doherty</i> <i>Steven Howard Rowe</i> | a Property Investment Director <i>Citizen and Marketor</i> <i>Citizen and Marketor</i> | Chelsea |
| Scott Paul Gouldsbrough <i>Scott Marcus Longman</i> <i>John Alexander Smail</i> | an IT Consultant <i>Citizen and Blacksmith</i> <i>Citizen and Distiller</i> | Easton, Bristol |
| Xohan Duran <i>Scott Marcus Longman</i> <i>Peter Ronald Elliott</i> | a Heating Company Director <i>Citizen and Blacksmith</i> <i>Citizen and Blacksmith</i> | Borehamwood, Hertfordshire |
| Jeremy Withers Green <i>Timothy John Delano Cunis</i> <i>Richard Cawton Cunis</i> | an Investment Banker, retired <i>Citizen and Merchant Taylor</i> <i>Citizen and Mercer</i> | Hammersmith |
| Artur Przemyslaw Gajewski <i>Scott Marcus Longman</i> <i>George Henry Capon</i> | an Information Technology Consultant <i>Citizen and Blacksmith</i> <i>Citizen and Blacksmith</i> | Walthamstow |
| Angelo Musa <i>Frederick Joseph Trowman</i> <i>David Robert Boston</i> | a Carabinieri <i>Citizen and Loriner</i> <i>Citizen and Gold & Silver Wyre Drawer</i> | Ferentino, Italy |
| Lesley Margaret Parker <i>Sir David Brewer, Kt., CMG, CVO</i> <i>Sir David Wootton, Kt., Ald.</i> | a Senior Social Services Manager, retired <i>Citizen and Merchant Taylor</i> <i>Citizen and Fletcher</i> | Hornsea, East Yorkshire |
| Professor Dame Henrietta Louise Moore, DBE <i>Paula Shea Tomlinson</i> <i>John Tomlinson, Deputy</i> | a University Professor <i>Citizen and Gardener</i> <i>Citizen and Fletcher</i> | Bloomsbury |
| Charles Richard Goulden <i>Sir Roger Gifford, Kt., Ald.</i> <i>Carl Geoffrey Eriksson</i> | a Management Consultant <i>Citizen and Musician</i> <i>Citizen and Gunmaker</i> | York, Yorkshire |
| Dean Travis Smith <i>George Raymond Gibson</i> <i>Neil Frederick Purcell</i> | a Chartered Accountant <i>Citizen and Air Pilot</i> <i>Citizen and Painter-Stainer</i> | Wainfleet, Ontario, Canada |
| William Dermot O'Grady <i>Henry Llewellyn Michael Jones, Deputy</i> <i>Stanley Ginsburg, JP, Deputy</i> | a Construction Company Director <i>Citizen and Common Councilman</i> <i>Citizen and Glover</i> | Killorglin, County Kerry, Ireland |
| Richard Andrew Hearn <i>Stephen Decatur Haines, Deputy</i> <i>Catherine Sidony McGuinness, Deputy</i> | The Dean of St George's Cathedral <i>Citizen and Pewterer</i> <i>Citizen and Solicitor</i> | Southwark |
| Michael Patrick Fosberry <i>Gerald Albert George Pulman, JP</i> <i>Christopher Michael Hayward, CC</i> | a Financial Services Director <i>Citizen and Basketmaker</i> <i>Citizen and Pattenmaker</i> | Denham, Middlesex |

| | | |
|--|---|---|
| <p>Jennifer Cooke <i>His Hon. Judge Nicholas Richard Maybury Hilliard, QC Alderman & Sheriff Charles Edward Beck Bowman</i></p> | <p>a Crown Court Usher <i>Citizen and Wax Chandler</i></p> <p><i>Citizen and Grocer</i></p> | <p>Village Way, Dulwich</p> |
| <p>Sally Anne Bromley <i>Neville John Watson Peter Francis Clark</i></p> | <p>a College Principal <i>Citizen and Fletcher Citizen and Mason</i></p> | <p>Worthing, West Sussex</p> |
| <p>His Excellency Khalid Alwaleed Al-Hail <i>Mervyn Doreen Redding Lawrence John Day</i></p> | <p>an Entrepreneur <i>Citizen and Basketmaker Citizen and Maker of Playing Cards</i></p> | <p>Royal Arsenal Riverside, Woolwich, London</p> |
| <p>His Excellency Enrique Austria Manalo <i>Alan Buchan Michael Alan Rutherford</i></p> | <p>a Diplomat <i>Citizen and Management Consultant Citizen and Management Consultant</i></p> | <p>Chiswick, London</p> |
| <p>Professor Denis Jean-Marie Kessler <i>Andrew John Hubbard Gerard Graham Dickinson</i></p> | <p>an Insurer <i>Citizen and Insurer Citizen and Insurer</i></p> | <p>Paris</p> |
| <p>Sir Thomas Boaz Allen, CBE <i>Sir Roger Gifford, Kt., Ald. Andrew Charles Parmley, Ald.</i></p> | <p>a Singer <i>Citizen and Musician Citizen and Musician</i></p> | <p>Parsons Green</p> |
| <p>Jane Victoria Barker, CBE <i>Mark John Boleat, CC Hugh Fenton Morris, CC</i></p> | <p>an Insurance and Consulting Company Director <i>Citizen and Insurer Citizen and Maker of Playing Card</i></p> | <p>Southwark</p> |
| <p>Her Excellency Chi Hsia Foo <i>Sir Alan Colin Drake Yarrow, Kt., Ald. Mark John Boleat, CC</i></p> | <p>The High Commissioner of Singapore <i>Citizen and Fishmonger Citizen and Insurer</i></p> | <p>Belgravia</p> |
| <p>Ludovic Bizouard De Montille <i>Mark John Boleat, CC Sir Roger Gifford, Kt., Ald.</i></p> | <p>an International Banking Chairman <i>Citizen and Insurer Citizen and Musician</i></p> | <p>Royal Borough of Kensington and Chelsea</p> |
| <p>Julian Benjamin Pipe, CBE <i>The Rt. Hon The Lord Mayor Mark John Boleat, CC</i></p> | <p>a London Borough Mayor <i>Citizen and Insurer</i></p> | <p>Hackney</p> |

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ITEM 8

Report – City Remembrancer

Measures introduced into Parliament which may have an effect on the services provided by the City Corporation

To be presented on Thursday, 3rd March 2016

*To the Right Honourable The Lord Mayor, Aldermen and Commons
of the City of London in Common Council assembled.*

| <u>Measure</u> | <u>Date in force</u> |
|--|-----------------------------|
| The Council Tax Reduction Schemes (Prescribed Requirements) (England) (Amendment) Regulations 2015, S.I. No. 2041 | 14 January 2016 |
| The London Underground (Bank Station Capacity Upgrade) Order 2015, S.I. No. 2044 | 12 January 2016 |
| The Greater London Authority Elections (Amendment) Rules 2016, S.I. No. 24 | 1 May 2016 |
| The Public Service Pensions Revaluation (Earnings) Order 2016, S.I. No. 95 | 1 April 2016 |
| The Self-build and Custom Housebuilding (Register) Regulations 2016, S.I. No. 105 | 1 April 2016 |
| The Non-Domestic Rating (Small Business Rate Relief) (England) (Amendment) Order 2016, S.I. No. 143 | 1 April 2016 |
| The Environmental Permitting (England and Wales) (Amendment) Regulations 2016, S.I. No. 149 | 13 May 2016 |

(The text of the measures and the explanatory notes may be obtained from the Remembrancer's office.)

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Report – Chairman of the Port Health and Environmental Services Committee

Awards and Prizes

To be presented on Thursday, 3rd March 2016

To the Right Honourable The Lord Mayor, Aldermen and Commons of the City of London in Common Council assembled.

Local Authority Awards

“I am delighted to announce that the City of London Corporation received Gold in the Small Local Authority category and the Overall Winner award at the Chartered Institution of Waste Management Clean Britain Awards 2015. The Clean Britain Awards recognise the work of local authority street scene teams in keeping our public places and spaces clean and safe, for everyone to enjoy. The Gold Award for Small Local Authority and the Overall Winner Award are both the highest levels achievable and demonstrate the City Corporation’s ability to provide service innovation and deliver new campaigns, initiatives, and prevention measures.

I am also delighted to announce that in February 2016 the City of London Corporation was named Local Authority of the Year by Keep Britain Tidy. This award rewards the City Corporation’s excellence and innovation in improving local environmental quality and enables us to share our good practices with other Keep Britain Tidy Network members.”

I commend this achievement to the Court.”

DATED this 19th day of January 2016.

SIGNED on behalf of the Committee.

Wendy Mead, O.B.E.
Chairman, Port Health and Environmental Services Committee

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ITEM 15(B)

Report – Policy and Resources Committee Health and Social Care Scrutiny Committee

To be presented on Thursday, 3rd March 2016

*To the Right Honourable The Lord Mayor, Aldermen and Commons of
the City of London in Common Council assembled.*

SUMMARY

1. In light of the impact of national developments on the way local authorities exercise their health overview and scrutiny function, your Policy and Resources Committee has considered the health and social care scrutiny functions of the City Corporation's Health & Social Care Scrutiny Sub-Committee's and the associated governance implications. This follows a review over seen by the Sub-Committee itself. The review highlighted the need to scrutinise not just the social care provided by external organisations but by the Corporation itself and organisations it has commissioned.
2. As a result of this we have agreed in principle to set up a new stand-alone Committee with the combined responsibility for scrutiny of health and social care and to dissolve the existing Sub-Committee. We now ask the Court to approve the creation of a Health & Social Care Scrutiny Committee with terms of reference and constitution as set out at Appendix 1.

RECOMMENDATION

3. That a new Health & Social Care Scrutiny Committee be established with terms of reference and constitution as attached at Appendix 1 and that Standing Order 29 (3) be amended to enable the Chairman of the Committee to also be the Chairman of another Committee at the same time.

MAIN REPORT

Background

1. Over the past year the Health & Social Care Scrutiny Sub-Committee has reviewed its scrutiny functions. There was a consistent view that the issues and organisations looked at were heavily weighted towards health compared to social care, and this was further complicated by the fact that looking at 'health' tended to mean looking at organisations external to the City Corporation while 'social care' would include the Corporation itself and organisations it has commissioned.
2. As a result of the potential for conflicts of interest, the Health & Social Care Scrutiny Sub-Committee felt that the Sub-Committee should be dissolved and that combined responsibility for the scrutiny of health and social care should be

retained under a new stand-alone Health & Social Care Scrutiny Committee. Your Policy and Resources Committee concurs with this view.

Composition and Terms of Reference

3. A number of options for serving on the Health & Social Care Scrutiny Committee, including the option of allowing Members to sit on both the new Committee and the Community & Children's Services Committee (albeit in a minority). However, whilst this would go some way towards mitigating any conflicts of interest, it would not prevent all potential problems.
4. In light of this and guidance from the Department of Health, we propose that no Member of the Community & Children's Services Committee or the Health & Wellbeing Board should serve on a new Health & Social Care Scrutiny Committee. This is consistent with existing arrangements whereby those Members of the Health & Wellbeing Board elected by the Court of Common Council cannot be Members of the Health & Social Care Scrutiny Sub-Committee.
5. In view of the proposed restrictions on the 'pool' of Members available to constitute the Health & Social Care Scrutiny Committee, we believe that the new Health & Social Care Committee should be one listed as an exception under Standing Order 29(3) in terms of dual Chairmanship.
6. To ensure this new stand-alone Committee is in-line with those in neighbouring boroughs, the constitution and terms of references for those Health Scrutiny Committees were reviewed. The arrangements previously applied to the Health & Social Care Scrutiny Sub-Committee are comparable to Health Scrutiny Committees elsewhere therefore we believe that the terms of reference of the Health & Social Care Scrutiny Sub-Committee should be retained for the new stand-alone Committee. It is also proposed that membership of the new Committee remains at six Members of the Court of Common Council together with a co-option from Healthwatch City of London.

All of which we submit to the judgement of this Honourable Court.

DATED this 21st day of January 2016.

SIGNED on behalf of the Committee.

Mark Boleat
Chairman, Policy and Resources Committee

HEALTH & SOCIAL CARE SCRUTINY COMMITTEE

1. **Constitution**

A non-Ward Committee consisting of

- Any 6 Members appointed by the Court of Common Council
- 1 Co-opted Healthwatch representative.

The above shall not be Members of the Community & Children's Services Committee or the Health & Wellbeing Board.

2. **Quorum**

The quorum consists of any three Members. [N.B. - the co-opted Member does not count towards the quorum]

3. **Terms of Reference**

To be responsible for:-

- (a) fulfilling the City's health and social care scrutiny role in keeping with the aims expounded in the Health and Social Care Act 2001 and Part 14 of the Local Government and Public Health Act 2007 (Patient and Public Involvement in Care and Social Care);
- (b) agreeing and implementing an annual work programme; and
- (c) receiving and taking account of the views of relevant stakeholders and service providers by inviting representations to be made at appropriate meetings.

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ITEM 15(C)

Report – Policy and Resources Committee

Report of Urgent Action Taken: London Councils Grants Scheme 2016/17 Levy

To be presented on Thursday 3rd March 2016

To the Right Honourable The Lord Mayor, Aldermen and Commons of the City of London in Common Council.

SUMMARY

1. The City of London Corporation is responsible for issuing the annual levies for subscriptions to all the constituent councils of the London Councils Grants Scheme (LCGS). The Court of Common Council can only consider the levies if at least two-thirds of the constituent councils (i.e. 22 out of 33 of the London local authorities) have approved the total expenditure to be incurred under the Grants Scheme.
2. Having received confirmation from London Councils that the budget had been agreed by over two thirds of the Constituent Councils, the approval of the Court was sought under the urgency procedures to issue the levies before the statutory deadline of 15 February 2016.
3. We therefore report that on 2 February 2016, approval was given in accordance with Standing Order No. 19 to issue the levies as set out in the appendix of this report.

Main Report

1. The budget for the London Councils Grants Scheme and the City of London Corporation's contribution to the Scheme is considered on an annual basis by your Policy and Resources Committee. At its meeting on 21 January 2016 the Committee considered and approved the total amount of expenditure to be incurred in 2016/17 (i.e. £10.486m. £9m of which would come from the constituent councils of the Scheme) as well as the City Corporation's subscription to it (i.e. £8,047).

2. The City Corporation is also responsible for issuing levies for subscriptions to all the constituent councils of the Scheme. This element of the Grants Scheme can only be approved by the Court of Common Council. The London Councils' Grants Scheme operates under section 48 of the Local Government Act 1985 which requires at least two-thirds of the constituent councils (i.e. 22 out of 33 of the London local authorities) to have approved the total expenditure to be incurred. Constituent councils have until 1 February to do this and a decision to issue the levies cannot be taken until such time as this has happened. The Court is therefore required to make its decision as levying body between 1 and 15 February each year as, in accordance with regulations, levies have to be issued before 15 February 2016.
3. On 27 January 2016 London Councils confirmed that over two-thirds of constituent councils had agreed the expenditure to be incurred for 2016/17. As the Court of Common Council was not due to meet within this period its approval to issue the levies before the statutory deadline of 15 February 2016 was sought under the urgency procedures.
4. Approval was subsequently given to the levy £9m applying to constituent councils for 2016/17 as set out in the appendix to this report.

All of which we submit to the judgment of this Honorable Court.

DATED this 2nd day of February, 2016.

SIGNED on behalf of the Committee.

Mark John Boleat
Chairman, Policy and Resources Committee

Borough Subscriptions 2016/17

| ONS Mid-2013 Estimate of Population ('000) | % | 2015/16 Base Borough Contribution (£) | | ONS Mid-2014 Estimate of Population ('000) | % | 2016/17 Base Borough Contribution (£) | Base Difference from 2015/16 (£) |
|--|----------------|---------------------------------------|------------------------|--|----------------|---------------------------------------|----------------------------------|
| Inner London | | | | | | | |
| 229.70 | 2.73% | 245,610 | Camden | 234.85 | 2.75% | 247,537 | 1,927 |
| 7.60 | 0.09% | 8,126 | City of London | 8.07 | 0.09% | 8,506 | 380 |
| 264.00 | 3.14% | 282,286 | Greenwich | 268.68 | 3.15% | 283,195 | 909 |
| 257.40 | 3.06% | 275,229 | Hackney | 263.15 | 3.08% | 277,366 | 2,137 |
| 178.70 | 2.12% | 191,078 | Hammersmith and Fulham | 178.37 | 2.09% | 188,006 | -3,072 |
| 215.70 | 2.56% | 230,640 | Islington | 221.03 | 2.59% | 232,971 | 2,330 |
| 155.60 | 1.85% | 166,378 | Kensington and Chelsea | 156.19 | 1.83% | 164,628 | -1,750 |
| 314.20 | 3.73% | 335,963 | Lambeth | 318.22 | 3.73% | 335,411 | -552 |
| 286.20 | 3.40% | 306,024 | Lewisham | 291.93 | 3.42% | 307,701 | 1,677 |
| 298.50 | 3.55% | 319,175 | Southwark | 302.54 | 3.54% | 318,884 | -292 |
| 272.90 | 3.24% | 291,802 | Tower Hamlets | 284.02 | 3.33% | 299,363 | 7,561 |
| 310.8 | 3.69% | 332,327 | Wandsworth | 312.15 | 3.66% | 329,013 | -3,314 |
| 226.80 | 2.69% | 242,509 | Westminster | 233.29 | 2.73% | 245,893 | 3,384 |
| 3,018.10 | 35.86% | 3,227,147 | | 3,072.49 | 35.98% | 3,238,473 | 11,325 |
| Outer London | | | | | | | |
| 194.40 | 2.31% | 207,865 | Barking and Dagenham | 198.29 | 2.32% | 209,002 | 1,137 |
| 369.10 | 4.39% | 394,666 | Barnet | 374.92 | 4.39% | 395,174 | 508 |
| 236.70 | 2.81% | 253,095 | Bexley | 239.87 | 2.81% | 252,828 | -267 |
| 317.30 | 3.77% | 339,278 | Brent | 320.76 | 3.76% | 338,088 | -1,190 |
| 317.90 | 3.78% | 339,919 | Bromley | 321.28 | 3.76% | 338,636 | -1,283 |
| 372.80 | 4.43% | 398,622 | Croydon | 376.04 | 4.40% | 396,354 | -2,267 |
| 342.50 | 4.07% | 366,223 | Ealing | 342.12 | 4.01% | 360,602 | -5,621 |
| 320.50 | 3.81% | 342,699 | Enfield | 324.57 | 3.80% | 342,104 | -595 |
| 263.40 | 3.13% | 281,644 | Haringey | 267.54 | 3.13% | 281,993 | 349 |
| 243.40 | 2.89% | 260,259 | Harrow | 246.01 | 2.88% | 259,300 | -959 |
| 242.10 | 2.88% | 258,869 | Havering | 245.97 | 2.88% | 259,258 | 389 |
| 286.80 | 3.41% | 306,665 | Hillingdon | 292.69 | 3.43% | 308,502 | 1,837 |
| 262.40 | 3.12% | 280,575 | Hounslow | 265.57 | 3.11% | 279,917 | -658 |
| 166.80 | 1.98% | 178,353 | Kingston upon Thames | 169.96 | 1.99% | 179,142 | 788 |
| 203.20 | 2.41% | 217,275 | Merton | 203.52 | 2.38% | 214,515 | -2,760 |
| 318.20 | 3.78% | 340,240 | Newham | 324.32 | 3.80% | 341,840 | 1600 |
| 288.30 | 3.43% | 308,269 | Redbridge | 293.06 | 3.43% | 308,892 | 623 |
| 191.40 | 2.27% | 204,657 | Richmond upon Thames | 193.59 | 2.27% | 204,048 | -609 |
| 195.90 | 2.33% | 209,469 | Sutton | 198.13 | 2.32% | 208,833 | -636 |
| 265.80 | 3.16% | 284,211 | Waltham Forest | 268.02 | 3.14% | 282,499 | -1,712 |
| 5,398.90 | 64.14% | 5,772,853 | | 5,466.23 | 64.02% | 5,761,527 | -11,325 |
| 8,417.00 | 100.00% | 9,000,000 | Totals | 8,538.72 | 100.00% | 9,000,000 | 0 |

9,000,000

9,000,000

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ITEM 16(A)

Report – Hospitality Working Party of the Policy and Resources Committee

Applications for the Use of Guildhall

To be presented on Thursday, 3rd March 2016

To the Right Honourable The Lord Mayor, Aldermen and Commons of the City of London in Common Council assembled.

Applications for the Use of Guildhall

| <u>Name</u> | <u>Date</u> | <u>Function</u> |
|---|--------------------------------------|-----------------|
| Goodacre UK | 12 April 2016 | Dinner |
| Seatrade | 6 May 2016 | Dinner |
| Premier Public Relations Ltd. | 2 June 2016 | Dinner |
| AE3 Media | 3 June 2016 | Lunch |
| Pipers Projects Ltd. | 7 July 2016 | Lunch |
| Chartered Institute of Internal Auditors | 21 June 2016 | Dinner |
| The Climate Group | June 2016 | Conference |
| Advertising Producers Association | 1 September 2016 | Reception |
| In2Global Ltd. | 10 September 2016 | Dinner |
| Holocaust Educational Trust | 14 September 2016 | Dinner |
| Lord Mayor's Appeal | 23 September 2016 2 November 2016 | Dinner |
| Royal Life Saving Society UK | 8 October 2016 | Awards Ceremony |
| UK Theatre | 9 October 2016 | Lunch |
| Standard Chartered Bank Pensioners' Association | 28 October 2016 | Lunch |
| Financial Services Forum | 1 December 2016 | Dinner |

Metropolitan Grand Lodge of London

29 June 2017

Dinner

All of which we submit to the judgement of this Honourable Court.

DATED this 28th day of January 2016.

SIGNED on behalf of the Working Party.

William Harry Dove, OBE, JP, Deputy
Chief Commoner and Chairman, Hospitality Working Party

ITEM 16(B)

Report – Hospitality Working Party of the Policy and Resources Committee

Applications for Hospitality

To be presented on Thursday, 3rd March 2016

To the Right Honourable The Lord Mayor, Aldermen and Commons of the City of London in Common Council assembled.

(i) Armed Forces Flag Day 2016

The annual Armed Forces Flag Day forms part of a week of activities across the country to raise public awareness of the contribution made by the Armed Forces. The day was established to provide an opportunity to show support for members of the Armed Forces and Service families. To mark this occasion, and in line with previous years, it is proposed that the City Corporation hosts a flag-raising ceremony in Guildhall Yard during the afternoon of Friday 24th June, followed by light refreshments in the Old Library.

We **recommend** that hospitality be granted for a Flag Raising Ceremony and Reception at Guildhall and that the arrangements be made under the auspices of the Hospitality Working Party; the costs to be met from City's Cash and within the approved parameters.

This would be a Full Court event.

(ii) Reception to mark Her Majesty The Queen's 90th Birthday

In June a National Service of Thanksgiving will take place at St Paul's Cathedral to celebrate the Queen's 90th Birthday. The City Corporation has been invited to host a reception at the Guildhall following the service.

We **recommend** that hospitality be granted for a reception at Guildhall and that the arrangements be made under the auspices of the Hospitality Working Party; the costs to be met from City's Cash and within the approved parameters.

This would be a Full Court event.

All of which we submit to the judgement of this Honourable Court.

SIGNED on behalf of the Working Party.

DATED this 28th day of January 2016.

William Harry Dove, OBE, JP, Deputy
Chief Commoner and Chairman, Hospitality Working Party

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Report – Finance Committee

City Fund 2016/17 Budget Report and Medium Term Financial Strategy

To be presented on Thursday, 3rd March 2016

To the Right Honourable The Lord Mayor, Aldermen and Commons of the City of London in Common Council assembled.

SUMMARY

This report presents the overall financial position of the City Fund (i.e. the Corporation's finances relating to Local Government, Police and Port Health services). It recommends that:

- the Business Rates Premium is increased by 0.1p to 0.5p in the £ from April 2016 with the additional income, estimated at £1.6m a year, being allocated to the City of London Police to cover recently identified costs pressures relating to security. The Policy and Resources Committee took an initial view in relation to the question of whether an increase in the Business Rates Premium was appropriate. That Committee did not support the principle. The Finance Committee took into account the views of the Policy and Resources Committee, but, on balance, considered that the timing was now right for an increase in the Business Rates Premium to provide additional funding for the City of London Police for security purposes; and
- the Council Tax for 2016/17 remains unchanged from 2015/16.

There is a further report on the financial position of all the City Corporation's Funds.

The overall strategy is unchanged for City Fund: to have a four year plan with sufficient cashable savings to present a balanced budget.

- City Fund (non-Police): The provisional settlement is better than expected, an 11% reduction in revenue support grant (RSG), compared to an anticipated 25%. Unlike previous years, the provisional settlement includes figures for four years (2016-17 to 2019-20). The four year horizon suggests a far less steep rate of reduction in RSG. Our earlier forecast had assumed that RSG would be reduced from £12m in 2015/16 to zero by 2019/20, whereas the provisional settlement indicates that we should still receive £6m in 2019/20. With the inclusion of the service based review savings in budgets, the forecast is in surplus across the period, although reducing close to breakeven by the end of period.
- Police: Whilst the settlement is better than anticipated, and accords with the Chancellor's announcement that police spending would be protected in real terms over the Spending Review period when precepts are taken into account, deficits are still forecast with draw down of reserves. This is despite the Police implementing a challenging savings plan that has delivered £16m from its new operating model 'City First' including a 14% decrease in the number of police officers. The strategy has

been to retain £4m in reserves but, taking account of emerging cost pressures as set out in paragraphs 8 to 10, the forecast is to breach this £4m level next year and reserves are forecast to be exhausted during 2017/18.

RECOMMENDATION

It is **recommended** that the Court of Common Council:

- Approves the overall financial framework and the revised Medium Term Financial Strategy (paragraph 2)
- Approves the City Fund Net Budget Requirement of £107m (paragraph 12) -.
- Notes the following changes in assumptions from the previous forecast (paragraphs 3 and 28):
 - 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.
- Notes 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.
- Approves the publication of an efficiency plan, subject to assessment of detailed requirements.
- Notes 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 (paragraph 15).
- Approve an increase of 0.1p in the Business Rates Premium (currently 0.4p in the £) with the additional income, estimated at £1.6m, being allocated to the 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 (paragraph 20).
- 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.

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).
- 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).

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.

Recommendations

It is **recommended** that the Court of Common Council:

Capital expenditure

- Notes the proposed financing methodology of the capital programme in 2016/17 (paragraph 30).
- Approves the Prudential Code indicators (Appendix B).
- Approves the following resolutions for the purpose of the Local Government Act 2003 (paragraph 33 and Appendix E) 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.
- Notes that any potential external borrowing requirement and associated implications will be subject to a further report to Finance Committee and the Court of Common Council.
- Notes 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 (paragraphs 36, 37 and 42, and Appendix D)

Resolution by the Court of Common Council

- The resolution for approval by the Court is set out in Appendix F.

MAIN REPORT

Financial overview

1. The Government recently issued the Local Government Finance Settlement for 2016/17 and the Policing Minister published the revenue allocations for police for 2016/17.
2. The latest forecast position for City Fund, showing Police separately (with and without a 0.1p increase to the premium), and taking account of conclusions from the annual survey and the property rental income forecasts from the City Surveyor, is shown below:

| | £m | | | | |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|
| | <u>15/16</u> | <u>16/17</u> | <u>17/18</u> | <u>18/19</u> | <u>19/20</u> |
| City Fund – non Police | | | | | |
| March 2015 forecast | (0.2) | (0.9) | (0.2) | (0.5) | N/A |
| Current forecast* | 0.5 | (5.9) | (2.0) | (2.1) | (1.0) |
| Unearmarked revenue reserves | (37.5) | (42.0) | (29.1) | (32.8) | (35.7) |
| City Fund – Police | | | | | |
| March 2015 | 1.7 | 3.9 | 7.6 | N/A | N/A |
| No Increase to Premium: | | | | | |
| Current forecast | 3.2 | 1.6 | 4.5 | 6.4 | N/A |
| Revenue reserves | (5.4) | (3.8) | 0.7 | 7.1 | N/A |
| 0.1p Increase to Premium: | | | | | |
| Current forecast | 3.2 | 0.0 | 2.9 | 4.8 | N/A |
| Revenue reserves | (5.4) | (5.4) | (2.5) | 2.3 | N/A |

* Underlying position – excludes planned use of revenue reserves to purchase investment properties (£1.9m) and repayment of cashflow assistance for the Police Action Fraud service (£0.5m credit).

3. **For City Fund**, following a small deficit in the current year reflecting agreed budgets brought forward from 2014/15, City Fund is forecast to be in surplus across the period due to a combination of Service Based Review savings and the better than anticipated provisional settlement. This allows the inclusion of additional funding to meet Member priorities and initiatives as follows:
 - a) In the heightened security environment following the Paris attack, security measures have been reviewed across the estate. The on-going revenue implications of the recommendations are currently being finalised but, at this stage, we have included a preliminary estimate of £360,000 p.a. in the revenue budgets (together with a £3m provision in the capital budget for various works). The majority of the revenue estimate relates to the Central Criminal Court, a large element of which may be recovered from the Courts and Tribunal Service (subject to negotiation).

- b) Following the identification of a £40m 'bow-wave' of delayed cyclical repairs work, the annual provisions included in the forecasts for supplementary revenue projects and the additional works programme have been combined into the Cyclical Works Revenue Programme and increased by £1m p.a. for City Fund. Officers are currently assessing the deliverability of a wider cyclical repairs programme and Members may wish to consider a further allocation in the later years in the planning horizon, once the analysis has been completed.
 - c) Transformation Funds - Provision has been included for transformation funds – For City Fund, £0.5m p.a. from 2016/17 to 2018/19. The purpose of the funds is to implement the cross cutting changes needed for the service based review, to invest in developing our skill set and service transformation, which will generate additional efficiency savings and income.
4. **For Police**, deficits are forecast across the period with draw down of reserves. The strategy has been to retain £4m in reserves, this is forecast to be breached next year and reserves are forecast to be exhausted during 2017/18. Action is therefore needed to restore financial balance.
5. The key assumptions that underpin these latest projections for **City Fund** include the following:
- a. **Grant Settlement:** the provisional settlement is better than expected. Our June forecast, based on the Treasury request to non-protected government departments to identify real savings of 25-40%, assumed a £3m (11%) cash reduction in RSG and rates retention funding between 2015/16 and 2016/17. However, the cash reduction in the provisional settlement is £1.7m - allowing for £0.4m of specific grants which have been rolled up into core funding. Unlike previous years, the provisional settlement includes figures for four years (2016-17 to 2019-20). The four year horizon suggests a far less steep rate of reduction in RSG. Our earlier forecast had assumed that RSG would be reduced from £12m in 2015/16 to zero by 2019/20, whereas the provisional settlement indicates that we should still receive £6m in 2019/20.

The other element of core Government Funding relates to retained business rates. This is known as the Baseline Funding Level and is £15.2m for 2016/17. 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.

- b. **City Offset:** In addition to Formula Grant, the City Fund uniquely receives, under business rates' regulations, an Offset from the business rates collected in the Square Mile. The amount of the Offset is determined annually by DCLG and for 2016/17 will be £11.039m a similar level to 2015/16 with RPI added. Small inflationary increases have been assumed for the other years of the forecast period.
- c. **Business rates retention:** The system remains broadly the same, with the City benefitting from 15% of any growth in business rates. Business rates income grew in 2014/15, for which the City will receive allocations totalling £4m spread over 2015/16 and 2016/17. However, due to a potential upward revision to the City's 'threshold' (above which the City retains a proportion of

growth in rates and below which the City would move into a safety net position) the forecast has assumed that the City will return to a safety net position from 2017/18, retaining £14.4m of business rates income – a reduction of £1.2m p.a. against the baseline.

- d. **Council Tax:** The City's council tax, expressed at band D and excluding the GLA precept, is £857.31 for the current financial year, 2015/16. The 2% threshold for Council tax remains, but upper tier authorities will be allowed to raise a further 2% to spend on social care throughout the settlement period. It will be up to councils to choose whether to exercise their discretion to raise council tax by an additional 2% for adult social care. For the City a 2% increase would only generate £120k. Although we anticipate that other London authorities will use the 2% flexibility for social care, the forecast surplus on City Fund for 2016/17 would more than negate any pressures within social care. **The Recommendation is therefore to freeze rather than increase council tax.** There is no freeze grant this year.
- e. **The four year offer:** The provisional funding settlement includes figures for four years (2016-17 to 2019-20). The Government presented this as an 'offer' to local government with the proviso in the consultation being that any Council accepting the offer will have to publish an efficiency plan. This is a very helpful move and one local government has been campaigning for, as it provides more certainty and ability to plan changes over the medium-term. There are no details about what an efficiency plan will need to include or when we would have to publish these plans, but the requirements will be clarified shortly by DCLG. A decision is required on whether to prepare an efficiency plan in return for certainty over 4 year funding. **The recommendation is to agree to publish an efficiency plan, subject to assessment of detailed requirements.**

City Police

6. Funding assumptions include:

- a. **Grant funding:** In our September forecast we had assumed the cash reduction to Core grant would be £2.6m (5%), but the settlement is a reduction of £0.3m (0.6%) - £2.3m better than forecast for 2016/17. However, taking account of the additional cost pressures identified by the Commissioner in relation to security as set out in paragraphs 8 to 10 below, the forecast still indicates a deficit of £1.6m for 2016/17.
- b. **Specific grants:** In addition to the main Police grant, the City Police receives many specific grants. The main one of these is for Dedicated Security funding and is yet to be confirmed. We have assumed that the funding will be £4.7m, a reduction of £0.8m on 2015/16 levels. Capital City Funding has been advised as part of the provisional settlement at £4.5m, an increase of 61% on the prior year (£2.8m in 2015/16).
- c. **Business Rates Premium:** The City is uniquely able to raise additional income for the City Fund from its business rate premium. The current premium on City businesses has been unchanged since 2006/07 at 0.4p -

although the amount of the proceeds have subsequently increased in line with the total rateable value of the City and currently generate £6.5m a year. Of this sum, £5.1m is allocated to the Police with the balance used to help fund other Non-Police related security costs.

- d. **Action Fraud Service:** As part of the Police forecast above, the City Fund is providing cash flow assistance in relation to the Action Fraud Service. This service was transferred by the Home Office from the National Fraud Authority to the City Police with effect from 1 April 2014. Subsequently, the service was subject to a procurement process which was won by IBM. The phasing of contract payments reflects IBM's mobilisation costs of £9.9m during the first year which could not be managed within Police reserves.
7. The Police are implementing a challenging savings plan and previous budget reductions have already resulted in a 14% decrease in the numbers of police officers in the City and £16m removed from the budget. Further thought needs to be given to how best to tackle the financial challenges still being faced by the Police, despite the settlement being significantly better than had been assumed in September.
8. Furthermore, additional challenges and cost pressures have been identified by the Commissioner since the compilation and approval of the Police Budget by Police Committee. The principal reason that police budgets have been protected in the December settlement is the severity of the threat faced by the UK. The scale and complexity of the attacks in Paris have required forces to fundamentally re-think assumptions around responding to such events. The Commissioner is responsible for establishing the operational policing requirements for the City of London and the Force has reviewed its capacity and capability to respond to a terrorist assault on the scale of the Paris attacks. As a result, the Force's Senior Management Board has identified two areas where the response capability should be increased:
- A further ten specialist firearms officers are to be employed. This will be in advance of any additional grant that may be provided by the Home Office. At the time of writing, the amount and criteria for any Home Office funding for an uplift in armed officers is unknown. The cost of ten additional officers is estimated at £500,000 with the cost of associated training and equipment estimated at £350,000.
 - The Home Office has indicated that during 2016/17 it intends to reduce the amount of funding available for Counter Terrorism Security Advisors (CTSAs). The Force currently employs five CTSAs, which would reduce to two if the Force does nothing to compensate for the reduced funding. The density of new developments in the City, currently and planned over the medium term, means that to maintain the level of security necessary to protect the City of London, the Force may determine it necessary to fund additional CTSAs from its core budget to keep the level at five. An additional three officers is estimated at £150,000.
9. The Force has two additional tools to its response to the terrorist threat;
- Operation Servator, which uses behavioural detection officers and cutting edge techniques to target suspect individuals and situations. The level of resources

necessary to sustain the level of activity, or increase if dictated by the level of risk, is likely to result in a budget pressure.

- The Ring of Steel, although recognised as excellent, is now in need of significant investment to ensure its continued effectiveness as a tool to address threat.

10. These additional pressures were not foreseen as likely prior to November 13th, the date when Paris was attacked by terrorists. Consequently, these pressures did not feature in basing the budget on 700 officers, but need to be addressed, which makes the task of restoring financial balance that bit harder.

11. Restoring the Financial Balance - There are three main options:

i) **Business Rate Premium increase.**

- The Home Secretary has said that the 'flat' Police settlement (in real as opposed to cash terms) takes into account the flexibility to 'raise local council tax'. For most forces, this would mean precepting the local authority. However, for the City, the residential base is so low that an increase of 2% in council tax would only generate £120,000. The other precepting mechanism for the City is the business rate premium. The premium can be increased in increments of 0.1p with each 0.1p generating an estimated £1.6m p.a..
- The Police forecasts show a continuing deficit and draw on Reserves. In light of the Home Secretary's expectation that Police authorities will use their precepting powers to maintain funding levels, Members are recommended to increase the business rate premium by 0.1p from April 2016. The majority of forces raised council tax precepts in 2014/15 and all but seven raised them in 2015/16. It is anticipated that most forces will increase their precepts again for 2016/17.
- There will be a general revaluation for business rates in 2017 (not related to retention issues) and overall City rateable values are likely to rise. This will automatically increase the yield from the premium, but will also increase the rate liability generally. There will almost certainly be some sort of transitional scheme to protect ratepayers from large increases but they will probably have to bear at least a percentage of the increase. Transitional relief will not apply to either the premium or the Crossrail supplement.
- The Resource Allocation and Efficiency and Performance Sub Committees considered this issue at the joint meeting with the Service Committee Chairmen and a show of hands indicated:
 - 16 votes in favour of a 0.1p increase in the Business Rate Premium for 2016/17
 - 10 votes against an increase in 2016/17
- The Policy and Resources Committee noted this recommendation at its meeting on 21st January 2016. Having discussed the merits of the business rate premium being increased by 0.1p in 2016/17 in detail, and bearing in mind the forthcoming funding discussions with the government regarding rates retention and the City Offset, the Policy Committee considered that the current rate should be maintained for a further year. The votes were:
 - 13 votes for a 0.1p increase in the Business Rate Premium for 2016/17

- 14 votes against an increase.
 - The meeting with ratepayers took place on 3 February and a number of ratepayers made comments supporting Police and expressing a willingness to contribute financially.
 - At its meeting on 16 February, the Finance Committee agreed to increase the 2016/17 City Fund net budget requirement by £1.6m to reflect the cost pressures set out in paragraphs 8 to 10 and subsequently voted:
 - 14 in favour of a 0.1p increase in the Business rate Premium from 2016/17
 - 2 abstentions.
- ii) **Further budget savings and income generation.**
- The Force is committed to making further savings wherever it can and will continue to refine processes and structures in the interests of efficiency and cost effectiveness. The reality is, however, that a police force as small as the City of London Police has now realised the vast majority of savings that are available from reducing headcount and re-organising the business. The recent analysis of the growing cost pressures to improve the response and prevention capability to a terrorist event similar to the Paris attacks would suggest that this option could not be pursued alone.
- iii) **Contribution from City of London Corporation Funds directly or to allow a lower reserves threshold below £4m**

Revenue Spending Proposals for 2016/17

12. Allowing for the increase of £1.6m agreed by the Finance Committee, the City Fund net budget requirement for 2016/17 is £107m, an increase of £5.2m. The following table shows how this is financed, including the recommended increase of 0.1p in the Business Rate Premium, and the resulting council tax requirement.

| Table 2: Setting the Council Tax requirement | | |
|--|----------------------------------|-----------------------|
| | 2015/16 (original) £m | 2016/17 £m |
| Net Expenditure before investment income from City Fund assets | 144.7 | 147.3* |
| Estate rental income | (41.5) | (42.3) |
| Income on balances | (1.6) | (2.5) |
| Net requirement | 101.6 | 102.5 |
| Plus proposed contribution to/(from) reserves | 0.2 | 4.5 |
| City Fund Net Budget Requirement | 101.8 | 107.0 |
| <u>Financing sources</u> | | |
| Formula Grant | (78.3) | (80.5) |
| City Offset | (11.0) | (11.0) |
| NNDR premium (net) | (6.5) | (8.1) |
| City's share of Collection Fund Surplus | (0.8) | (1.4) |
| Council Tax Requirement | 5.2 | 6.0 |

*Prior to the emerging additional cost pressures identified by the City police

13. A separate report on today's agenda "Revenue and Capital Budgets 2015/16 and 2016/17" includes the detailed net revenue budget requirements of the City Fund. Included within the net expenditure is provision for any levies issued to the City by relevant levying bodies such as the Environment Agency, the Lee Valley Regional Park Authority, London Pensions Fund Authority and London Council's Grant scheme. This also includes the following precepts anticipated for the year by the Inner and Middle temples (after allowing for the cost of highways, transportation planning, waste collection and disposal, drains and sewers, open spaces and street lighting being declared as special expenses as in previous years).

| Table 3: Temple's Precepts | | |
|-----------------------------------|----------------|----------------|
| | 2015/16 £ | 2016/17 £ |
| Inner Temple | 184,070 | 188,003 |
| Middle Temple | 152,242 | 153,218 |
| Total | 336,312 | 341,221 |

14. On financing, the table below analyses the change in formula grant:

| Table 4: Analysis of Core Government Grants | | | | | |
|--|---|-------------|-------------|----------------------|---------------|
| | | 2015/16 | 2016/17 | Reduction (Increase) | |
| | | Original | Original | on 2015/16 | |
| | | £m | £m | £m | % |
| 1 | Police | 52.4 | 52.1 | 0.3 | 0.6% |
| 2 | Non-Police | 11.9 | 10.6 | 1.3 | 10.9% |
| 3 | Total before Rates Retention Scheme and grants Rolled In | 64.3 | 62.7 | 1.6 | 2.5% |
| Rates Retention Scheme | | | | | |
| 4 | Baseline | 15.2 | 15.3 | (0.1) | (0.7%) |
| 5 | 2013/14 Safety Net | (1.2) | | (1.2) | NA |
| 6 | 2014/15 Growth | | 2.5 | (2.5) | NA |
| 7 | Total before Grants Rolled In | 78.3 | 80.5 | (2.2) | (2.8%) |
| 8 | Grants Rolled In | | (0.4) | 0.4 | NA |
| 9 | Total Core Government Grants | 78.3 | 80.1 | (1.8) | (2.3%) |

Business Rates

15. The Secretary of State has proposed a National Non-Domestic Rate multiplier of 49.7p and a Small Business Non-Domestic Rate Multiplier Rate of 48.4p for 2016/17. These multipliers represent increases of 0.4p over the 2015/16 levels. The actual amount payable by each business will depend upon its rateable value.
16. The business rate premium on City businesses has been unchanged since 2006/07 at 0.4p and, if the recommended increase of 0.1p is agreed, the proposed premium will result in a National Non-Domestic Rate multiplier of 50.2p and a Small Business Non-Domestic Rate of 48.9p for the City for 2016/17. It is anticipated that a premium of 0.5p will raise approximately £8.1m.
17. Likely appeals would also affect the premium income. However, as with business rates, we do not know the certainty or timing and it might be outside our current planning horizon.

18. The existing provision for appeals is considered sufficient.
19. One final issue in relation to business rates. As in previous years, authority is sought for the Chamberlain to award the following discretionary rate reliefs under Section 47 of the local Government Finance Act 1988:
- relief of up to £1,500 to retail premises up to 31st March 2016;
 - 50% relief from non-domestic rates for up to 18 months between 1st April 2014 and 31st March 2016 on retail premises that become occupied, having been empty for at least one year;
 - exemption from empty rate for new rating assessments that completed between 1st October 2013 and 30th September 2016 for up to 18 months; and
 - relief of the value that would have applied under the transitional relief scheme for two years from 1st April 2015 to 31st March 2017 to properties with a rateable value of less than £25,500 that would otherwise face bill increases above 15% and to properties with a rateable value of £50,000 or less that would otherwise face bill increases above 25%.

Business Rate Supplement

20. The Mayor for London is again proposing to levy a Business Rate Supplement of 2.0p in the £ on properties with a rateable value greater than £55,000, to raise funds towards Crossrail.

Determination of the Council Tax requirement

21. The 1992 Act prescribes detailed calculations that the City, as billing authority, has to make to determine Council Tax amounts. The four steps are shown in Appendix A. Although the process is somewhat laborious, it is a legislative requirement that these separate amounts be formally determined by resolutions of the Court of Common Council.
22. After allowing for a proposed contribution to reserves, the final City Fund council tax requirement for 2016/17 is £6.0m. In accordance with the provisions in the Localism Act 2011, the council tax requirement allows for the Formula Grant, the City Offset, the City's Rate Premium and the estimated surplus on the Collection Fund at 31 March 2016. As detailed in Appendix A, the City's proposed Council Tax for 2016/17 at band D is £857.31. Consequently it is proposed to freeze Council Tax for 2016/17 at £857.31 (band D property), before adding the Greater London Authority (GLA) precept. To determine the City's Council Tax for each property band, nationally-fixed proportions are applied to the average band D property.
23. The GLA's proposed precept for 2016/17 is £73.89 for a Band D property. This excludes the Metropolitan Police requirement and represents a decrease of £12.24 compared with 2015/16.
24. The total amounts of Council Tax for each category must be set by the City before 11 March. The proposed amounts are shown in the table below:

| Table 5: Council Tax per Property Band: calculated by applying nationally fixed proportions from Band D. | | | | | | | | |
|---|--------|--------|--------|--------|----------|----------|----------|----------|
| | £ | | | | | | | |
| | A | B | C | D | E | F | G | H |
| CoL | 571.54 | 666.80 | 762.05 | 857.31 | 1,047.82 | 1,238.34 | 1,428.85 | 1,714.62 |
| GLA | 49.26 | 57.47 | 65.68 | 73.89 | 90.31 | 106.73 | 123.15 | 147.78 |
| Total | 620.8 | 724.27 | 827.73 | 931.2 | 1138.13 | 1345.07 | 1552 | 1862.4 |

25. It is anticipated that the City's total Council Tax will remain the third lowest in London. The Court of Common Council will be requested to formally 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 new referendum requirements for any council tax increases.

Council Tax Reduction (formerly Council Tax Benefit)

26. From April 2013, council tax reduction replaced council tax benefit and local authorities had to make their own local schemes if not applying the Government default scheme. The City adopted the default scheme.

27. Following changes to national benefits in the July 2015 budget, it is no longer possible to use the default scheme. Members at the Court of Common Council meeting in January 2016 have approved a new Council Tax Reduction Scheme as it applies to working age claimants, which will reflect changes and uprating to be applied under the Housing Benefit Regulations, effective from 1 April each year and the Council Tax Reduction Schemes (Prescribed Requirements) (England) (Amendment) (No. 2) Regulations 2014. Effectively, the City's Local Council Tax Reduction Scheme for 2016-2017 will have the annual uprating of non-dependent income and deductions, and income levels relating to Alternative Council Tax Reduction, or any other uprating as it applies to working age claimants, adjusted in line with inflation levels by reference to relevant annual uprating in the Housing Benefit Scheme or The Prescribed Council Tax Reduction Scheme for Pensioners.

Assumptions

28. Whilst the fundamental basis and approach underlying the previous forecast and the City Fund Medium Term Financial Strategy remains sound, it is proposed that certain key assumptions should be revised:

Income

- a) Investment income outlook: The City has a key income stream from its property portfolio. Market rents appear to be performing strongly for the foreseeable future. Property rental income is forecast based on the expected rental for each individual property, allowing for anticipated vacancy levels, expiry of leases, lease renewals and the smoothing of anticipated rent periods. Rental income is forecast to grow over the period. However, a vote to leave the EU might have an impact on rent revenue in the longer term. A recent FT survey found a consensus from

economists that many international companies would no longer choose Britain as a base for their European operations in the event of the UK leaving the EU.

- b) Interest rates: As the economic situation improves, it is likely that interest rates will rise at some point in the medium term. However, it is difficult to predict when such an increase might occur. Accordingly, the rate of 0.5% currently being achieved on cash balances is assumed to hold until March 2017, when the consensus of opinion is for a marginal increase to 0.75%. A 0.25% increase in interest rates in 2016/17 would equate to £1.3m p.a. on City Fund.

We are currently holding substantial sums of cash, pending payments of Crossrail commitments i.e. £200m from City Fund, now anticipated to be payable in March 2017. These additional monies increase the return on cash investments in 2016/17. When interest rates do eventually increase, Members will need to take a view as to whether to utilise the additional revenue

Expenditure

- c) Allowances for pay and prices are factored in for 2016/17 at 1.5% and thereafter at 1% p.a. On City Fund each 1% is approximately £850k. RPI has dropped recently to 1.2% and CPI to 0.2%. The Government's own measure- the GDP deflator - is 1.7% for 2016/17 rising to 2.1% by 2019/20.

We have a policy to consider supporting exceptional cost increases on a case by case basis and anticipate that might be necessary for data storage costs as reported to Finance Committee in January.

- d) London Living Wage: A small contingency of £250k is provided in City Fund in 2016/17 for the final stages of moving suppliers to London Living Wage contracts.
- e) A contingency of £0.5m p.a. has been provided for severance costs relating to service based review savings in both 2016/17 and 2017/18.
- f) The additional works programme and supplementary revenue projects: Following the identification of a £40m 'bow-wave' of delayed cyclical repairs work, the annual provisions included in the forecasts for supplementary revenue projects and the additional works programme have been combined into the Cyclical Works Revenue Programme and increased by £1m p.a. for City Fund.
- g) The City Fund (non-Police) service based review saving/income generation proposals have been reflected in the budgets; increasing from a £3.8m saving in 2015/16 to £10.8m in 2018/19.

Capital

29. The Corporation has a significant programme of property investments and works to improve the operational property estate and the street scene. Spending on these types of activity is classified as capital expenditure. Key areas in the 2016/17 capital programme (including the indicative costs of implementing schemes still subject to approval) comprise:

| | £m |
|--|-------|
| Capital Contribution to Crossrail | 200.0 |
| Roads, Bridges, Street-scene (including Aldgate) | 21.2 |
| Dwelling Improvements | 16.6 |
| Affordable Housing Construction | 17.0 |
| New Police Accommodation | 13.3 |

| | |
|-------------------------|-----|
| Barbican Podium | 7.0 |
| Old Bailey Enhancements | 2.2 |

30. Capital expenditure is primarily financed from capital reserves derived from the sale of properties, earmarked reserves and grants or reimbursements from third parties. The City has not borrowed any money to finance these schemes. Financing is summarised in the table below.

| Table 6: Financing of 2016/17 City Fund Capital Expenditure | |
|--|--------------|
| | £m |
| Estimated Capital Expenditure | 304.8 |
| Financing | |
| Internal | |
| • Earmarked reserves: | |
| Housing Revenue Account (HRA) | 13.0 |
| Highways Improvements | 7.5 |
| Crossrail | 25.3 |
| • Disposal Proceeds | 201.4 |
| • Revenue Reserves | 3.4 |
| External | |
| • Grants and reimbursements | 54.2 |
| Total | 304.8 |

31. The Local Government Act 2003 requires the City to set prudential indicators as part of the budget setting process. The indicators that the Court of Common Council will be asked to set are:

- Estimates of capital expenditure 2016/17 to 2018/19
- Estimates of the capital financing requirement 2016/17 to 2018/19
- Ratio of financing costs to net revenue stream (City Fund and HRA)
- Net debt and the capital financing requirement
- Estimate of the incremental impact on council tax and housing rents.

32. The prudential indicators listed above, together with some locally developed indicators, have been calculated in Appendix B. In addition, treasury-related prudential indicators are required to be set and these are included within the 'Treasury Management Strategy and Annual Investment Strategy' at Appendix C.

33. The main point to highlight is that there is no underlying requirement at this stage to borrow externally for capital purposes. However the funding of capital expenditure from cash received from long lease premiums which are deferred in accordance with accounting standards has to be treated as internal borrowing. To ensure that this cash is not 'used again' when the deferred income is released to revenue, the City

Corporation will make a Minimum Revenue Provision equal to the amount released, resulting in an overall neutral impact on the revenue account bottom line. The Minimum Revenue Provision Policy Statement 2016/17 is set out in Annex E.

34. The Court of Common Council needs to formally approve these indicators.

Provision for future capital expenditure

35. In addition to the programmed capital schemes over the planning period, the Capital Programme allows £3m per annum for new schemes [of which £1m has been earmarked to provide capital funding for the Museum of London] which have not yet been identified. If schemes are identified in excess of these provisions, Resource Allocation Sub Committee will need to prioritise requests and/or consider making further resources available from reserves.

Robustness of Estimates and Adequacy of Reserves

36. Section 25 of the Local Government Act 2003 requires the Chamberlain to report on the robustness of estimates and the adequacy of reserves underpinning the budget proposals.

37. In coming to a conclusion on the robustness of estimates the Chamberlain needs to assess the risk of over or under spending the budget. To fulfil this requirement the following comments are made:

- a) provision has been made for all known liabilities, together with indicative costs (where identified) of capital schemes yet to be evaluated
- b) the estimates and financial forecast have been prepared at this stage on the basis of the Corporation remaining debt free as no requirement to borrow is currently anticipated
- c) prudent assessments have been made in regard to key assumptions
- d) an annual capital envelope is in place seeking to ensure that capital expenditure is contained within affordable limits or, if on an exceptional basis funding is sought outside this envelope, it has to be demonstrated that the project is of the highest corporate priority.
- e) although the City Fund financial position is vulnerable to rent levels and interest rates, it should be noted that:
 - the City Surveyor has carried out an in-depth review of rent incomes
 - the assumed interest rate remains low across the planning period
- f) a strong track record in achieving budgets gives confidence on the robustness of estimates.

38. An analysis of usable City Fund Reserves is set out in Appendix D

Risks

39. There are risks to the achievement of the latest forecasts:

Within the City Corporation's control

- Challenges faced by City Police despite the settlement being significantly better than anticipated.
- Delivery of the service based review savings proposals.

Outside the City Corporation's control

- Increase to the threshold for achieving growth in business rates making it more difficult to retain a share additional income.
- Adjustments to the Rates Retention System.

Equalities Implications

40. During the preparation of this report all Chief Officers have been asked to consider whether there would be any potential adverse impact of the various budget policy proposals on the equality of service with regard to service provision and delivery that affects people, or groups of people, in respect of disability, gender and racial equality. None are anticipated but they are expected to confirm this by the date of the Committee.

Conclusion

41. Following the service based review and the better than anticipated financial settlements from Government, the funds are in a much healthier position across the medium term. However, there are a number of risks as outlined above.

42. The different financial messages of efficiencies and surpluses are likely to be very challenging to manage, especially with our external stakeholders. Further thought is being given on how best to tackle the issue. There are still risks around the implementation of the saving proposals, but the estimates are considered robust and the level of and policies relating to the City Fund reserves are considered reasonable.

43. Therefore, the Court is **recommended** to approve the recommendations set out at the start of this report and in Appendix F.

All of which we submit to the judgement of this Honourable Court.

DATED this 16th day of February 2016.

SIGNED on behalf of the Committee.

Deputy Roger Arthur Holden Chadwick
Chairman, Finance Committee

Appendices

- Appendix A – Calculating Council Tax
- Appendix B – Prudential Indicators
- Appendix C – Treasury Management Strategy and Annual Investment Strategy
- Appendix D – City Fund Usable Reserves
- Appendix E – Minimum Revenue Provision Policy Statement 2016/17
- Appendix F – Resolution for Approval by Court of Common Council

Calculating Council Tax

Step One ('B1')

This requires calculation of the basic amount of Council Tax for a Band D dwelling for the whole of the City's area by applying the formula:

$$'B1' = \frac{R}{T}$$

Where

'B1' is the Basic Amount 'One':

R is the amount calculated by the authority as its council tax requirement for the year;

T is the amount which is calculated by the authority as its Council Tax base for the year. This amount was approved by the Chamberlain under the delegated authority of the City of London (7,041.95) together with the Council Tax bases for each part of the City's area.

The above calculation is as follows:

$$\begin{aligned} 'B1' &= \frac{\pounds 6,037,134}{7,041.95} \\ 'B1' &= \pounds 857.31 \end{aligned}$$

Note: Item R consists of the following components:

| | £ | £ |
|--|--------------|------------------|
| City Fund Net Budget Requirement | | 107,037,055 |
| Less: | | |
| Formula Grant | (80,501,051) | |
| City's Offset | (11,039,000) | |
| Estimated Non-Domestic Rate Premium (Net) | (8,100,000) | |
| Estimated Collection Fund Surplus as at 31 March 2016 (City's share) | (1,359,870) | (100,999,921) |
| TOTAL COUNCIL TAX REQUIREMENT (R) | | 6,037,134 |

Step Two ('B2')

This calculation is for the basic amount of tax for the area of the City excluding special items. The prescribed formula is:

$$'B2' = 'B1' - \frac{A}{T}$$

Where:

'B2' is the Basic Amount 'Two';

'B1' is the Basic Amount of Council Tax (Basic Amount 'One')
NB included with 'B1' is the aggregate of special items

A is the Aggregate of all special items;

T is the Council Tax base for the whole area

The above calculation is as follows:

$$\text{'B2'} = \frac{\pounds 857.31 - \pounds 16,147,221.33}{7,041.95}$$

$$\text{'B2'} = \pounds 1,435.69 \quad \underline{\text{CR}}$$

Note: Item A consists of the following components:

| | £ | £ |
|---|--------------|---------------|
| Highways Net Expenditure | 8,227,000.00 | |
| Waste Collection & Disposal Net Expenditure | 2,109,000.00 | |
| Open Spaces Net Expenditure | 1,720,000.00 | |
| Transportation Planning | 1,974,000.00 | |
| Drains and Sewers | 479,000.00 | |
| Street Lighting Net Expenditure | 1,297,000.00 | |
| Total City's Special Expenses | | 15,806,000.00 |
| Inner Temple's Precept | 188,003.07 | |
| Middle Temple's Precept | 153,218.26 | 341,221.33 |
| Total Special Items | | 16,147,221.33 |

Step Three 'B3'

The next calculation is for the basic amount of each of the three parts of the City (the Inner and the Middle Temples and the remainder of the City area) to which special items relate (Basic Amount 'Three'). The calculations for each of the areas are as follows:

$$\text{'B3'} = \text{'B2'} + \frac{\text{S}}{\text{TP}}$$

Where:

'B3' is the Basic Amount 'Three'

'B2' is the Basic Amount 'Two'

S is the amount of the special items for the part of the area

TP is the billing authority's Tax base for the part of the area to which the special items relate as determined by the Chamberlain under the delegated authority of the City of London Finance Committee.

City Area Excluding the Temples

$$\text{'B3'} = \text{£1,435.69 CR} + \frac{\text{£15,806,000}}{6,893.14}$$

$$\text{'B3'} = \text{£857.31}$$

Inner Temple

$$\text{'B3'} = \text{£1,435.69 CR} + \frac{\text{£188,003.07}}{81.99}$$

$$\text{'B3'} = \text{£857.31}$$

Middle Temple

$$\text{'B3'} = \text{£1,435.69 CR} + \frac{\text{£153,218.26}}{66.82}$$

$$\text{'B3'} = \text{£857.31}$$

Step Four

Finally, Council Tax amounts have to be calculated for each valuation band (A to H) in each of the three areas (i.e. 24 Council Tax categories). The formula to be used is:

$$\text{Council Tax for particular category} = A \times \frac{N}{D}$$

A is the Basic Amount 'Three' ('B3') calculated for each part of its area;

N is the proportion applicable to dwellings listed in the particular valuation Band for which the calculation is being made;

D is the proportion applicable to dwellings listed in valuation Band D.

| Council Tax per Property Band: calculated by applying nationally fixed proportions from Band D. | | | | | | | | |
|--|--------|--------|--------|--------|----------|----------|----------|----------|
| | £ | | | | | | | |
| | A | B | C | D | E | F | G | H |
| Proportion | 6 | 7 | 8 | 9 | 11 | 13 | 15 | 18 |
| CoL | 571.54 | 666.80 | 762.05 | 857.31 | 1,047.82 | 1,238.34 | 1,428.85 | 1,714.62 |
| GLA | 49.26 | 57.47 | 65.68 | 73.89 | 90.31 | 106.73 | 123.15 | 147.78 |
| Total | 620.80 | 724.27 | 827.73 | 931.20 | 1138.13 | 1345.07 | 1552.00 | 1862.40 |

PRUDENTIAL INDICATORS

The following Prudential Indicators (and those included in Appendix C) have been calculated in accordance with the CIPFA Prudential Code for Capital Finance in Local Authorities. In addition a local indicator has been calculated to reflect the City's particular circumstances. Those indicators relating to estimates for the financial years 2016/17, 2017/18 and 2018/19 (values shown in bold) are required to be set by the Court of Common Council as part of the budget setting process, and should be taken into account when considering the affordability, prudence and sustainability of capital investments.

Prudential Indicators for Affordability**Estimate of the ratio of financing costs to net revenue stream****Table 1**

| | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 |
|-------------------------------|--------------|-------------|--------------|--------------|--------------|--------------|--------------|
| | Actual | Actual | Actual | Revised | Estimate | Estimate | Estimate |
| HRA | 0.24 | 0.24 | 0.25 | 0.42 | 0.74 | 0.42 | 0.42 |
| Non-HRA | -0.39 | 0.22 | -0.46 | -0.35 | -0.43 | -0.40 | -0.48 |
| Total | -0.33 | 0.22 | -0.39 | -0.28 | -0.31 | -0.32 | -0.38 |
| <i>At this time last year</i> | <i>-0.30</i> | <i>0.22</i> | <i>-0.34</i> | <i>-0.30</i> | <i>-0.33</i> | <i>-0.33</i> | <i>-</i> |

This ratio is intended to represent the extent to which the net revenue consequences of financing and borrowing impact on the net revenue stream. Since the City Fund is a net lender in its Treasury operations and is in receipt of significant rental income from investment properties, the Non-HRA and Total ratios are usually negative, with the exception of a positive ratio in 2013/14 reflecting the one-off treasury decision to invest significant revenue reserves in property.

The upward trend in HRA ratios reflects increased revenue contributions to the major repairs reserve, peaking in 2016/17, which is used to fund the HRA programme of capital works necessary to maintain the housing estates.

Estimate of the incremental impact of capital investment decisions on the Council Tax**Table 2**

| | 2015/16 Revised £ | 2016/17 Estimate £ | 2017/18 Estimate £ | 2018/19 Estimate £ |
|--|-------------------------|--------------------------|--------------------------|--------------------------|
| Incremental increase/(decrease) Per Band 'D' Equivalent | 1,233.00 | 1,546.00 | 1,455.00 | 1,335.00 |
| <i>At this time last year</i> | <i>19.00</i> | <i>(189.00)</i> | <i>(242.00)</i> | <i>-</i> |

This ratio has been calculated to show the net incremental revenue impact of variations in the capital programme since the 2015/16 original estimates were prepared, expressed as a Band D equivalent. The variations generally reflect the beneficial impact of interest earnings and rental income arising from changes in the capital programme, with bracketed items representing a net revenue benefit. However, funding of capital

expenditure from revenue balances will offset the ongoing revenue income in the short term.

The increases over the indicators calculated at this time last year reflect this one-off short term negative impact of investing surplus revenue cash balances in investment property, which will generate a long term beneficial rental income.

Whilst in theory, this indicator could be a strong measure of affordability, in reality it is difficult to demonstrate a direct link between capital expenditure and its impact on the Council Tax, due to the special arrangements relating to the setting of the City's Council Tax.

Estimate of the incremental impact of capital expenditure on housing rents

Table 3

| | 2015/16 Revised £ | 2016/17 Estimate £ | 2017/18 Estimate £ | 2018/19 Estimate £ |
|---|-------------------------|--------------------------|--------------------------|--------------------------|
| Incremental increase/(decrease) on Average Weekly Rent | (3.67) | 1.58 | 9.18 | 11.67 |
| <i>At this time last year</i> | 2.84 | 4.04 | 4.10 | - |

The current figures reflect the variations in annual capital costs associated with maintaining the decent homes standard and other improvements. Positive figures denote an increase and negative (bracketed) figures denote a decrease in the costs to be borne by the Housing Revenue Account. Councils' discretion to amend rents has, until recently, been largely removed by the Government's restrictions on the levels of rent chargeable, which previously made the above figures purely notional. As a result of Government reforms to council housing finance, the extent to which capital will impact on future rent levels is under review.

Prudential Indicator of Prudence

Net Debt and the Capital Financing Requirement

Table 4

| | Period 2015/16 to 2018/19 £m |
|---|---------------------------------------|
| Net borrowing/(Net investments) at 31 March 2019 | (215.910) |
| Capital Financing Requirement at 31 March 2019 | 158.186 |

To ensure that, over the medium term, net external borrowing will only be for capital purposes, this indicator is intended to demonstrate that net debt does not exceed the capital financing requirement over the period 2015/16 to 2018/19. For this purpose, net debt is defined as the net total of external borrowing and cash investments. The existing financial plans assume that no external borrowing will be undertaken within the planning period, giving a 'net investment' position.

Prudential Indicators for Capital Expenditure and External Debt

Estimate of Capital Expenditure

Table 5

| | 2012/13 Actual £m | 2013/14 Actual £m | 2014/15 Actual £m | 2015/16 Revised £m | 2016/17 Estimate £m | 2017/18 Estimate £m | 2018/19 Estimate £m |
|-------------------------------|-------------------------|-------------------------|-------------------------|--------------------------|---------------------------|---------------------------|---------------------------|
| HRA | 3.502 | 2.502 | 4.534 | 10.690 | 33.628 | 30.943 | 6.609 |
| Non-HRA | 17.939 | 181.183 | 41.103 | 46.019 | 271.181 | 42.637 | 50.542 |
| Total | 21.441 | 183.685 | 45.637 | 56.709 | 304.809 | 73.580 | 57.151 |
| <i>At this time last year</i> | 21.441 | 183.685 | 66.742 | 269.214 | 37.260 | 26.524 | - |

This indicator is based on the capital budget, augmented to reflect the indicative cost of schemes which have been approved in principle but have yet to be evaluated. It should be noted that the figures represent gross expenditure and that a number of schemes are wholly or partially funded by external contributions. Comparisons with the figures calculated at this time last year are generally reflective of the re-phasing of capital expenditure, most notably the deferral of the £200m contribution to Crossrail from 2015/16 to 2016/17.

Estimate of the Capital Financing Requirement

Table 6

| | 2012/13 Actual £m | 2013/14 Actual £m | 2014/15 Actual £m | 2015/16 Revised £m | 2016/17 Estimate £m | 2017/18 Estimate £m | 2018/19 Estimate £m |
|-------------------------------|-------------------------|-------------------------|-------------------------|--------------------------|---------------------------|---------------------------|---------------------------|
| HRA | 10.924 | 10.705 | 10.490 | 2.281 | 2.226 | 2.172 | 2.119 |
| Non-HRA | -12.852 | -12.647 | -12.309 | -4.099 | 97.341 | 116.285 | 156.067 |
| Total | -1.928 | -1.942 | -1.819 | -1.818 | 99.567 | 118.457 | 158.186 |
| <i>At this time last year</i> | -1.928 | -1.942 | -1.942 | -1.942 | -1.942 | -1.942 | - |

The capital financing requirement (CFR) reflects the underlying need to borrow and is calculated by identifying the capital financing sources (e.g. capital receipts, grants) to be applied. A positive indicator reflects the use of both external and internal borrowing to fund capital expenditure.

The overall negative figures before 2016/17 are indicative of the City's debt-free status. From 2016/17 onwards the City Fund will finance some capital expenditure from cash sums received from the sale of long leases, which are treated as deferred income in accordance with accounting standards. For the purposes of this indicator, such funding counts as 'internal borrowing' and has given rise to positive CFRs going forward. The City continues to remain free of external debt.

In accordance with the guidance contained in the Prudential Code, the 'Actual' indicators are calculated directly from the Balance Sheet, whilst the method of calculating the HRA and Non-HRA elements is prescribed under Statute.

The remaining prudential indicators relating to external debt and treasury management are included within Appendix C.

Local Indicator

A local indicator which gives a useful measure of both sustainability and of the adequacy of revenue reserves has been developed.

Times Cover on Unencumbered Revenue Reserves

Table 7

| | 2015/16 | 2016/17 | 2017/18 | 2018/19 |
|--|----------------|----------------|----------------|----------------|
| Times cover on unencumbered revenue reserves | 13.2 | (10.0) | 32.8 | 11.1 |
| <i>At this time last year</i> | (30.2) | (16.2) | (5.5) | - |

This indicator is calculated by dividing the balance of unencumbered general reserves by any annual revenue deficit/ (surplus). By 2018/19 the indicator shows that the cover could reduce to 11 years.

TREASURY MANAGEMENT STRATEGY STATEMENT

AND

ANNUAL INVESTMENT STRATEGY

2016/17

[The main changes to the document from last year's version are highlighted in grey]

Treasury Management Strategy Statement, Minimum Revenue Provision (MRP) Strategy and Annual Investment Strategy 2016/17

1. Introduction

1.1 Background

The City of London Corporation (the City) is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the City's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of capital expenditure plans. The City is not anticipating any borrowing at this time.

1.2 The Treasury Management Policy Statement

The City defines its treasury management activities as:

The management of the organisation's investments and cash flows, its banking, money market and capital market transaction; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

The City regards the security of its financial investments through the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

The City acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

1.3 CIPFA Requirements

The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised November 2009) was adopted by the Court of Common Council (the Court) on 3 March 2010:

The primary requirements of the Code are as follows:

- (i) The City of London Corporation will create and maintain, as the cornerstones for effective treasury management:
 - A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities

- Suitable treasury management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
- (ii) This organisation (i.e. the Court of Common Council) will receive reports on its treasury management policies, practices and activities, including as a minimum an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close.
- (iii) The Court of Common Council delegates responsibility for the implementation and regular monitoring of its treasury management policies to the Finance Committee and the Financial Investment Board; the execution and administration of treasury management decisions is delegated to the Chamberlain, who will act in accordance with the organisation's policy statement and TMPs and, if he/she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.
- (iv) The Court of Common Council nominates the Audit and Risk Management Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

1.4 Treasury Management Strategy for 2016/17

The Local Government Act 2003 (the Act) and supporting regulations require the City to 'have regard to' the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice to set Prudential and Treasury Indicators for the next three years to ensure that the City's capital investment plans are affordable, prudent and sustainable.

The Act therefore requires the Court of Common Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance issued subsequent to the Act) (included in section 7 of this report); this sets out the City's policies for managing its investments and for giving priority to the security and liquidity of those investments.

The suggested strategy for 2016/17 in respect of the required aspects of the treasury management function is based upon the treasury officers' views on interest rates, supplemented with leading market forecasts provided by the City's treasury adviser, Capita Asset Services, Treasury Solutions.

The strategy covers:

- the current treasury position
- treasury indicators in force which will limit the treasury risk and activities of the City
- Treasury Indicators
- prospects for interest rates
- the borrowing strategy
- policy on borrowing in advance of need
- debt rescheduling
- the investment strategy
- creditworthiness policy

- policy on use of external service providers.

These elements cover the requirements of the local Government Act 2003, the CIPFA Prudential Code, the CLG MRP Guidance, the CIPFA Treasury Management Code and the CLG Investment Guidance.

1.5 Balanced Budget Requirement

It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, for the City to produce a balanced budget. In particular, Section 32 requires a local authority to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This, therefore, means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue from:

1. increases in interest charges caused by increased borrowing to finance additional capital expenditure, and
2. any increases in running costs from new capital projects are limited to a level which is affordable within the projected income of the City for the foreseeable future.

2. Treasury Limits for 2016/17 to 2018/19

It is a statutory duty under Section 3 (1) of the Local Government Finance Act and supporting regulations, for the City to determine and keep under review how much it can afford to borrow. The amount so determined is termed the “Affordable Borrowing Limit”. In England and Wales the Authorised Limit represents the legislative limit specified in the Act.

The City must have regard to the Prudential Code when setting the Authorised Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax and council rent levels is ‘acceptable’.

Whilst termed an “Affordable Borrowing Limit”, the capital plans to be considered for inclusion in corporate financing by both external borrowing and other forms of liability, such as credit arrangements. The Authorised Limit is to be set, on a rolling basis, for the forthcoming financial year and two successive financial years; details of the Authorised Limit can be found in Appendix 3.

3. Current Portfolio Position

The City’s treasury portfolio position at 31 December 2015 comprised:

| Table 1 | | Principal | | Ave. rate |
|-----------------------------|--------|------------------|-----------|------------------|
| | | £m | £m | % |
| Fixed rate funding | PWLB | 0 | 0 | - |
| | Market | 0 | | |
| Variable rate funding | PWLB | 0 | 0 | - |
| | Market | 0 | | |
| Other long term liabilities | | | 0 | |

| | | | | |
|--------------------------|--|--|--------------|-------------|
| Gross debt | | | 0 | - |
| Total investments | | | 882.3 | 0.63 |
| Net Investments | | | 882.3 | |

4. Treasury Indicators for 2016/17 – 2018/19

Treasury Indicators (as set out in Appendix 3) are relevant for the purposes of setting an integrated treasury management strategy.

The City is also required to indicate if it has adopted the CIPFA Code of Practice on Treasury Management. The original 2001 Code was adopted by the Court of Common Council on 9 March 2004 and the revised 2009 Code was adopted on 3 March 2010.

5. Prospects for Interest Rates

The City of London has appointed Capita Asset Services (Capita) as its treasury advisor and part of their service is to assist the City to formulate a view on interest rates. Appendix 1 draws together a number of forecasts for both short term (Bank Rate) and longer term interest rates and Appendix 2 provides a more detailed economic commentary. The following table and accompanying text below gives the Capita central view.

| Annual Average % | Bank Rate % | PWLB Borrowing Rates % (including certainty rate adjustment) | | | |
|------------------|-------------|---|----------|---------|---------|
| | | 5 year | 10 years | 25 year | 50 year |
| Mar 2016 | 0.50 | 2.00 | 2.60 | 3.40 | 3.20 |
| Jun 2016 | 0.50 | 2.10 | 2.70 | 3.40 | 3.20 |
| Sep 2016 | 0.50 | 2.20 | 2.80 | 3.60 | 3.30 |
| Dec 2016 | 0.75 | 2.30 | 2.90 | 3.60 | 3.40 |
| Mar 2017 | 0.75 | 2.40 | 3.00 | 3.70 | 3.50 |
| Jun 2017 | 1.00 | 2.50 | 3.10 | 3.70 | 3.60 |
| Sep 2017 | 1.00 | 2.60 | 3.20 | 3.80 | 3.70 |
| Dec 2017 | 1.25 | 2.70 | 3.30 | 3.90 | 3.80 |
| Mar 2018 | 1.25 | 2.80 | 3.40 | 4.00 | 3.90 |
| Jun 2018 | 1.50 | 2.90 | 3.50 | 4.00 | 3.90 |
| Sep 2018 | 1.50 | 3.00 | 3.60 | 4.10 | 4.00 |
| Dec 2018 | 1.75 | 3.10 | 3.60 | 4.10 | 4.00 |
| Mar 2019 | 1.75 | 3.20 | 3.70 | 4.10 | 4.00 |

UK. UK GDP growth rates in 2013 of 2.2% and 2.9% in 2014 were the strongest growth rates of any G7 country; the 2014 growth rate was also the strongest UK rate since 2006 and although the 2015 growth rate is likely to be a leading rate in the G7 again, it looks likely to disappoint previous forecasts and come in at about 2%. Quarter 1 of 2015 was weak at +0.4% (+2.9% y/y) though there was a slight increase in quarter 2 to +0.5% (+2.3% y/y) before weakening again to +0.4% (2.1% y/y) in quarter 3. The November Bank of England Inflation Report included a forecast for growth to remain around 2.5 – 2.7% over the next three years, driven

mainly by strong consumer demand as the squeeze on the disposable incomes of consumers has been reversed by a recovery in wage inflation at the same time that CPI inflation has fallen to, or near to, zero since February 2015. Investment expenditure is also expected to support growth. However, since the August Inflation report was issued, most worldwide economic statistics have been weak and financial markets have been particularly volatile. The November Inflation Report flagged up particular concerns for the potential impact of these factors on the UK.

The Inflation Report was also notably subdued in respect of the forecasts for inflation; this was expected to barely get back up to the 2% target within the 2-3 year time horizon. The increase in the forecast for inflation at the three year horizon was the biggest in a decade and at the two year horizon was the biggest since February 2013. However, the first round of falls in oil, gas and food prices over late 2014 and also in the first half 2015, will fall out of the 12 month calculation of CPI during late 2015 / early 2016 but a second, more recent round of falls in fuel and commodity prices will delay a significant tick up in inflation from around zero: this is now expected to get back to around 1% by the end of 2016 and not get to near 2% until the second half of 2017, though the forecasts in the Report itself were for an even slower rate of increase. However, more falls in the price of oil and imports from emerging countries in early 2016 will further delay the pick up in inflation. There is therefore considerable uncertainty around how quickly pay and CPI inflation will rise in the next few years and this makes it difficult to forecast when the MPC will decide to make a start on increasing Bank Rate.

The weakening of UK GDP growth during 2015 and the deterioration of prospects in the international scene, especially for emerging market countries, have consequently led to forecasts for when the first increase in Bank Rate would occur being pushed back to quarter 4 of 2016. There is downside risk to this forecast i.e. it could be pushed further back.

USA. The American economy made a strong comeback after a weak first quarter's growth at +0.6% (annualised), to grow by no less than 3.9% in quarter 2 of 2015, but then pulled back to 2.0% in quarter 3. The run of strong monthly increases in nonfarm payrolls figures for growth in employment in 2015 prepared the way for the Fed. to embark on its long awaited first increase in rates of 0.25% at its December meeting. However, the accompanying message with this first increase was that further increases will be at a much slower rate, and to a much lower ultimate ceiling, than in previous business cycles, mirroring comments by our own MPC.

EZ. In the Eurozone, the ECB fired its big bazooka in January 2015 in unleashing a massive €1.1 trillion programme of quantitative easing to buy up high credit quality government and other debt of selected EZ countries. This programme of €60bn of monthly purchases started in March 2015 and it was intended to run initially to September 2016. At the ECB's December meeting, this programme was extended to March 2017 but was not increased in terms of the amount of monthly purchases. The ECB also cut its deposit facility rate by 10bps from -0.2% to -0.3%. This programme of monetary easing has had a limited positive effect in helping a recovery in consumer and business confidence and a start to some improvement in economic growth. GDP growth rose to 0.5% in quarter 1 2015 (1.3% y/y) but has then eased back to +0.4% (+1.6% y/y) in quarter 2 and to +0.3% (+1.6%) in quarter 3. Financial markets were disappointed by the ECB's lack of more decisive action in December and it is likely that it will need to boost its QE programme if it is to

succeed in significantly improving growth in the EZ and getting inflation up from the current level of around zero to its target of 2%.

Greece. During July, Greece finally capitulated to EU demands to implement a major programme of austerity and is now cooperating fully with EU demands. An €86bn third bailout package has since been agreed though it did nothing to address the unsupportable size of total debt compared to GDP. However, huge damage has been done to the Greek banking system and economy by the resistance of the Syriza Government, elected in January, to EU demands. The surprise general election in September gave the Syriza government a mandate to stay in power to implement austerity measures. However, there are major doubts as to whether the size of cuts and degree of reforms required can be fully implemented and so Greek exit from the euro may only have been delayed by this latest bailout.

Portugal and Spain. The general elections in September and December respectively have opened up new areas of political risk where the previous right wing reform-focused pro-austerity mainstream political parties have lost their majority of seats. An anti-austerity coalition has won a majority of seats in Portugal while the general election in Spain produced a complex result where no combination of two main parties is able to form a coalition with a majority of seats. It is currently unresolved as to what administrations will result from both these situations. This has created nervousness in bond and equity markets for these countries which has the potential to spill over and impact on the whole Eurozone project.

- Investment returns are likely to remain relatively low during 2016/17 and beyond;
- Borrowing interest rates have been highly volatile during 2015 as alternating bouts of good and bad news have promoted optimism, and then pessimism, in financial markets. Gilt yields have continued to remain at historically phenomenally low levels during 2015. The policy of avoiding new borrowing by running down spare cash balances, has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in later times, when authorities will not be able to avoid new borrowing to finance new capital expenditure and/or to refinance maturing debt;
- There will remain a cost of carry to any new borrowing which causes an increase in investments as this will incur a revenue loss between borrowing costs and investment returns.

6. Borrowing Strategy

It is anticipated that there will be no capital borrowings required during 2016/17.

7. Annual Investment Strategy

7.1 Introduction: Changes to Credit Rating Methodology

The main rating agencies (Fitch, Moody's and Standard & Poor's) have, through much of the financial crisis, provided some institutions with a ratings "uplift" due to implied levels of sovereign support. Commencing in 2015, in response to the evolving regulatory regime, all three agencies have begun removing these "uplifts" with the timing of the process determined by regulatory progress at the national level. The process has been part of a wider reassessment of methodologies by

each of the rating agencies. In addition to the removal of implied support, new methodologies are now taking into account additional factors, such as regulatory capital levels. In some cases, these factors have “netted” each other off, to leave underlying ratings either unchanged or little changed. A consequence of these new methodologies is that they have also lowered the importance of the (Fitch) Support and Viability ratings and have seen the (Moody’s) Financial Strength rating withdrawn by the agency.

In keeping with the agencies’ new methodologies, the rating element of our own credit assessment process now focuses solely on the Short and Long Term ratings of an institution. While this is the same process that has always been used for Standard & Poor’s, this has been a change in the use of Fitch and Moody’s ratings. It is important to stress that the other key elements to our process, namely the assessment of Rating Watch and Outlook information as well as the Credit Default Swap (CDS) overlay have not been changed.

The evolving regulatory environment, in tandem with the rating agencies’ new methodologies also means that sovereign ratings are now of lesser importance in the assessment process. Where through the crisis, clients typically assigned the highest sovereign rating to their criteria, the new regulatory environment is attempting to break the link between sovereign support and domestic financial institutions. While this authority understands the changes that have taken place, it will continue to specify a minimum sovereign rating of This is in relation to the fact that the underlying domestic and where appropriate, international, economic and wider political and social background will still have an influence on the ratings of a financial institution.

It is important to stress that these rating agency changes do not reflect any changes in the underlying status or credit quality of the institution. They are merely reflective of a reassessment of rating agency methodologies in light of enacted and future expected changes to the regulatory environment in which financial institutions operate. While some banks have received lower credit ratings as a result of these changes, this does not mean that they are suddenly less credit worthy than they were formerly. Rather, in the majority of cases, this mainly reflects the fact that implied sovereign government support has effectively been withdrawn from banks. They are now expected to have sufficiently strong balance sheets to be able to withstand foreseeable adverse financial circumstances without government support. In fact, in many cases, the balance sheets of banks are now much more robust than they were before the 2008 financial crisis when they had higher ratings than now. However, this is not universally applicable, leaving some entities with modestly lower ratings than they had through much of the “support” phase of the financial crisis.

7.2 Investment Policy

The City of London’s investment policy will have regard to the CLG’s Guidance on Local Government Investments (“the Guidance”) and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectorial Guidance Notes (“the CIPFA TM Code”). The City’s investment priorities are:

- (a) the security of capital and
- (b) the liquidity of its investments.

The City will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The risk appetite of the City is low in order to give priority to security of its investments.

The borrowing of monies purely to invest or on-lend and make a return is unlawful and the City will not engage in such activity.

In accordance with the above guidance from the CLG and CIPFA, and in order to minimise the risk to investments, the City applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. **The key ratings used to monitor counterparties are the Short Term and Long Term ratings**

Ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the City will engage with its advisors to maintain a monitor on market pricing such as “credit default swaps” and overlay that information on top of the credit ratings.

Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

Investment instruments identified for use in the financial year are listed in Appendix 4 under the ‘specified’ and ‘non-specified’ investments categories.

7.3 Creditworthiness policy

The City uses the creditworthiness service provided by Capita. This service employs a sophisticated modelling approach utilising credit ratings from all three rating agencies - Fitch, Moody's and Standard & Poor's. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- Credit Default Swap spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries.

The City will not specifically follow the approach suggested by CIPFA of using the lowest rating from all three rating agencies to determine creditworthy counterparties but will have regard to the approach adopted by Capita's creditworthiness service which incorporates ratings from all three agencies and uses a risk weighted scoring system, thereby not giving undue preponderance to just one agency's ratings.

All credit ratings will be monitored on a daily basis. The City is alerted to credit warnings and changes to ratings of all three agencies through its use of the Capita creditworthiness service.

- If a downgrade results in the counterparty/investment scheme no longer meeting the City's minimum criteria, its further use as a possible investment will be withdrawn immediately.
- In addition to the use of Credit Ratings the City will be advised of information in movements in Credit Default Swap against the iTraxx benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by Capita Asset Services. Extreme market movements may result in downgrade of an institution and possible removal from the City's lending list.

Sole reliance will not be placed on the use of this external service. In addition the City will also use market data and market information, information from any external source and credit ratings.

Regular meetings are held involving the Chamberlain, Financial Services Director, Corporate Treasurer and Members of the Treasury Team, when the suitability of prospective counterparties and the optimum duration for lending is discussed and agreed.

The primary principle governing the City's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle, the City will ensure that:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security.
- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the City's prudential indicators covering the maximum principal sums invested.

The Chamberlain will maintain a counterparty list in compliance with the following criteria and will revise these criteria and submit them to the Financial Investment Board for approval as necessary. These criteria are separate to those which determine which types of investment instruments are classified as either specified or non-specified as it provides an overall pool of counterparties considered high quality which the City may use, rather than defining what types of investment instruments are to be used.

Credit rating information is supplied by Capita Asset Services, our treasury consultants, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating Watches (notification of a likely change), rating Outlooks (notification of a possible longer term change) are provided to officers almost immediately after they occur and this information is considered before dealing. For instance, a negative rating Watch applying to a counterparty would result in a temporary suspension which will be reviewed regularly.

The criteria for providing a pool of high quality investment counterparties (both specified and non-specified investments) are:

- Banks 1 – good credit quality – the City will only use banks which:
 - (i) are UK banks; and/or
 - (ii) are non-UK and domiciled in a country which has a minimum sovereign long-term rating of AAA (Fitch rating)

and have, as a minimum the following Fitch, credit rating:

- | | |
|----------------|----|
| (i) Short-term | F1 |
| (ii) Long-term | A |

- Banks 2 – Part Nationalised UK banks – Royal Bank of Scotland. This bank can be included if it continues to be part nationalised, or it meets the ratings in Banks 1 above.
- Banks 3 – The City's own banker (Lloyds Banking Group) for transactional purposes if the bank falls below the above criteria, although in this case, balances will be minimised in both monetary size and duration.
- Bank subsidiary and treasury operation - The City will use these where the parent bank has provided an appropriate guarantee or has the necessary ratings outlined above. This criterion is particularly relevant to City Re Limited, the City's Captive insurance company, which deposits funds with bank subsidiaries in Guernsey.
- Building Societies – The City may use all societies which:
 - (i) have assets in excess of £9bn; or
 - (ii) meet the ratings for banks outlined above
- Money Market Funds (MMF) – with minimum credit ratings of AAA/mmff
- UK Government – including government gilts and the debt management agency deposit facility.
- Local authorities.

A limit of £300m will be applied to the use of non-specified investments.

Use of additional information other than credit ratings. Additional requirements under the Code require the Council to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, negative rating Watches/Outlooks) will be applied to compare the relative security of differing investment counterparties

Term and monetary limits applying to investments. The term and monetary limits for institutions on the Council's counterparty list are set out in Appendix 5.

7.4 Country limits

The City has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AAA (Fitch) or equivalent. . The counterparty list, as shown in Appendix 6, will be added to or deducted from by officers should individual country ratings change in accordance with this policy. It is proposed that the UK will be excluded from this stipulated minimum sovereign rating requirement.

7.5 Investment Strategy

In-house funds: The City's in-house managed funds are both cash-flow derived and also represented by core balances which can be made available for investment over a 2-3 year period. Investments will accordingly be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). The City does not currently have any term deposits which span the 2017/18 financial year.

7.6 Investment returns expectations: The Bank Rate has been unchanged from 0.50% since March 2009. Bank Rate is forecast by Capita Asset Services to remain unchanged at 0.5% before starting to rise from **quarter 4 of 2016**. Bank Rate forecasts for financial year ends (March) are as follows:

- 2016/17 0.75%
- 2017/18 1.25%
- 2018/19 1.75%

Capita considers that **the overall balance of risk to this forecast is currently to the downside (i.e. start of increases in Bank Rate occurs later). However, should the pace of growth quicken and / or forecasts for increases in inflation rise, there could be an upside risk.**

The Chamberlain and his Treasury Officers consider that the base rate will not increase until towards the end of 2016 at the earliest end even then are unlikely to increase rapidly over the next 2 to 3 years. Currently available interest rates over the longer term (2 to 3 years) are not significantly above 1.0% to 1.5% and are considered insufficient to place funds on 2 or 3 year deposit at present.

For **2015/16** the City has budgeted for an average investment return of **0.50%** on investments placed during the financial year. Financial forecasts for the period 2016/17 include interest earnings based on an average investment return of 0.50% **with an increase to 0.75% in 2017/18.**

In managing its cash as effectively as possible, the City aims to benefit from the highest available interest rates for the types of investment vehicles invested in, whilst ensuring that it keeps within its credit criteria as set out in this document. Currently, the City invests in a call account with Lloyds Bank, money market funds, short-dated deposits (three months to one year) and a 95 day notice account. These investments are relatively liquid and therefore as and when interest rates improve balances can be invested for longer periods.

7.7 Investment Treasury Indicator and Limit

Total principal funds invested for greater than 364 days are subject to a limit, set with regard to the City's liquidity requirements and to reduce the need for an early sale of an investment, and are based on the availability of funds after each year end.

The Board is asked to approve the treasury indicator and limit:

Maximum principal sums invested for more than 364 days (up to three years)

| <u>£M</u> | <u>2016/17 (£M)</u> | <u>2017/18 (£M)</u> | <u>2018/19 (£M)</u> |
|-----------------------------------|---------------------|---------------------|---------------------|
| Principal sums invested >364 days | 300 | 300 | 300 |

It should be emphasised that the City is prepared to lend monies for periods of up to three years which is longer than most other local authorities which tend to opt for shorter durations.

7.8 End of year investment report

At the end of the financial year, the City will report on its investment activity as part of its Annual Treasury Report.

7.9 External fund managers

A proportion of the City's funds, amounting to £325.7m as at 31 December 2015, are externally managed on a discretionary basis by Aberdeen Asset Management, Deutsche Asset Wealth Management, Standard Life Investments (formally Ignis Asset Management), Invesco Fund Managers Ltd, Federated UK LLP, CCLA Investment Management Ltd and Payden Global Funds Plc. The City's external fund managers will comply with the Annual Investment Strategy, and the agreements between the City and the fund managers additionally stipulate guidelines and duration and other limits in order to contain and control risk. Investments made by the Money Market Fund Managers include a diversified portfolio of very high quality sterling-dominated investments, including gilts, supranationals, bank and corporate bonds, as well as other money market securities. The individual investments held within the Money Market Funds are monitored on a regular basis by Treasury staff.

The credit criteria to be used for the selection of the cash fund manager(s) is based on Fitch Ratings and is AAA/mmf. The Payden Sterling Reserve Fund is rated by Standard and Poor's at AAA/f.

7.10 Policy on the use of external service providers

The City uses Capita Asset Services, Treasury Solutions as its external treasury management advisers.

The City recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon its external service providers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The City will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

7.11 Scheme of Delegation

Please see Appendix 7.

7.12 Role of the Section 151 officer

Please see Appendix 8.

7.13 Training

Members with responsibility for treasury management should receive adequate training. This especially applies to Members responsible for scrutiny. Training was last provided by the City's external Consultant on 30 October 2014 and further training will be arranged as required. The training needs of treasury management officers are periodically reviewed.

APPENDICES

1. Interest Rate Forecasts 2016-2019
2. Economic Background (Capita Asset Services)
3. Treasury Indicators
4. Treasury Management Practice (TMP1) – Credit and Counterparty Risk Management
5. Current Approved Counterparties
6. Approved Countries for Investments
7. Treasury Management Scheme of Delegation
8. The Treasury Management Role of the Section 151 Officer

CAPITA INTEREST RATE FORECASTS 2016-2019

| Capita Asset Services Interest Rate View | | | | | | | | | | | | | |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | Mar-16 | Jun-16 | Sep-16 | Dec-16 | Mar-17 | Jun-17 | Sep-17 | Dec-17 | Mar-18 | Jun-18 | Sep-18 | Dec-18 | Mar-19 |
| Bank Rate View | 0.50% | 0.50% | 0.50% | 0.75% | 0.75% | 1.00% | 1.00% | 1.25% | 1.25% | 1.50% | 1.50% | 1.75% | 1.75% |
| 3 Month LIBID | 0.50% | 0.50% | 0.60% | 0.80% | 0.90% | 1.00% | 1.10% | 1.30% | 1.40% | 1.50% | 1.60% | 1.80% | 1.90% |
| 6 Month LIBID | 0.70% | 0.70% | 0.80% | 0.90% | 1.00% | 1.20% | 1.30% | 1.50% | 1.60% | 1.70% | 1.80% | 2.00% | 2.20% |
| 12 Month LIBID | 1.00% | 1.00% | 1.10% | 1.20% | 1.30% | 1.50% | 1.60% | 1.80% | 1.90% | 2.00% | 2.10% | 2.30% | 2.40% |
| 5yr PWLB Rate | 2.00% | 2.10% | 2.20% | 2.30% | 2.40% | 2.50% | 2.60% | 2.70% | 2.80% | 2.90% | 3.00% | 3.10% | 3.20% |
| 10yr PWLB Rate | 2.60% | 2.70% | 2.80% | 2.90% | 3.00% | 3.10% | 3.20% | 3.30% | 3.40% | 3.50% | 3.60% | 3.60% | 3.70% |
| 25yr PWLB Rate | 3.40% | 3.40% | 3.50% | 3.60% | 3.70% | 3.70% | 3.80% | 3.90% | 4.00% | 4.00% | 4.10% | 4.10% | 4.10% |
| 50yr PWLB Rate | 3.20% | 3.20% | 3.30% | 3.40% | 3.50% | 3.60% | 3.70% | 3.80% | 3.90% | 3.90% | 4.00% | 4.00% | 4.00% |
| Bank Rate | | | | | | | | | | | | | |
| Capita Asset Services | 0.50% | 0.50% | 0.50% | 0.75% | 0.75% | 1.00% | 1.00% | 1.25% | 1.25% | 1.50% | 1.50% | 1.75% | 1.75% |
| Capital Economics | 0.50% | 0.75% | 0.75% | 0.75% | 1.00% | 1.00% | 1.00% | 1.25% | - | - | - | - | - |
| 5yr PWLB Rate | | | | | | | | | | | | | |
| Capita Asset Services | 2.00% | 2.10% | 2.20% | 2.30% | 2.40% | 2.50% | 2.60% | 2.70% | 2.80% | 2.90% | 3.00% | 3.10% | 3.20% |
| Capital Economics | 2.60% | 2.70% | 2.80% | 3.00% | 3.10% | 3.20% | 3.30% | 3.50% | - | - | - | - | - |
| 10yr PWLB Rate | | | | | | | | | | | | | |
| Capita Asset Services | 2.60% | 2.70% | 2.80% | 2.90% | 3.00% | 3.10% | 3.20% | 3.30% | 3.40% | 3.50% | 3.60% | 3.60% | 3.70% |
| Capital Economics | 3.35% | 3.45% | 3.45% | 3.55% | 3.65% | 3.75% | 3.85% | 3.95% | - | - | - | - | - |
| 25yr PWLB Rate | | | | | | | | | | | | | |
| Capita Asset Services | 3.40% | 3.40% | 3.50% | 3.60% | 3.70% | 3.70% | 3.80% | 3.90% | 4.00% | 4.00% | 4.10% | 4.10% | 4.10% |
| Capital Economics | 3.35% | 3.45% | 3.45% | 3.55% | 3.65% | 3.75% | 3.85% | 3.95% | - | - | - | - | - |
| 50yr PWLB Rate | | | | | | | | | | | | | |
| Capita Asset Services | 3.20% | 3.20% | 3.30% | 3.40% | 3.50% | 3.60% | 3.70% | 3.80% | 3.90% | 3.90% | 4.00% | 4.00% | 4.00% |
| Capital Economics | 3.40% | 3.50% | 3.50% | 3.60% | 3.70% | 3.80% | 3.90% | 4.00% | - | - | - | - | - |

Note: The current PWLB rates and forecast shown above have taken into account the 20 basis point certainty rate reduction effective as of 1st November 2012

ECONOMIC BACKGROUND

The UK Economy

UK. UK GDP growth rates in of 2.2% in 2013 and 2.9% in 2014 were the strongest growth rates of any G7 country; the 2014 growth rate was also the strongest UK rate since 2006 and although the 2015 growth rate is likely to be a leading rate in the G7 again, it looks likely to disappoint previous forecasts and come in at about 2%. Quarter 1 2015 was weak at +0.4% (+2.9% y/y), although there was a slight increase in quarter 2 to +0.5% before weakening again to +0.4% (+2.1% y/y) in quarter 3. The Bank of England's November Inflation Report included a forecast for growth to remain around 2.5% – 2.7% over the next three years. For this recovery, however, to become more balanced and sustainable in the longer term, it still needs to move away from dependence on consumer expenditure and the housing market to manufacturing and investment expenditure. The strong growth since 2012 has resulted in unemployment falling quickly to a current level of 5.1%.

Since the August Inflation report was issued, most worldwide economic statistics have been weak and financial markets have been particularly volatile. The November Inflation Report flagged up particular concerns for the potential impact of these factors on the UK. Bank of England Governor Mark Carney has set three criteria that need to be met before he would consider making a start on increasing Bank Rate. These criteria are patently not being met at the current time, (as he confirmed in a speech on 19 January):

- *Quarter-on-quarter GDP growth is above 0.6% i.e. using up spare capacity. This condition was met in Q2 2015, but Q3 came up short and Q4 looks likely to also fall short.*
- *Core inflation (stripping out most of the effect of decreases in oil prices), registers a concerted increase towards the MPC's 2% target. This measure was on a steadily decreasing trend since mid-2014 until November 2015 @ 1.2%. December 2015 saw a slight increase to 1.4%.*
- *Unit wage costs are on a significant increasing trend. This would imply that spare capacity for increases in employment and productivity gains are being exhausted, and that further economic growth will fuel inflationary pressures.*

The MPC has been particularly concerned that the squeeze on the disposable incomes of consumers should be reversed by wage inflation rising back above the level of CPI inflation in order to underpin a sustainable recovery. It has, therefore, been encouraging in 2015 to see wage inflation rising significantly above CPI inflation which has been around zero since February. However, it is unlikely that the MPC would start raising rates until wage inflation was expected to consistently stay over 3%, as a labour productivity growth rate of around 2% would mean that net labour unit costs would still only be rising by about 1% y/y. The Inflation Report was notably subdued in respect of the forecasts for CPI inflation; this was expected to barely get back up to the 2% target within the 2-3 year time horizon. The increase in the forecast for inflation at the three year horizon was the biggest in a decade and at the two year horizon it was the biggest since February 2013. However, the first round of falls in oil, gas and food prices in late 2014 and in the first half 2015, will fall out of the 12 month calculation of CPI during late 2015 / early 2016 but only to be followed by a second, subsequent round of falls in fuel and commodity prices which

will delay a significant tick up in inflation from around zero. CPI inflation is now expected to get back to around 1% in the second half of 2016 and not get near to 2% until the second half of 2017, though the forecasts in the Report itself were for an even slower rate of increase.

However, with the price of oil having fallen further in January 2016, and with sanctions having been lifted on Iran, enabling it to sell oil freely into international markets, there could well be some further falls still to come in 2016. The price of other commodities exported by emerging countries could also have downside risk and several have seen their currencies already fall by 20-30%, (or more), over the last year. These developments could well lead the Bank of England to lower the pace of increases in inflation in its February 2016 Inflation Report. On the other hand, the start of the national living wage in April 2016 (and further staged increases until 2020), will raise wage inflation; however, it could also result in a decrease in employment so the overall inflationary impact may be muted.

Confidence is another big issue to factor into forecasting. Recent volatility in financial markets could dampen investment decision making as corporates take a more cautious view of prospects in the coming years due to international risks. This could also impact in a slowdown in increases in employment. However, consumers will be enjoying the increase in disposable incomes as a result of falling prices of fuel, food and other imports from emerging countries, so this could well feed through into an increase in consumer expenditure and demand in the UK economy, (a silver lining!). Another silver lining is that the UK will not be affected as much as some other western countries by a slowdown in demand from emerging countries, as the EU and US are our major trading partners.

There is, therefore, considerable uncertainty around how quickly pay and CPI inflation will rise in the next few years and this makes it difficult to forecast when the MPC will decide to make a start on increasing Bank Rate. There are also concerns around the fact that the central banks of the UK and US currently have few monetary policy options left to them given that central rates are near to zero and huge QE is already in place. There are, accordingly, arguments that rates ought to rise sooner and quicker, so as to have some options available for use if there was another major financial crisis in the near future. But it is unlikely that either would aggressively raise rates until they are sure that growth was securely embedded and 'noflation' was not a significant threat.

The forecast for the first increase in Bank Rate has, therefore, been pushed back progressively over the last year from Q4 2015 to Q4 2016. Increases after that are also likely to be at a much slower pace, and to much lower final levels than prevailed before 2008, as increases in Bank Rate will have a much bigger effect on heavily indebted consumers and householders than they did before 2008. There has also been an increase in momentum towards holding a referendum on membership of the EU in 2016, rather than in 2017, with Q3 2016 being the current front runner in terms of timing; this could impact on MPC considerations to hold off from a first increase until the uncertainty caused by it has passed.

The Government's revised Budget in July eased the pace of cut backs from achieving a budget surplus in 2018/19 to achieving that in 2019/20 and this timetable was maintained in the November Budget.

USA. GDP growth in 2014 of 2.4% was followed by Q1 2015 growth, which was depressed by exceptionally bad winter weather, at only +0.6% (annualised).

However, growth rebounded remarkably strongly in Q2 to 3.9% (annualised) before falling back to +2.0% in Q3.

Until the turmoil in financial markets in August, caused by fears about the slowdown in Chinese growth, it had been strongly expected that the Fed. would start to increase rates in September. The Fed pulled back from that first increase due to global risks which might depress US growth and put downward pressure on inflation, as well as a 20% appreciation of the dollar which has caused the Fed. to lower its growth forecasts. Although the non-farm payrolls figures for growth in employment in August and September were disappointingly weak, the October figure was stunningly strong while November was also reasonably strong (and December was outstanding); this, therefore, opened up the way for the Fed. to embark on its first increase in rates of 0.25% at its December meeting. However, the accompanying message with this first increase was that further increases will be at a much slower rate, and to a much lower ultimate ceiling, than in previous business cycles, mirroring comments by our own MPC.

EZ. In the Eurozone, the ECB fired its big bazooka in January 2015 in unleashing a massive €1.1 trillion programme of quantitative easing to buy up high credit quality government and other debt of selected EZ countries. This programme of €60bn of monthly purchases started in March 2015 and it is intended to run initially to September 2016. At the ECB's December meeting, this programme was extended to March 2017 but was not increased in terms of the amount of monthly purchases. The ECB also cut its deposit facility rate by 10bps from -0.2% to -0.3%. This programme of monetary easing has had a limited positive effect in helping a recovery in consumer and business confidence and a start to some improvement in economic growth. GDP growth rose to 0.5% in quarter 1 2015 (1.3% y/y) but has then eased back to +0.4% (+1.6% y/y) in quarter 2 and to +0.3% (+1.6%) in quarter 3. Financial markets were disappointed by the ECB's lack of more decisive action in December and it is likely that it will need to boost its QE programme if it is to succeed in significantly improving growth in the EZ and getting inflation up from the current level of around zero to its target of 2%.

Greece. During July, Greece finally capitulated to EU demands to implement a major programme of austerity. An €86bn third bailout package has since been agreed although it did nothing to address the unsupportable size of total debt compared to GDP. However, huge damage has been done to the Greek banking system and economy by the initial resistance of the Syriza Government, elected in January, to EU demands. The surprise general election in September gave the Syriza government a mandate to stay in power to implement austerity measures. However, there are major doubts as to whether the size of cuts and degree of reforms required can be fully implemented and so a Greek exit from the euro may only have been delayed by this latest bailout.

Portugal and Spain. The general elections in September and December respectively have opened up new areas of political risk where the previous right wing reform-focused pro-austerity mainstream political parties have lost their majority of seats. A left wing / communist anti-austerity coalition has won a majority of seats in Portugal. The general election in Spain produced a complex result where no combination of two main parties is able to form a coalition with a majority of seats. It is currently unresolved as to what administrations will result from both these situations. This has created nervousness in bond and equity markets for these

countries which has the potential to spill over and impact on the whole Eurozone project.

China and Japan. Japan is causing considerable concern as the increase in sales tax in April 2014 suppressed consumer expenditure and growth. In Q2 2015 quarterly growth shrank by -0.2% after a short burst of strong growth of 1.1% during Q1, but then came back to +0.3% in Q3 after the first estimate had indicated that Japan had fallen back into recession; this would have been the fourth recession in five years. Japan has been hit hard by the downturn in China during 2015 and there are continuing concerns as to how effective efforts by the Abe government to stimulate growth, and increase the rate of inflation from near zero, are likely to prove when it has already fired the first two of its 'arrows' of reform but has dithered about firing the third, deregulation of protected and inefficient areas of the economy.

As for China, the Government has been very active during 2015 and the start of 2016, in implementing several stimulus measures to try to ensure the economy hits the growth target of about 7% for 2015. It has also sought to bring some stability after the major fall in the onshore Chinese stock market during the summer and then a second bout in January 2016. Many commentators are concerned that recent growth figures could have been massaged to hide a downturn to a lower growth figure. There are also major concerns as to the creditworthiness of much of bank lending to corporates and local government during the post 2008 credit expansion period. Overall, China is still expected to achieve a growth figure that the EU would be envious of. Nevertheless, there are growing concerns about whether the Chinese economy could be heading for a hard landing and weak progress in rebalancing the economy from an over dependency on manufacturing and investment to consumer demand led services. There are also concerns over the volatility of the Chinese stock market, which was the precursor to falls in world financial markets in August and September and again in January 2016, which could lead to a flight to quality to bond markets. In addition, the international value of the Chinese currency has been on a steady trend of weakening and this will put further downward pressure on the currencies of emerging countries dependent for earnings on exports of their commodities.

Emerging countries. There are also considerable concerns about the vulnerability of some emerging countries, and their corporates, which are getting caught in a perfect storm. Having borrowed massively in dollar denominated debt since the financial crisis, (as investors searched for yield by channelling investment cash away from western economies with dismal growth, depressed bond yields and near zero interest rates into emerging countries), there is now a strong flow back to those western economies with strong growth and a path of rising interest rates and bond yields.

The currencies of emerging countries have therefore been depressed by both this change in investors' strategy, and the consequent massive reverse cash flow, and also by the expectations of a series of central interest rate increases in the US which has caused the dollar to appreciate significantly. In turn, this has made it much more costly for emerging countries to service their dollar denominated debt at a time when their earnings from commodities are depressed by a simultaneous downturn in demand for their exports and deterioration in the value of their currencies. There are also likely to be major issues when previously borrowed debt comes to maturity and requires refinancing at much more expensive rates.

Corporates (worldwide) heavily involved in mineral extraction and / or the commodities market may also be at risk and this could also cause volatility in equities and safe haven flows to bonds. Financial markets may also be buffeted by the sovereign wealth funds of those countries that are highly exposed to falls in commodity prices and which, therefore, may have to liquidate investments in order to cover national budget deficits.

CAPITA ASSET SERVICES FORWARD VIEW

Economic forecasting remains difficult with so many external influences weighing on the UK. Capita Asset Services undertook its last review of interest rate forecasts on 19 January 2016. Our Bank Rate forecasts, (and also MPC decisions), will be liable to further amendment depending on how economic data evolves over time. . There is much volatility in rates and bond yields as news ebbs and flows in negative or positive ways. This latest forecast includes a first increase in Bank Rate in quarter 4 of 2016.

The overall trend in the longer term will be for gilt yields and PWLB rates to rise when economic recovery is firmly established accompanied by rising inflation and consequent increases in Bank Rate, and the eventual unwinding of QE. At some future point in time, an increase in investor confidence in eventual world economic recovery is also likely to compound this effect as recovery will encourage investors to switch from bonds to equities.

The overall balance of risks to economic recovery in the UK is currently to the downside, given the number of potential headwinds that could be growing on both the international and UK scene. Only time will tell just how long this current period of strong economic growth will last; it also remains exposed to vulnerabilities in a number of key areas.

However, the overall balance of risks to our Bank Rate forecast is probably to the downside, i.e. the first increase, and subsequent increases, may be delayed further if recovery in GDP growth, and forecasts for inflation increases, are lower than currently expected. Market expectations in January 2016, (based on short sterling), for the first Bank Rate increase are currently around quarter 1 2017.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- Emerging country economies, currencies and corporates destabilised by falling commodity prices and / or Fed. rate increases, causing a flight to safe havens.
- Geopolitical risks in Eastern Europe, the Middle East and Asia, increasing safe haven flows.
- UK economic growth and increases in inflation are weaker than we currently anticipate.
- Weak growth or recession in the UK's main trading partners - the EU and US.
- A resurgence of the Eurozone sovereign debt crisis.
- Recapitalisation of European banks requiring more government financial support.
- Monetary policy action failing to stimulate sustainable growth and combat the threat of deflation in western economies, especially the Eurozone and Japan.

The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -

- Uncertainty around the risk of a UK exit from the EU.
- The pace and timing of increases in the Fed. funds rate causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities and leading to a major flight from bonds to equities.
- UK inflation returning to significantly higher levels than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.

TREASURY INDICATORS

| TABLE 1: TREASURY MANAGEMENT INDICATORS | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2017/18 |
|--|----------------|-------------------------|-----------------|-----------------|-----------------|
| | actual | probable outturn | estimate | estimate | estimate |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Authorised Limit for external debt - | | | | | |
| borrowing | £0 | £0 | £0 | £0 | £0 |
| other long term liabilities | £0 | £0 | £0 | £0 | £0 |
| TOTAL | £0 | £0 | £0 | £0 | £0 |
| Operational Boundary for external debt - | | | | | |
| borrowing | £0 | £0 | £0 | £0 | £0 |
| other long term liabilities | £0 | £0 | £0 | £0 | £0 |
| TOTAL | £0 | £0 | £0 | £0 | £0 |
| Actual external debt | £0 | £0 | £0 | £0 | £0 |
| Upper limit for fixed interest rate exposure | | | | | |
| Expressed as either:- | | | | | |
| Net principal re fixed rate borrowing / investments | 100% | 100% | 100% | 100% | 100% |
| OR:- | | | | | |
| Net interest re fixed rate borrowing / investments | 100% | 100% | 100% | 100% | 100% |
| Upper limit for variable rate exposure | | | | | |
| Expressed as either:- | | | | | |
| Net principal re variable rate borrowing / investments | 100% | 100% | 100% | 100% | 100% |
| OR:- | | | | | |
| Net interest re variable rate borrowing / investments | 100% | 100% | 100% | 100% | 100% |
| Upper limit for total principal sums invested for over 364 days | £200m | £200m | £300m | £300m | £300m |
| (per maturity date) | | | | | |

TABLE 2: Maturity structure of fixed rate borrowing during 2015/16

- under 12 months

| upper limit | lower limit |
|-------------|-------------|
| 0% | 0% |

| | | |
|----------------------------------|----|----|
| - 12 months and within 24 months | 0% | 0% |
| - 24 months and within 5 years | 0% | 0% |
| - 5 years and within 10 years | 0% | 0% |
| - 10 years and above | 0% | 0% |

APPENDIX 4

TREASURY MANAGEMENT PRACTICES (TMP 1) – Credit and Counterparty Risk Management

SPECIFIED INVESTMENTS: All such investments will be sterling denominated, with maturities up to maximum of 1 year, meeting the minimum 'high' quality criteria where appropriate.

| | * Minimum 'High' Credit Criteria | Use |
|---|---|--------------------------|
| Debt Management Agency Deposit Facility | -- | In-house |
| Term deposits – local authorities | -- | In-house |
| Term deposits – banks and building societies, including part nationalised banks | Short-term F1, Long-term A, | In-house |
| Term deposits – banks and building societies, including part nationalised banks | Short-term F1, Long-term A, | Fund Managers |
| Money Market Funds | AAA/mmf (or equivalent) | In-house & Fund Managers |
| UK Government Gilts | UK Sovereign Rating | In-house & Fund Managers |
| Treasury Bills | UK Sovereign Rating | Fund Managers |
| Sovereign Bond issues (other than the UK government) | AAA | Fund Managers |

NON-SPECIFIED INVESTMENTS: These are any investments which do not meet the Specified Investment criteria. A maximum of £300m will be held in aggregate in non-specified investment.

A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made it will fall into one of the above categories.

| | * Minimum Credit Criteria | Use | Maximum | Maximum Maturity Period |
|---|----------------------------------|------------|----------------|--------------------------------|
| Term deposits - other LAs (with maturities in excess of one year) | - | In-house | £25m per LA | Three years |
| Term deposits, including | Long-term | In-house | £300m | Three |

| | | | | |
|---|--------------------------------------|---|-----------------|----------------|
| callable deposits - banks and building societies (with maturities in excess of one year) | A, Short-term F1, | and Fund Managers | overall | years |
| Certificates of deposits issued by banks and building societies with maturities in excess of one year | Long-term A, Short-term F1, | In-house on a buy-and-hold basis and fund managers | £50m overall | Three years |
| UK Government Gilts with maturities in excess of one year | AAA | In-house on a buy-and-hold basis and fund managers | £50m overall | Three years |

APPROVED COUNTERPARTIES

BANKS AND THEIR WHOLLY OWNED SUBSIDIARIES as at 31 DECEMBER 2015

| FITCH RATINGS | BANK CODE | LIMIT OF £100M PER GROUP (£150m for Lloyds TSB Bank) | Duration |
|----------------------|----------------------|---|----------------------|
| AA- F1+ | 40-53-71 | HSBC ----- | Up to 3 years |
| A F1 | 20-00-00 20-00-52 | BARCLAYS CAPITAL BARCLAYS BANK ----- | Up to 3 years |
| A+ F1 | 30-15-57 | LLOYDS TSB BANK incl. Bank of Scotland ----- | Up to 3 years |
| BBB+ F2 | 16-75-75 | ROYAL BANK OF SCOTLAND RBOS SETTLEMENTS ----- | Up to 3 years |
| A F1 | 09-02-22 | SANTANDER UK | Up to 3 years |

BUILDING SOCIETIES

| FITCH RATINGS | GROUP | ASSETS £BN | LIMIT £M | Duration |
|----------------------|--------------|-----------------------|---------------------|-----------------|
| A F1 | Nationwide | 195 | 120 | Up to 3 years |
| A- F1 | Yorkshire | 37 | 20 | Upto 1 year |
| A F1 | Coventry | 31 | 20 | Upto 1 year |
| BBB+ F2 | Skipton | 16 | 20 | Upto 1 year |
| A- F1 | Leeds | 12 | 20 | Upto 1 year |

MONEY MARKET FUNDS

| FITCH RATINGS | MONEY MARKET FUNDS Limit of £100M per fund | DURATION |
|----------------------|---|-----------------|
| AAA/mmf | Goldman Sachs Sterling Liquidity Reserve Fund | Liquid |
| AAA/mmf | CCLA | Liquid |
| AAA/mmf | Federated Liquidity Fund | Liquid |
| AAA/mmf | Standard Life Liquidity Fund | Liquid |
| AAA/mmf | Invesco | Liquid |
| AAA / f | Payden Sterling Reserve Fund | Liquid |
| AAA/mmf | Aberdeen Sterling Liquidity Fund | Liquid |
| AAA/mmf | Deutsche Liquidity Fund | Liquid |

FOREIGN BANKS

(with a presence in London)

| FITCH RATINGS | BANK CODE | | LIMIT £M | Duration |
|----------------------|------------------|--|---------------------|------------------|
| AA- F1+ | 20-32-53 | <u>AUSTRALIA</u> AUSTRALIA & NZ BANKING GROUP | 25 | Up to 3 years |
| AA- F1+ | 16-55-90 | NATIONAL AUSTRALIA BANK | 25 | Up to 3 years |
| AA- F1+ | 40-51-62 | <u>SWEDEN</u> SVENSKA HANDELSBANKEN | 25 | Up to 3 years |

LOCAL AUTHORITIES

| |
|--|
| LIMIT OF £25M PER AUTHORITY |
| Any UK local authority |

APPROVED COUNTRIES FOR INVESTMENT

This list is based on those countries which have sovereign ratings of AAA as at 20 January 2016

AAA

- Australia
- Canada
- Denmark
- Germany
- Luxembourg*
- Netherlands
- Norway *
- Singapore
- Sweden
- Switzerland

AA+

- United Kingdom

* Currently no eligible banks to invest in either country as per the Capita Asset Services weekly list

TREASURY MANAGEMENT SCHEME OF DELEGATION

The roles of the various bodies of the City of London Corporation with regard to treasury management are:

(i) Court of Common Council

- Receiving and reviewing reports on treasury management policies, practices and activities
- Approval of annual strategy.

(ii) Financial Investment Board and Finance Committee

- Approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices
- Budget consideration and approval
- Approval of the division of responsibilities
- Receiving and reviewing regular monitoring reports and acting on recommendations
- Approving the selection of external service providers and agreeing terms of appointment.

(iii) Audit & Risk Management Committee

- Reviewing the treasury management policy and procedures and making recommendations to the responsible body.
- Working closely with and considering recommendations of the Section 151 officer on the compliance with legal statute and statements of recommended practice.

THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER

The Chamberlain

- Recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
- Submitting regular treasury management policy reports
- Submitting budgets and budget variations
- Receiving and reviewing management information reports
- Reviewing the performance of the treasury management function
- Ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- Ensuring the adequacy of internal audit, and liaising with external audit
- Recommending the appointment of external service providers.

Reserves

| Forecast Movements in City Fund Usable Reserves 2016/17 | | | | |
|---|-------|--|-------------------------------------|---|
| | Notes | Estimated Opening Balance 1 April 16 £m | Forecast Net Movement in Year £m | Estimated Closing Balance 31 March 17 £m |
| <u>Revenue Usable Reserves</u> | | | | |
| General | a | (37.5) | (4.5) | (42.0) |
| Earmarked: | | | | |
| Crossrail | b | (25.3) | 25.3 | 0.0 |
| Police future expenditure | c | (5.4) | 0.0 | (5.4) |
| Highway improvements | d | (10.8) | 6.0 | (4.8) |
| VAT Reserve | e | (4.2) | 0.0 | (4.2) |
| Proceeds of Crime Act | f | (4.0) | 0.6 | (3.4) |
| Judges Pensions | g | (1.2) | 0.0 | (1.2) |
| Public Health | h | (0.8) | 0.0 | (0.8) |
| Renewals and Repairs | i | (0.7) | 0.0 | (0.7) |
| Service Projects | j | (1.9) | 0.0 | (1.9) |
| Total Revenue Earmarked | | (54.3) | 31.9 | (22.4) |
| Housing Revenue Account | | (8.6) | 6.6 | (2.0) |
| Total Revenue Usable Reserves | | (100.4) | 34.0 | (66.4) |
| <u>Capital Usable Reserves</u> | | | | |
| Capital Receipts Reserve | | (121.1) | 37.6 | (83.5) |
| HRA Major Repairs Reserve | | (7.1) | 6.8 | (0.3) |
| Total Capital Usable Reserves | | (128.9) | 44.4 | (84.5) |
| Total Usable Reserves | | (229.3) | 78.4 | (150.9) |

Crossrail Contribution

| | Estimated Opening Balance 1 April 16 £m | Forecast Net Movement in Year £m | Estimated Closing Balance 31 March 17 £m |
|--|--|-------------------------------------|---|
| Included in usable reserves above: | | | |
| Earmarked Crossrail revenue reserve | (25.3) | 25.3 | 0.0 |
| Capital receipts reserve (part) | (27.1) | 27.1 | 0.0 |
| Disposal proceeds (under local authority accounting requirements cash received from the sale of certain long lease premiums is classified as deferred income not reserves) | (147.6) | 147.6 | 0.0 |
| | (200.0) | 200.0 | 0.0 |

Notes

- (a) General Reserve – The accumulated balance from annual surpluses or deficits on the City Fund Revenue Account less any transfers to, or plus any transfers from, earmarked reserves.
- (b) Police Future Expenditure - Revenue expenditure for the City Police service is cash limited. Underspendings against this limit may be carried forward as a reserve to the following financial year and overspendings are required to be met from this reserve.
- (c) Highway Improvements - Created from on-street car parking surpluses to finance future highways related expenditure and projects as provided by section 55 of the Road Traffic Regulation Act 1984, as amended by the Road Traffic Act 1991.
- (d) Crossrail – Revenue funds set aside to contribute towards the City’s £200m commitment towards the Crossrail project, currently anticipated in 2016.
- (e) VAT Reserve – Should the City Corporation no longer be able to recover VAT incurred on exempt services as a result of exceeding the 5% partial exemption threshold, this reserve will be the first call for meeting the associated costs.
- (f) Proceeds of Crime Act – Cash forfeiture sums awarded to the City. Under the guidelines of the scheme, the funds must be ringfenced for crime reduction initiatives.
- (g) Judges Pensions - Sums set aside to assist with the City of London’s share of liabilities.
- (h) Public Health - established from ring-fenced grant allocations. The grant must be used on activities whose main or primary purpose is to improve the public health of local populations. The reserve will be utilised to fund the start-up costs of a Workplace Health Centre, which is being planned for 2018 to provide a variety of public health services for City workers.
- (i) Renewals and Repairs – Sums obtained on the surrender of headleases and set aside to fund cyclical maintenance and repair works to the property and void costs.
- (j) A number of reserves for service specific projects and activities where the balance on each individual reserve is less than £0.5m have been aggregated under this generic heading.

Minimum Revenue Provision (MRP) Policy Statement 2016/17

In accordance with the 'Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended)', a local authority is required to make a prudent annual contribution from revenue – known as the Minimum Revenue Provision (MRP) - where it has an underlying need to borrow to finance capital expenditure. A positive Capital Financing Requirement (CFR) is indicative of an underlying need to borrow.

A positive CFR will arise when capital expenditure is funded by 'borrowing', either external (loans from third parties) or internal (use of cash balances held by the City Fund). The current Budget Strategy for the City Fund does not envisage any external borrowing.

As at 31 March 2017 the City Fund CFR is expected to become positive for the first time as a result of internal borrowing. This has arisen through funding of capital expenditure from cash received from long lease premiums which are deferred in accordance with accounting standards. This deferred income is released to revenue over the life of the leases to which it relates, typically between 125 and 250 years.

The City's MRP policy is based on a prudent mechanism to ensure that the deferred income used to finance capital expenditure is not then 'used again' when it is released to revenue. The amount of the annual MRP is therefore to be equal to the amount of the deferred income released, resulting in an overall neutral impact on the bottom line.

The MRP liability for 2016/17 is zero. For subsequent years MRPs will be equal to the deferred income released.

City Fund 2016/17 Budget Report and Medium Term Financial Strategy including Non Domestic Rates and Council Taxes for the Year 2016/17

Resolution by the Court of Common Council

1. It is recommended that for the 2016/17 financial year the Court of Common Council approves,;
 - the Premium multiplier on the Non-Domestic Rate and Small Business Rate multipliers be set at 0.005 (an increase of 0.001 on the present multiplier) to enable the City to continue to support the City of London Police, security and contingency planning activity within the Square Mile at an enhanced level;
 - an unchanged Council Tax of £857.31 for a Band D property (excluding the GLA precept);
 - the overall financial framework and the revised Medium Term Financial Strategy for the City Fund; and
 - the City Fund Net Budget Requirement of £107m.

Council Tax

2. It be noted that in 2012 the Finance Committee delegated the calculation of the Council Tax Base to the Chamberlain and the Chamberlain has calculated the following amounts for the year 2016/17 in accordance with Section 31B of the Local Government Finance Act 1992:
 - (a) 7041.95 being the amount calculated by the Chamberlain (as delegated by the Finance Committee), in accordance with the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012, as the City's Council Tax Base for the year; this amount includes a calculation of the amount of council tax reduction; and
 - (b) Parts of Common Council's Area

| Inner Temple | Middle Temple | City excl. Temples (special expense area) |
|--------------|---------------|---|
| 81.99 | 66.82 | 6893.14 |

being the amounts calculated by the Chamberlain, in accordance with the Regulations, as the amounts of the City's Council Tax Base for the year for dwellings in those parts of its area to which the special items relate.

3. For the year 2016/17 the Common Council determines, in accordance with Section 35(2)(d) of the Local Government Finance Act 1992, that any expenses incurred by the Common Council in performing in a part of its area a function performed elsewhere in its area by the Sub-Treasurer of the Inner Temple and the Under Treasurer of the Middle Temple shall not be treated as special expenses, apart from the amount of £15,806,000 being the expenses incurred by

the Common Council in performing in the area of the Common Council of the City of London the City open spaces, highways, waste collection and disposal, transportation planning and road safety, street lighting, drains and sewer functions.

4. That the following amounts be now calculated by the Common Council for the year 2016/17 in accordance with Sections 31 to 36 of the Local Government Finance Act 1992:

(a) £349,000,000 Being the aggregate of the amounts which the Common Council estimates for the items set out in Section 31A(2) (a) to (f) of the Act, including the local precepts issued by the Inner and Middle Temples

(b) £342,962,866 Being the aggregate of the amounts which the Common Council estimates for the items set out in Section 31A(3) (a) to (d) of the Act;

(c) £6,037,134 Being the amount by which the aggregate at 4(a) above exceeds the aggregate at 4(b) above, calculated by the Common Council, in accordance with Section 31A(4) of the Act, as its council tax requirement for the year;

(d) £857.31 Being the amount of 4(c) above, divided by the amount at 2(a) above, calculated by the Common Council, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year;

(e) £16,147,221.33 Being the aggregate amount of all special items referred to in Section 34(1) of the Act, including the local precepts issued by the Inner and Middle Temples;

(f) £1,435.69 CR Being the amount at 4(d) above less the result given by dividing the amount at 4(e) above by the amount at 2(a) above, calculated by the Common Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no special item relates.

(g) Parts of Common Council's Area

| Inner Temple | Middle Temple | City excl. Temples (special expense area) |
|--------------|---------------|---|
| £ | £ | £ |
| 857.31 | 857.31 | 857.31 |

being the amounts given by adding to the amount at 4(f) above the amounts of the special item or items relating to dwellings in those parts of the Common Council's area mentioned above divided in each case by the amount at 2(b) above, calculated by the Common Council, in accordance with Section 34(3) of the Act, as the basic amounts of its Council Tax for the year for dwellings in those parts of its area to which one of the special items relate; and

(h) Council Tax Valuation Bands

| Valuation Bands | Inner Temple | Middle Temple | City excluding Temples (special expense area) |
|--------------------|--------------|---------------|---|
| | £ | £ | £ |
| A | 571.54 | 571.54 | 571.54 |
| B | 666.80 | 666.80 | 666.80 |
| C | 762.05 | 762.05 | 762.05 |
| D | 857.31 | 857.31 | 857.31 |
| E | 1,047.82 | 1,047.82 | 1,047.82 |
| F | 1,238.34 | 1,238.34 | 1,238.34 |
| G | 1,428.85 | 1,428.85 | 1,428.85 |
| H | 1,714.62 | 1,714.62 | 1,714.62 |

being the amounts given by multiplying the amounts at 4(g) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which, in that proportion, is applicable to dwellings listed in valuation band D, calculated by the Common Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

5. It be noted that for the year 2016/17 the Greater London Authority has proposed the following amounts in precepts issued to the Common Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below:

Valuation Bands Precepting Authority

Greater London
Authority

| | |
|---|--------|
| | £ |
| A | 49.26 |
| B | 57.47 |
| C | 65.68 |
| D | 73.89 |
| E | 90.31 |
| F | 106.73 |
| G | 123.15 |
| H | 147.78 |

6. Having calculated the aggregate in each case of the amounts at 4(h) and 5 above, the Common Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby proposes the following amounts as the amounts of Council Tax for the year 2016/17 for each of the categories of dwelling as shown below:

Council Tax Valuation Bands Inclusive of GLA Precept

| Valuation Bands | Inner Temple | Middle Temple | City excluding Temples (special expense) |
|-----------------|--------------|---------------|--|
| | £ | £ | £ |
| A | 620.80 | 620.80 | 620.80 |
| B | 724.27 | 724.27 | 724.27 |
| C | 827.73 | 827.73 | 827.73 |
| D | 931.20 | 931.20 | 931.20 |
| E | 1,138.13 | 1,138.13 | 1,138.13 |
| F | 1,345.07 | 1,345.07 | 1,345.07 |
| G | 1,552.00 | 1,552.00 | 1,552.00 |
| H | 1,862.40 | 1,862.40 | 1,862.40 |

7. The Common Council of the City of London hereby determines that the following amounts of discount be awarded:
- i. to dwellings in Class B as defined in the Council Tax (Prescribed Classes of Dwellings) (England) Regulations 2003 prescribed by the Secretary of State under the provisions of Section 11A of the Local Government Finance Act 1992 (i.e. second homes) - Nil for the financial year beginning on 1st April 2016;
 - ii. to dwellings in Class C as defined in the Council Tax (Prescribed Classes of Dwellings) (England) Regulations 2003 prescribed by the Secretary of State

under the provisions of Section 11A of the Local Government Finance Act 1992:

- (a) in the case of a vacant dwelling that has been such for a continuous period of less than 6 months ending immediately before the day in question: 100% for the financial year beginning on 1st April 2016;
 - (b) in the case of a vacant dwelling that has been such for a continuous period of 6 months or more: nil for the financial year beginning on 1st April 2016 (i.e. a dwelling that is unoccupied and substantially unfurnished will qualify for a discount from the date the dwelling became vacant of 100% for the first six months (less one day) and nil thereafter)
- iii. to dwellings in Class D as defined in the Council Tax (Prescribed Classes of Dwellings) (England) Regulations 2003 prescribed by the Secretary of State under the provisions of Section 11A of the Local Government Finance Act 1992 (i.e. vacant uninhabitable dwellings or vacant dwellings undergoing major works to make them habitable or vacant dwellings where major repair works have taken place): 100% for the financial year beginning on 1st April 2016.
8. The Common Council of the City of London hereby determines that its relevant basic amount of council tax for 2016/17, calculated in accordance with Section 52ZX of the Local Government Finance Act 1992 is not excessive in accordance with the Referendums Relating to Council Tax Increases (Principles) (England) Report 2016/17.

Council Tax Reduction (formerly Council Tax Benefit)

9. It be noted that at the Court of Common Council meeting in January 2016 Members approved a new Council Tax Reduction Scheme as it applies to working age claimants, which will reflect changes and uprating to be applied under the Housing Benefit Regulations, effective from 1 April each year and the Council Tax Reduction Schemes (Prescribed Requirements) (England) (Amendment) (No. 2) Regulations 2014. Effectively, the City's Local Council Tax Reduction Scheme for 2016/17 will have the annual uprating of non-dependent income and deductions, and income levels relating to Alternative Council Tax Reduction, or any other uprating as it applies to working age claimants, adjusted in line with inflation levels by reference to relevant annual uprating in the Housing Benefit Scheme or The Prescribed Council Tax Reduction Scheme for Pensioners.

Non Domestic Rates

10. The Common Council of the City of London being a special authority in accordance with Section 144(6) of the Local Government Finance Act 1988 hereby sets for the chargeable financial year beginning with 1st April 2016, a Non-Domestic Rating Multiplier of 0.502 and a Small Business Non-Domestic Rating Multiplier of 0.489 in accordance with Part II of the Schedule 7 of the said

Act. (Both multipliers are inclusive of the City business rate premium of 0.005, an increase of 0.001 on the present multiplier.)

11. In addition, the levying by the Greater London Authority of a Business Rate Supplement in 2016/17 of 0.020 (i.e. 2.0p in the £) on hereditaments with a rateable value greater than £55,000, to finance its contribution to Crossrail, be noted.
12. A copy of the said Council Taxes and the Non-Domestic Rating Multipliers, signed by the Town Clerk, be deposited in the offices of the Town Clerk in the said City, and advertised within 21 days from the date of the Court's decision, in at least one newspaper circulating in the area of the Common Council.

Capital Expenditure and Financing for the Year 2016/17

Having considered the circulated report, we further recommend that the Court passes a resolution in the following terms:-

13. The City Fund capital budget is approved and its final financing be determined by the Chamberlain, apart from in regard to any possible borrowing options.
14. For the purpose of Section 3(1) of the Local Government Act 2003, for the financial years 2016/17 to 2018/19, the Court of Common Council hereby determines that at this stage the amount of money (referred to as the "Affordable Borrowing Limit"), which is the maximum amount which the City may have outstanding by way of external borrowing, shall be £0.
15. For the purpose of Section 21(A) of the Local Government Act 2003, for the financial year 2016/17, the Court of Common Council hereby determines that the prudent amount of Minimum Revenue Provision is £0. For subsequent years, Minimum Revenue Provision will equal the amount of deferred income released from the premiums received for the sale of long leases in accordance with the Minimum Revenue Provision Policy at Appendix E.
16. Any potential external borrowing requirement and associated implications will be subject to a further report to Finance Committee and the Court of Common Council.
17. The Chamberlain be authorised to lend surplus monies on the basis set out in the Annual Investment Strategy, with an absolute limit of £300m for maturities in excess of 364 days.
18. The following Prudential Indicators be set:

Prudential indicators for affordability, prudence, capital expenditure and external debt:

| | 2016/17 | 2017/18 | 2018/19 |
|--|--|------------|------------|
| Estimates of the ratio of financing costs to net revenue stream: | | | |
| HRA | 0.74 | 0.42 | 0.42 |
| Non-HRA | (0.43) | (0.40) | (0.48) |
| Total | (0.31) | (0.32) | (0.38) |
| Estimate of the incremental impact of capital investment decisions on the Council Tax - compared to 2014/15 estimates and expressed as a Band D equivalent | £ 1,546 | £ 1,455 | £ 1,335 |
| Estimate of the incremental impact on average weekly rent of capital investment decisions on housing rents | £ 1.58 | £ 9.18 | £ 11.67 |
| Estimates of Capital Expenditure | £m | £m | £m |
| HRA | 33.268 | 30.943 | 6.609 |
| Non-HRA | 271.181 | 42.637 | 50.542 |
| Total | 304.809 | 73.580 | 57.151 |
| Estimates of Capital Financing Requirement – underlying need to borrow | £m | £m | £m |
| HRA | 2.226 | 2.172 | 2.119 |
| Non-HRA | 97.341 | 116.285 | 156.067 |
| Total | 99.567 | 118.457 | 158.186 |
| Net borrowing/(Net investments) | Period 2015/16 to 2018/19 £m (215.910) | | |
| Capital financing requirement – underlying need to borrow | 158.186 | | |

Prudential Indicators for Treasury Management:

| | <i>2016/17</i> | <i>2017/18</i> | <i>2018/19</i> |
|--|--------------------|--------------------|----------------|
| Operational Boundary for External Debt | £m | £m | £m |
| <i>Borrowing</i> | <i>0</i> | <i>0</i> | <i>0</i> |
| <i>Other Long Term Liabilities</i> | <i>0</i> | <i>0</i> | <i>0</i> |
| <i>Total</i> | <i>0</i> | <i>0</i> | <i>0</i> |
| Authorised Limit | £m | £m | £m |
| <i>Borrowing</i> | <i>0</i> | <i>0</i> | <i>0</i> |
| <i>Other Long Term Liabilities</i> | <i>0</i> | <i>0</i> | <i>0</i> |
| <i>Total</i> | <i>0</i> | <i>0</i> | <i>0</i> |
| <i>Upper Limit - Fixed Interest Rate Exposure</i> | <i>100%</i> | <i>100%</i> | <i>100%</i> |
| <i>Upper Limit-Variable Interest Rate Exposure</i> | <i>100%</i> | <i>100%</i> | <i>100%</i> |
| <i>Upper limit for Principal Sums Invested for > 364 days</i> | <i>£300m</i> | <i>£300m</i> | <i>£300m</i> |
| <i>Maturity Structure of New Fixed Rate Borrowing During 2015/16</i> | <i>Upper Limit</i> | <i>Lower Limit</i> | |
| | <i>%</i> | <i>%</i> | |
| <i>Under 12 months</i> | <i>0</i> | <i>0</i> | |
| <i>12 months and within 24 months</i> | <i>0</i> | <i>0</i> | |
| <i>24 months and within 5 years</i> | <i>0</i> | <i>0</i> | |
| <i>5 years and within 10 years</i> | <i>0</i> | <i>0</i> | |
| <i>10 years and above</i> | <i>0</i> | <i>0</i> | |

Local Indicator focusing on revenue reserves:

| | <i>2016/17</i> | <i>2017/18</i> | <i>2018/19</i> |
|--|-----------------|-----------------|-----------------|
| | <i>Estimate</i> | <i>Estimate</i> | <i>Estimate</i> |
| <i>Times cover by dividing unencumbered revenue reserves by annual revenue deficit/(surplus) - bracketed figures denote annual surpluses</i> | <i>(10.0)</i> | <i>32.8</i> | <i>11.1</i> |

Other Recommendations

19. The Treasury Management Strategy Statement and Annual Investment Strategy 2016/17 are endorsed.
20. The Chamberlain's assessment of the robustness of budgets and the adequacy of reserves is endorsed.

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Report – Finance Committee

Revenue and Capital Budgets 2015/16 and 2016/17

To be presented on Thursday, 3rd March 2016

*To the Right Honourable The Lord Mayor, Aldermen and Commons of
the City of London in Common Council assembled.*

SUMMARY

1. This report should be read in conjunction with the separate report entitled 'City Fund – 2016/17 Budget Report and Medium Term Financial Strategy' which recommends that:
 - the Business Rates Premium is increased by 0.1p to 0.5p in the £ from April 2016 with the additional income, estimated at £1.6m a year, being allocated to the City Police to cover recently identified costs pressures relating to security; and
 - the Council Tax for 2016/17 remains unchanged from 2015/16.
2. The 2015/16 and 2016/17 budgets for each of the City Corporation's three main funds are set out below. They have been prepared within the planning frameworks agreed by the Resource Allocation Sub Committee.

| Budgets by Fund | | | |
|---|------------------------------------|----------------------------------|------------------------------------|
| | 2015/16 Original £m | 2015/16 Latest £m | 2016/17 Original £m |
| City Fund | | | |
| Gross Expenditure | 338.2 | 372.9 | 344.5 |
| Gross Income | (236.6) | (249.9) | (242.0) |
| Net Expenditure before Government Grants and Taxes | 101.6 | 123.0 | 102.5 |
| Government Grants and Taxes | (101.8) | (103.4) | (107.0) |
| Deficit/ (Surplus) from (to) Reserves | (0.2) | 19.6 | (4.5) |
| Less one-off items planned to be funded from revenue reserves | 0.0 | (19.0) | (1.4) |
| Underlying Deficit/(Surplus) | (0.2) | 0.6 | (5.9) |
| City's Cash | | | |
| Gross Revenue Expenditure | 170.9 | 173.0 | 172.8 |
| Gross Revenue Income | (161.5) | (164.8) | (173.5) |
| Operating Deficit (Surplus) | 9.4 | 8.2 | (0.7) |
| Profit on asset sales | (12.0) | (7.3) | (3.7) |
| Deficit/ (Surplus) from (to) Reserves | (2.6) | 0.9 | (4.4) |
| Bridge House Estates | | | |
| Gross Expenditure | 40.6 | 46.7 | 47.9 |
| Gross Income | (44.2) | (47.8) | (47.8) |
| Deficit (Surplus) from (to) Reserves | (3.6) | (1.1) | 0.1 |

NB: Figures in brackets indicate income or in hand balances, increases in income or decreases in expenditure.

3. City Fund

- The latest budget for the current year is an underlying deficit of £0.6m which compares to a surplus of £0.2m in the original budget. For 2016/17 a surplus of £5.9m is indicated. In particular, this surplus takes account of the City's share of growth in National Non Domestic rates income for 2014/15 which feeds through to income in 2015/16 and 2016/17, increased incomes from rents and interest earnings, the second tranche of savings/increased incomes agreed for the Service Based Review, and an increase in residential accommodation feeding through to additional council tax income. Other reasons for the main variations are set out in paragraphs 19 to 39.
- The subsequent years of the medium term financial forecast (2017/18 to 2019/20) also indicate surpluses across the period (albeit reducing) the achievement of which are similarly dependent on delivery of the savings/increased incomes from the Service Based Review.
- The City Fund capital budget includes the £200m contribution payable to Crossrail which is anticipated to become due in March 2017 although the timing will depend upon the completion of certain project milestones. The funding for the £200m has been assembled over the past few years from a planned strategy in relation to investment properties and is now in place.
- The budget for the City of London Police is contained within the overall City Fund budget. Whilst the Government funding settlement for the Police is better than anticipated, and accords with the Chancellor's announcement that police spending would be protected in real terms over the Spending Review period when precepts are taken into account, annual deficits are still forecast with reserves potentially being exhausted by 2017/18. These deficits include cost pressures that have arisen due to the severity of the threat faced by the UK, particularly in the context of the scale and complexity of the attacks in Paris. The police medium term financial position is considered in detail in the separate report entitled 'City Fund – 2016/17 Budget Report and Medium Term Financial Strategy'.

4. City's Cash

- The City's Cash deficit in the current year is anticipated to be £0.9m compared to a surplus of £2.6m in the original budget. This movement largely relates to budgets carried forward from 2014/15 and asset sales being completed at the end of 2014/15 rather than in 2015/16 as assumed in the budget – partly offset by increased rent income. For 2016/17, City's Cash returns to a surplus of £4.4m due mainly to increased rent income and the phasing of repairs, maintenance and improvements programmes.
- As indicated in the table above, these bottom line figures are after anticipated profits on asset sales of £7.3m and £3.7m respectively. If the profits on asset sales are excluded, there is an estimated operating deficit of £8.2m in the current year and a reduced surplus of £0.7m in 2016/17.
- With regard to the subsequent years of the medium term financial forecast, modest surpluses are indicated after taking account of profits on asset sales. As with City Fund, these forecasts are predicated on the

achievement of the savings/increased incomes from the Service Based Review.

- There is, however, a risk in relation to the Guildhall School which faces a potential funding gap of £3.5m by 2017/18. Consequently, it is intended to commission a review of the School's operating model.
 - Details of significant budget variations are set out in paragraphs 44 to 53.
5. Bridge House Estates
- For the current year, the surplus is estimated to reduce from £3.6m to £1.1m mainly due to an increase in the City Bridge Trust grants budget.
 - For 2016/17, the fund is expected to break even in broad terms. Break-even is also forecast for 2017/18, whilst 2018/19 and 2019/20 indicate a return to surpluses as the three year increase to the City Bridge Trust grants budget comes to an end.
6. The report also summarises the budgets for central support services within Guildhall Administration (which initially 'holds' such costs before these are wholly recovered) and the capital budgets for the three Funds.
7. The 2016/17 Summary Budget Book accompanies this report and will be available on the *Members' Committees and Papers* section of the City Corporation's website. Copies will also be available in the Members' Reading Room and individual copies can be requested from steve.telling@cityoflondon.gov.uk.

RECOMMENDATION

It is **recommended** that the Court of Common Council:

- i) notes the latest revenue budgets for 2015/16;
- ii) agree 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';
- iii) agree the capital budgets;
- iv) delegate authority to the Chamberlain to determine the financing of the capital budgets.

MAIN REPORT

Background

8. The primary purpose of this report is to summarise the latest budgets for 2015/16 and the proposed budgets for 2016/17 respectively together with the capital budgets, which have all been prepared within agreed policy guidelines and allocations, for submission to the Court of Common Council in March.
9. During the autumn/winter cycle of meetings each Committee has received and approved a budget report which, with the exception of City Police and Bridge House Estates, took account of the general planning framework for Chief Officers which provided for;
- allowances towards pay and price increases of 1.5%;

- increases in employer's national insurance contributions due to the impact of no longer receiving the rebate on contracted out workplace pension schemes from April 2016; and
 - the inclusion of the Service Based Review expenditure reductions and/or increased incomes agreed by the Policy and Resources Committee.
10. For the City Police, the annual cash limit continues to be determined by the national settlement plus support from the City's Business Rate Premium, with the Force using its reserves on a phased basis subject to a minimum level being retained.
11. As Bridge House Estates remains in a reasonably buoyant position, the 1.5% allowance towards inflationary pressures and the resources for the increase in employer's national insurance have been provided and no Service Based Review budget reductions have been required.
12. Accompanying this report is the Summary Budget Book 2016/17 which will be available on the *Members' Committees and Papers* section of the City Corporation's website. Copies will also be available in the Members' Reading Room and individual copies can be requested from steve.telling@cityoflondon.gov.uk. The Summary Budget Book provides:
- i) all the budgets at a summary level in a single document;
 - ii) service overviews – a narrative of the services for which each Chief Officer is responsible;
 - iii) Chief Officer summaries showing net revenue expenditure by division of service, fund, type of expenditure and income;
 - iv) Fund summaries showing the net revenue requirement for each Fund supported by Committee summaries showing the net requirement for each Committee within the Fund; and
 - v) the capital and supplementary revenue project budgets by Fund.

Overall Financial Strategy

13. The City Corporation's overall financial strategy seeks to:
- maintain and enhance the financial strength of the City Corporation through its investment strategies for financial and property assets;
 - pursue budget policies which seek to achieve a sustainable level of revenue spending and create headroom for capital investment and policy initiatives;
 - create a stable framework for budgeting through effective financial planning; and
 - promote investment in capital projects which bring clear economic, policy or service benefits.
14. The medium term financial strategies/budget policies for each of the funds are set out in Appendix 1.

CITY FUND

Overall Budget Position

15. The overall budgets have been prepared in accordance with the strategy and the requirements for 2015/16 and 2016/17 are summarised by Committee in the table below. Explanations for significant variations were contained in the budget reports submitted to service committees.

| City Fund Summary by Committee | 2015/16 | 2015/16 | 2016/17 |
|--|-----------------|----------------|-----------------|
| Net Expenditure (Income) (1) | Original | Latest | Original |
| | £m | £m | £m |
| Barbican Centre | 25.0 | 24.6 | 24.7 |
| Barbican Residential | 1.0 | 3.0 | 2.8 |
| Community and Children's Services | 11.4 | 11.8 | 11.7 |
| Culture Heritage and Libraries | 20.1 | 20.8 | 20.6 |
| Finance (2) | (10.2) | (2.0) | (11.8) |
| Licensing | 0.1 | 0.0 | 0.1 |
| Markets | (0.8) | (0.6) | (0.7) |
| Open Spaces | 1.6 | 1.6 | 1.7 |
| Planning and Transportation | 13.7 | 13.1 | 14.5 |
| Police (3) | 57.5 | 67.4 | 58.3 |
| Policy and Resources | 3.9 | 4.0 | 3.9 |
| Port Health and Environmental Services | 14.4 | 14.6 | 13.6 |
| Property Investment Board | (36.1) | (35.3) | (36.9) |
| City Fund Requirement (4) | 101.6 | 123.0 | 102.5 |

1. Figures in brackets indicate income or in hand balances, increases in income or decreases in expenditure.
2. The reduction in net income on Finance Committee from £10.2m in the 2015/16 original budget to £2m in the 2015/16 latest budget primarily relates to the planned purchase of investment properties from revenue reserves.
3. The increase in Police net expenditure from £57.5m in the original budget to £67.4m in the latest budget relates to cashflow assistance for the Action Fraud Service.
4. Reconciles to line 8 in the following table.

16. The following table further analyses the budget to indicate:
- the contributions made from the City's own assets towards the City Fund requirement (interest on balances – line 6, and investment property rent income – line 7);
 - the funding received from Government formula grants and from taxes (lines 9 to 13); and
 - the estimated surpluses to be transferred to reserves, or deficits to be funded from reserves (lines 14 to 16).

| City Fund Revenue Requirements 2015/16 and 2016/17 | | | | | |
|--|--|--------------|--------------|--------------|--------|
| | | 2015/16 | 2015/16 | 2016/17 | Para. |
| | | Original | Latest | Original | No. |
| | | £m | £m | £m | |
| 1 | Net expenditure on services | 140.2 | 141.3 | 141.9 | 19, 27 |
| 2 | Property Investments funded from Revenue Reserves | 0.0 | 9.1 | 1.9 | 20, 28 |
| 3 | City Police - Action Fraud | 0.0 | 9.9 | (0.5) | 21, 29 |
| 4 | Cyclical Works Programme and capital expenditure financed from revenue | 4.5 | 6.0 | 4.0 | 22, 30 |
| 5 | Requirement before investment income from the City's Assets | 144.7 | 166.3 | 147.3 | |
| 6 | Interest on balances | (1.6) | (2.4) | (2.5) | 23, 31 |
| 7 | Estate rent income | (41.5) | (40.9) | (42.3) | 24, 32 |
| 8 | City Fund Requirement | 101.6 | 123.0 | 102.5 | |
| | Financed by: | | | | |
| 9 | Government formula grants | (78.3) | (79.9) | (80.5) | 25, 33 |
| 10 | City offset | (11.0) | (10.9) | (11.0) | |
| 11 | Council tax | (6.0) | (6.1) | (7.4) | 37 |
| 12 | NNDR premium | (6.5) | (6.5) | (8.1) | 38 |
| 13 | Total Government Grants and Tax Revenues | (101.8) | (103.4) | (107.0) | |
| 14 | Deficit/(Surplus) transferred from (to) reserves | (0.2) | 19.6 | (4.5) | |
| 15 | Less one-off items planned to be funded from revenue reserves | 0.0 | 19.0 | 1.4 | 26, 39 |
| 16 | Underlying Deficit/(Surplus) | (0.2) | 0.6 | (5.9) | |

17. The latest budget for the current year is an underlying deficit of £0.6m which compares to a surplus of £0.2m in the original budget. For 2016/17 a surplus of £5.9m is indicated. The subsequent years of the medium term financial forecast (2017/18 to 2019/20) also indicate surpluses across the period (albeit reducing) the achievement of which continues to be dependent on delivery of the savings/increased incomes from the Service Based Review.

Revenue Budget 2015/16

Net Expenditure on Services

18. Net expenditure on City Fund services in 2015/16 was originally budgeted at £140.2m, whereas the latest budget totals £141.3m, an increase of £1.1m. The main reasons for this increase are:
- £2.1m approved budgets brought forward from 2014/15;
 - £0.5m for possible severance costs resulting from the implementation of service based review proposals;
- partly offset by*
- £1.6m reduction for the release of a balance sheet provision relating to a liability that is considered unlikely to be required.

Property Investments Funded from Revenue Reserves

19. As rent yields significantly exceed interest earned on cash balances, Policy and Resources Committee agreed that £110m of cash backed revenue reserves should be used to purchase investment properties. An estimated £9.1m will be used in 2015/16 following which the balance of the £110m remaining will be £17.8m.

City Police Action Fraud

20. The City Fund is providing cash flow assistance in relation to the Action Fraud Service provided by the City Police. This service was transferred by the Home Office from the National Fraud Authority to the City Police with effect from 1 April 2014. Subsequently, the service was subject to a procurement process which was won by IBM. The phasing of contract payments reflects IBM's significant mobilisation costs during the first year which could not be managed within Police reserves. The amount and timing of the cash flow advance to the Police from City Fund and its subsequent recovery is set out below.

| Police 'Action Fraud' Service - Cash Flow Assistance from City Fund | | | | | | | |
|--|-------|-------|-------|-------|-------|-------|-------|
| | 15/16 | 16/17 | 17/18 | 18/19 | 19/20 | 20/21 | Total |
| | £m | £m | £m | £m | £m | £m | £m |
| Advance to Police Revenue | 9.9 | | | | | | 9.9 |
| Recovered through Home Office Capital Grant - Reflected in a lower requirement for use of City Fund capital receipts | (3.3) | | | | | | (3.3) |
| Recovered from Police Revenue | | (0.5) | (1.0) | (1.6) | (1.9) | (1.6) | (6.6) |
| Total | 6.6 | (0.5) | (1.0) | (1.6) | (1.9) | (1.6) | 0.0 |

Cyclical Works Programme and Capital Expenditure Financed from Revenue

21. The increase from £4.5m to £6m largely relates to expenditure on the supplementary revenue project elements of the police accommodation programme.

Interest on Balances

22. The latest budget for 2015/16 anticipates an increase of £0.8m in interest earnings to £2.4m. This reflects a more beneficial cash flow, particularly business rate receipts, capital transactions and higher reserves. The assumed average interest rate for the year is unchanged at 0.5%.

Investment Estate Rent Income

23. Rent income from investment properties is forecast to be £40.9m, a reduction of £0.6m compared to the original budget. This mainly relates to a decrease in income following the sale of Alie Street and accounting adjustments for rent incentives (e.g. rent free periods), partly offset by increased rent at 15/17 Eldon Street and from a new acquisition at 10 Bonhill Street.

Government Formula Grants

24. The increase from £78.3m to £79.9m mainly relates to the City's share of growth in national non domestic rates for 2014/15 which feeds through to income in 2015/16 and 2016/17.

Transfer from Reserves

25. The £19m planned transfer from reserves is to fund the costs of the investment property purchases (para 20) and the cash flow assistance to the Police for Action Fraud (para 21).

Revenue Budget 2016/17

Net Expenditure on Services

26. Net expenditure on City Fund services is £141.9m for 2016/17, an increase of £1.7m from the 2015/16 original budget. The main reasons for this net increase are:

- £1.6m addition to the City Police cash limit to reflect emerging cost pressures arising from the severity of the threat faced by the UK, particularly in the context of the scale and complexity of the attacks in Paris. The police medium term financial position is considered in detail in the separate report entitled 'City Fund – 2016/17 Budget Report and Medium Term Financial Strategy'. This additional budget requirement will be offset by increased income from the Business Rate premium if the recommendation for an increase of 0.1p in the £ is agreed.
- £1.2m allowance for pay and prices;
- £1.2m increases in employer's national insurance contributions due to the impact of no longer receiving the rebate on contracted out workplace pension schemes from April 2016;
- £0.5m provision has been included for a transformation fund – £0.5m p.a. from 2016/17 to 2018/19. The purpose of the funds is to implement the cross cutting changes needed for the service based review, and to invest in developing skill sets and service transformation which will generate additional efficiency savings and income;
- £0.5m for possible severance costs resulting from the implementation of service based review proposals;
- £0.4m for security measures in response to the heightened security environment. Requirements have been reviewed across the estate and, at this stage, the £0.4m is a preliminary estimate. A £3m provision has also been included in the capital budget for various works.
- £0.3m net increase in insurance premiums after having deducted estimated sums recoverable from third parties;
- £0.2m for an increased allocation of City Surveyor staff time to the City Fund investment estate;

largely offset by

- £2.7m for the second tranche of service based review savings/increased incomes;
- £0.8m relating to the cessation of the annual contribution to the Crossrail reserve as funds for the City Fund contribution are now in place;

- £0.4m increase in non-core Government grants; and
- £0.3m reduction in the City Police cash limit to reflect the cut in core Government grant.

Property Investments Funded from Revenue Reserves

27. Further to paragraph 20, an estimated £1.9m will be used in 2016/17 following which the balance remaining will be £15.9m.

City Police Action Fraud

28. As indicated in the table above, the first annual repayment of the cashflow assistance provided to the Police will be £0.5m in 2016/17.

Cyclical Works Programme and Capital Expenditure Financed from Revenue

29. The budget of £4m reflects the latest phasings of the additional works programme, other revenue works projects, and contributions to capital projects from revenue. By their natures, these costs and contributions tend to be 'lumpy'.

Interest on Balances

30. Income is anticipated to increase from £1.6m in the 2015/16 revenue budget to £2.5m in 2016/17. This is largely due to the deferral of the £200m City Fund contribution to Crossrail. The contribution is due on completion of specific milestones which were originally timetabled for March 2016 but are now unlikely to be completed until March 2017. The assumed average interest rate for the year remains at 0.5%.

Investment Estate Rent Income

31. The latest rental forecasts for 2016/17 assume an increase of £0.8m to £42.3m compared to the original budget for 2015/16. Increased rental incomes from Mansell Court, 15/17 Eldon Street, 36 Carter Lane and 31 Worship Street have been partly offset by the loss of rental following the sale of Alie Street.

Core Government Grants

32. Overall, there is an estimated increase of £1.8m in core Government grants but, as indicated below, the position is somewhat complex.

| Analysis of Core Government Grants | | | | | |
|------------------------------------|---|-------------|-------------|----------------------|---------------|
| | | 2015/16 | 2016/17 | Reduction (Increase) | |
| | | Original | Original | on 2015/16 | |
| | | £m | £m | £m | % |
| 1 | Police | 52.4 | 52.1 | 0.3 | 0.6% |
| 2 | Non-Police | 11.9 | 10.6 | 1.3 | 10.9% |
| 3 | Total before Rates Retention Scheme and grants Rolled In | 64.3 | 62.7 | 1.6 | 2.5% |
| Rates Retention Scheme | | | | | |
| 4 | Baseline | 15.2 | 15.3 | (0.1) | (0.7%) |
| 5 | 2013/14 Safety Net | (1.2) | | (1.2) | NA |
| 6 | 2014/15 Growth | | 2.5 | (2.5) | NA |
| 7 | Total before Grants Rolled In | 78.3 | 80.5 | (2.2) | (2.8%) |
| 8 | Grants Rolled In | | (0.4) | 0.4 | NA |
| 9 | Total Core Government Grants | 78.3 | 80.1 | (1.8) | (2.3%) |

33. Lines 1 to 3 are the basic formula grant which have reduced by £1.6m in total.
34. Lines 4 to 7 reflect the impact of the Rates Retention Scheme for which the outturn does not generally feed through until subsequent years. Consequently in 2013/14, although the national non domestic rates for the City did not achieve the Government set threshold, losses were limited to £1.2m due to the operation of a safety net, the payment of which has to accounted for in 2015/16 (line 5). Conversely, in 2014/15 the City did benefit from rates growth and the majority of its share (£2.5m) has to be accounted for in 2016/17 (line 6).
35. The final complication is that in setting the basic formula grant for non-police services (line 2), the Government has rolled £0.4m of specific grants into the formula thus effectively further reducing the grants receivable by the City. These reductions to specific grants are included in the net cost of services.

Council Tax

36. There is an estimated 'one-off' increase of £1.4m, from £6m in the 2015/16 original budget to £7.4m in 2016/17, following the transfer of the estimated accumulated surplus on the collection fund. The accumulated surplus is due to an increase over the years in the residential properties in the City combined with a reduction in the number of residential properties assumed to be reclassified as commercial and therefore switch from council tax to non-domestic rates. The estimated Band D equivalents are 7,042 for 2016/17 compared to 6,240 assumed in 2015/16.

Business Rate Premium

37. The Business Rate Premium has been 0.4p in the £ since 2006/07, although the proceeds have subsequently increased in line with the total rateable value of the City. The recommendation in the separate report for a rise of 0.1p to 0.5p in the £ would increase the estimated annual proceeds by £1.6m to £8.1m.

Transfer from Reserves

38. The net £1.4m planned transfer from reserves is to fund £1.9m of investment property purchases (para 28) less the first annual repayment (£0.5m) of the cashflow assistance provided to the Police for Action Fraud (para 29).

CITY'S CASH

Overall Budget Position

39. The budgets (set out below) have been prepared in accordance with the budget policy set out in Appendix 1 and the net positions for 2015/16 and 2016/17 are summarised by committee in the table below. Reserves are available to meet the estimated deficit in the current year.

| City's Cash Summary by Committee | 2015/16 | 2015/16 | 2016/17 |
|---|-----------------|----------------|-----------------|
| | Original | Latest | Original |
| Net Expenditure (Income) | £m | £m | £m |
| Culture, Heritage & Libraries | 0.0 | 0.3 | 0.0 |
| Education Board | 1.0 | 1.0 | 1.0 |
| Finance (1) | (15.1) | (6.9) | (9.4) |
| G. P. Committee of Aldermen | 3.2 | 3.3 | 3.2 |
| Guildhall School of Music and Drama | 9.9 | 10.3 | 10.1 |
| Markets | 0.6 | 1.2 | 1.0 |
| Open Spaces :- | | | |
| Epping Forest and Commons | 7.7 | 7.5 | 7.7 |
| Hampstead, Queen's Pk, Highgate Wd | 7.9 | 7.7 | 7.7 |
| Bunhill Fields | 0.3 | 0.2 | 0.5 |
| West Ham Park | 1.2 | 1.3 | 1.2 |
| Policy and Resources | 11.3 | 12.2 | 11.7 |
| Property Investment Board | (35.1) | (41.1) | (42.9) |
| Schools :- | | | |
| City of London School (2) | 1.6 | 1.4 | 1.4 |
| City of London Freeman's School (2) | 2.1 | 1.9 | 1.8 |
| City of London School for Girls (2) | 0.8 | 0.6 | 0.6 |
| | | | |
| Deficit (Surplus) from (to) reserves | (2.6) | 0.9 | (4.4) |

1. For Finance Committee, the significant variations between the 2015/16 original budget (£15.1m credit) and the 2015/16 latest (£6.9m credit) and 2016/17 original (£9.4m credit) budgets largely relates to the estimated profits on the sale of assets together with the phasing of expenditure on the Cyclical Works Programme.
2. Shows City Support rather than net expenditure by the schools.

40. The following table further analyses the budget to indicate the income produced from the City's assets (investment property rent income, non-property investment income and interest on balances at lines 3 to 5 respectively). It also indicates the underlying deficits or surpluses on City's Cash before the anticipated profits on the sale of assets are taken into account (lines 6 to 8).

| City's Cash Requirements 2015/16 and 2016/17 | | | | | |
|--|---|--------------|------------|--------------|--------|
| | | 2015/16 | 2015/16 | 2016/17 | Para. |
| | | Original | Latest | Original | No. |
| | | £m | £m | £m | |
| 1 | Net expenditure on services | 64.6 | 66.6 | 64.9 | 44, 49 |
| 2 | Cyclical Works Programme | 7.2 | 9.8 | 4.6 | 45, 50 |
| 3 | Estate rent income | (42.8) | (48.4) | (50.4) | 46, 51 |
| 4 | Non-property investment income (net) | (19.5) | (19.5) | (19.5) | 47 |
| 5 | Interest on balances | (0.1) | (0.3) | (0.3) | |
| 6 | Operating Deficit (Surplus) | 9.4 | 8.2 | (0.7) | |
| 7 | Profit on asset sales | (12.0) | (7.3) | (3.7) | 48, 52 |
| 8 | Deficit (Surplus) from (to) reserves | (2.6) | 0.9 | (4.4) | |

41. The City's Cash deficit in the current year is anticipated to be £0.9m compared to a surplus of £2.6m in the original budget. This movement largely relates to budgets carried forward from 2014/15 and asset sales being completed at the end of 2014/15 rather than in 2015/16 as assumed in the budget – partly offset by increased rent income. For 2016/17, City's Cash returns to a surplus of £4.4m.
42. With regard to the subsequent years of the medium term financial forecast, modest surpluses are indicated after taking account of profits on asset sales. As with City Fund, these forecasts are predicated on the achievement of the savings/increased incomes from the Service Based Review.

Revenue Budget 2015/16

Net Expenditure on Services

43. Net expenditure on City's Cash services for 2015/16 was originally budgeted at £64.6m. The latest budget of £66.6m is an increase of £2m which is primarily due to:
- £2.5m approved budgets brought forward from 2014/15;
 - £0.3m for possible severance costs resulting from the implementation of service based review proposals;
- partly offset by*
- £0.6m reduction in property operating costs following the sales of London Fruit and Wool Exchange and Whites Row car park;

Cyclical Works Programme

44. The increase from £7.2m to £9.8m primarily relates to slippage from 2014/15 on Guildhall School and investment property projects.

Investment Estate Rent Income

45. Rent income from investment properties is forecast to be £48.4m which is an increase of £5.6m on the original budget. This improvement relates to lease renewals of properties in Tottenham Court Road, backdated rent review increases for properties in New Bond Street and Smithfield Commercial offices, new lettings in North Road and Brewery Road, together with accounting adjustments required to recognise the impact of both agreed and anticipated rent incentives (e.g. rent free periods).

Non-Property Investment Income

46. As most of the managed funds are held in pooled investment vehicles, income is drawn down from the investments as necessary rather than being received as dividend income. The amounts to be drawn down in 2015/16 and 2016/17, after the deduction of management fees, remains at the £19.5m assumed in the 2015/16 original budget.

Profit on Asset Sales

47. The profit on the sale of assets is anticipated to reduce from £12m to £7.3m. The original budget assumed the sale of two properties which were completed earlier than anticipated, in 2014/15. The latest budget reflects estimated profits from the disposal of a further three investment properties.

Revenue Budget 2016/17

Net Expenditure on Services

48. Net expenditure on City's Cash services for 2016/17 is budgeted at £64.9m, an increase of £0.3m compared to the original budget for 2015/16. The main reasons for the increased requirement are:

- £1m provision has been included for a transformation fund – £1m p.a. for 2016/17 and 2017/18 and £0.75m in 2018/19. The purpose of the funds is to implement the cross cutting changes needed for the service based review, and to invest in developing skill sets and service transformation which will generate additional efficiency savings and income;
- £0.8m allowance for pay and prices;
- £0.8m increases in employer's national insurance contributions due to the impact of no longer receiving the rebate on contracted out workplace pension schemes from April 2016;
- £0.5m additional funding for Economic Development relating to the City office in Brussels;
- £0.3m for possible severance costs resulting from the implementation of service based review proposals;

partly offset by

- £2.2m of savings/increased income relating to the Service Based Review;
- £0.6m reduction in property operating costs following the sales of London Fruit and Wool Exchange and Whites Row car park; and
- £0.5m reduction in the GSMD revenue budget as the temporary increase from resources transferred from the capital cap comes to an end.

Cyclical Works Programme

49. The £4.6m budget for 2016/17 relates mainly to anticipated expenditure on the additional works programmes approved by the Corporate Asset and Resource Allocation Sub Committees.

Investment Estate Rent income

50. Rent income from investment properties is forecast to be £50.4m which is an increase of £7.6m on the 2015/16 original budget. The reasons for this improvement are as set out in paragraph 46 together with rent increases for Tallis House, Devlin House, and properties in New Broad Street, Temple Chambers and Store Street.

Profit on Asset Sales

51. The estimate of £3.7m for profits on asset sales relates to the disposal of surplus operational assets, rights of light compensation and investment property overage receipts.

Guildhall School Potential Funding Gap

52. Modelling of new student numbers indicates that the School faces a potential funding gap of £3.5m by 2017/18. HEFCE is currently considering 'Specialist Institution' funding allocations and an announcement is anticipated in March on whether additional funding of around £1m will be made available. However, even with such funding, there is still likely to be a deficit and, consequently, it is intended to commission a fundamental review of the School's operating model.

BRIDGE HOUSE ESTATES

Overall Budget Position

53. The budgets have been prepared in accordance with the budget policy set out in Appendix 1 and the requirements for 2015/16 and 2016/17 are summarised in the table below.

| Bridge House Estates Summary by Committee Net Expenditure (Income) | 2015/16 Original £m | 2015/16 Latest £m | 2016/17 Original £m |
|---|------------------------------------|----------------------------------|------------------------------------|
| The City Bridge Trust | 17.2 | 20.9 | 21.4 |
| Culture, Heritage and Libraries | (0.2) | (0.3) | (0.3) |
| Finance | (10.6) | (10.3) | (10.5) |
| Planning and Transportation | 3.6 | 3.8 | 3.9 |
| Property Investment Board | (13.6) | (15.2) | (14.4) |
| Deficit (Surplus) from (to) reserves | (3.6) | (1.1) | 0.1 |

54. The following table further analyses the budget to indicate;
- the income produced from the City's assets (investment property rent income, non-property investment income and interest on balances at lines 4 to 6 respectively); and
 - the budgets for charitable grants (line 8).

| Bridge House Estates Requirements 2015/16 and 2016/17 | | | | | |
|---|--|---------------|---------------|---------------|--------|
| | | 2015/16 | 2015/16 | 2016/17 | Para. |
| | | Original | Latest | Original | No. |
| | | £m | £m | £m | |
| 1 | Net expenditure on services | 9.1 | 9.4 | 9.8 | 58, 64 |
| 2 | Cyclical Works Programme | 0.5 | 0.7 | 0.5 | |
| 3 | Bridges repairs, maintenance and major works fund contribution | 1.1 | 1.1 | 1.1 | 59, 60 |
| 4 | Estate rent income | (18.0) | (19.6) | (19.0) | 61, 65 |
| 5 | Non-property investment income (net) | (12.2) | (12.2) | (12.2) | 62 |
| 6 | Interest on balances | (0.1) | (0.1) | (0.1) | |
| 7 | Revenue surplus | (19.6) | (20.7) | (19.9) | |
| 8 | Charitable grants | 16.0 | 19.6 | 20.0 | 63, 66 |
| 9 | Deficit (Surplus) from (to) reserves | (3.6) | (1.1) | 0.1 | |

55. For the current year, the surplus is estimated to reduce from £3.6m to £1.1m mainly due to an increase in the City Bridge Trust grants budget.
56. For 2016/17, the fund is expected to break even in broad terms. Break-even is also forecast for 2017/18, whilst 2018/19 and 2019/20 indicate a return to surpluses as the three year increase to the City Bridge Trust grants budget comes to an end.

Revenue Budget 2015/16

Net Expenditure on Services

57. The increase from £9.1m to £9.4m in 2015/16 is primarily due to approved budgets brought forward from 2014/15.

Bridges Repairs, Maintenance and Major Works Fund

58. The objective for the Bridges Repairs, Maintenance and Major Works Fund is to provide sufficient resources to meet the enhanced maintenance costs of the five bridges over a period of at least 50 years.
59. Having compared the costs of the City Surveyor's 50 year maintenance programme with the projections for income to be earned by the Fund, the 2016/17 contributions required has been assessed as £1.1m – unchanged from the current year. The 50 year maintenance programme and the levels of contributions required to smooth the costs over this period will continue to be reviewed annually.

Investment Estate Rent Income

60. Rent income from investment properties is forecast to be £19.6m which is an increase of £1.6m on the original budget. This improvement relates to 1-5 London Wall Buildings due to retention of tenants and quicker letting of refurbished space, Colechurch House due to retention of tenants, and rent increases to various other properties.

Non-Property Investment Income

61. As most of the managed funds are held in pooled investment vehicles, income is drawn down from the investments as necessary rather than being received

as dividend income. The amounts to be drawn down in 2015/16 and 2016/17, after the deduction of management fees, remains at the £12.2m assumed in the 2015/16 original budget.

Charitable Grants

62. The increase of £3.6m to £19.6m comprises £3m for the first of three years of additional funding, together with £0.6m approved budget brought forward from 2014/15. The budget for 2016/17 is £20m and for 2017/18 is £21m. The forecasts for 2018/19 and 2019/20 revert to £16m pending further consideration of future grant levels.

Revenue Budget 2016/17

Net Expenditure on Services

63. The estimate of £9.8m is an increase of £0.7m on the original budget for 2015/16. This increase primarily relates to allowances for pay and price increases, employer's national insurance contributions and increased allocations of staff time to the investment property estate and maintenance of bridges.

Investment Estate Rent Income

64. The reasons for the increase in income, from £18m to £19m, are as set out in paragraph 61 together with higher rents at Millennium Bridge House and 24-25 New Bond Street; partly offset by anticipated void periods at properties in Gresham Street and Wood Street.

Charitable Grants

65. The reason for the increase is outlined in paragraph 63.

GUILDHALL ADMINISTRATION

66. Guildhall Administration encompasses most of the central support services for the City, with the costs being fully recovered from the three main City Funds, Housing Revenue Account, Museum of London and other external bodies in accordance with the level of support provided. Consequently, after recovery of costs, the net expenditure on Guildhall Administration is nil. The table below summarises the position.

| Guildhall Administration by Committee Net Expenditures | 2015/16 Original £m | 2015/16 Latest £m | 2016/17 Original £m |
|---|------------------------------------|----------------------------------|------------------------------------|
| Establishment - Town Clerk & C&CS | 11.0 | 11.7 | 11.2 |
| Finance - Chamberlain | 31.8 | 32.2 | 32.5 |
| Finance - City Surveyor, Remembrancer and Town Clerk | 19.8 | 19.6 | 21.1 |
| Culture, Heritage and Libraries - City Records Office | 0.9 | 0.0 | 0.0 |
| Total Net Expenditure | 63.5 | 63.5 | 64.8 |
| Recovery of Costs | (63.5) | (63.5) | (64.8) |
| Total Guildhall Administration | 0 | 0 | 0 |

Revenue Budget 2015/16

67. Although the 2015/16 latest budget is unchanged from the original, there are a number of largely compensating variations:

- £0.7m reduction in dividend income from the City's Reinsurance Captive Company as a result of potentially high value claims;
- £0.6m approved budgets brought forward from 2014/15;
- £0.5m increase in insurance premiums for the part year effect of revaluations across the operational and investment property portfolio (the rates applied by insurers remain the same), an increase in Insurance Premium Tax from 6% to 9.5% and a restructure of the terrorism insurance provided by PoolRe which has increased premium charges.

offset by

- £0.9m reduction relating to the rephasing of the additional repairs and maintenance works programmes;
- £0.9m of costs relating to the City Records Office have been allocated directly to the three funds as the activity is now treated as a direct service rather than an apportioned support service.

Revenue Budget 2016/17

68. The net expenditure for 2016/17 is £64.8m, an increase of £1.3m from 2015/16. The main variations are as follows:

- £1.9m increase in insurance premiums as explained above. All insurances, with the exception of employees and public liability, are being tendered during 2016;
- £0.5m allowance for pay and prices;
- £0.5m increases in employer's national insurance contributions due to the impact of no longer receiving the rebate on contracted out workplace pension schemes from April 2016;
- £0.4m increased expenditure on the additional works programme

partly offset by

- £1.3m of savings/increased income relating to the Service Based Review;
- £0.9m of costs relating to the City Records Office have been allocated directly to the three funds as the activity is now treated as a direct service rather than an apportioned support service.

CAPITAL AND SUPPLEMENTARY REVENUE PROJECT BUDGETS

69. The City Fund, City's Cash and Bridge House Estates capital and supplementary revenue project budgets being submitted to the Court of Common Council in March are included in the Summary Budget Book.

70. The "Supplementary Revenue Projects" classification has been created as certain projects do not comply with definitions of capital expenditure. This is an accounting treatment and does not change the projects themselves, which

will be controlled in the same way as capital projects. All expenditure and income on such projects is posted to revenue accounts.

City Fund Capital and Supplementary Revenue Project Budgets

71. The latest City Fund capital and supplementary revenue projects budgets total £52.1m for 2015/16 and £235.5m for 2016/17. The budgets for both years include schemes relating to investment properties, works to existing HRA stock and construction of new affordable housing, the Barbican Centre, works to the Central Criminal Court and highways/streetscene schemes, most notably the highway and public realm scheme at Aldgate. In addition, the 2016/17 budget reflects the capital contribution of £200m payable towards Crossrail. After allowing for external contributions and the use of revenue reserves, the remainder of the City Fund capital budget is anticipated to be financed largely from disposal proceeds in line with budget policy.

City's Cash Capital and Supplementary Revenue Project Budgets

72. The latest City's Cash capital and supplementary revenue projects budgets total £69.0m for 2015/16 and £18.1m for 2016/17. The budgets for both years include property investments and the flood mitigation scheme at Hampstead Heath.

Bridge House Estates Capital and Supplementary Revenue Project Budgets

73. The latest Bridge House Estates capital and supplementary revenue projects budgets total £27.4m for 2015/16 and £15.0m in 2016/17 mainly related to investment property acquisitions and developments.

Financing Capital Expenditure

74. As in previous years, it is proposed that the Chamberlain should determine the final financing of the capital budgets.

Conclusion

75. Therefore, the Court of Common Council is **recommended** to:
- i) note the latest revenue budgets for 2015/16;
 - ii) agree 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';
 - iii) agree the capital budgets;
 - iv) delegate authority to the Chamberlain to determine the financing of the capital budgets.

All of which we submit to the judgement of this Honourable Court.

DATED this 16th day of February 2016.

SIGNED on behalf of the Committee.

Roger Arthur Holden Chadwick, Deputy
Chairman, Finance Committee

Appendices

Appendix 1 – Medium Term Financial Strategy/Budget Policy

Medium Term Financial Strategy/Budget Policy

City Fund

The main constituents of the City Fund medium term financial strategy/budget policy are as follows:-

- (i) to aim to achieve as a minimum over the medium term planning period the 'golden rule' of matching on-going revenue expenditures and incomes;
- (ii) to implement budget adjustments and measures that are sustainable, on-going and focused on improving efficiencies;
- (iii) in line with (ii), as far as possible to protect existing repairs and maintenance budgets from any efficiency squeezes or budget adjustments and to ring-fence all other non-staffing budgets (to prevent any amounts from these budgets being transferred into staffing budgets);
- (iv) within the overall context of securing savings and budget reductions, to provide Chief Officers with stable financial frameworks that enable them to plan and budget with some certainty;
- (v) for the Police service, ordinarily to set an annual cash limit determined from the national settlement allocation to the City Police together with the allocation from the Business Rates Premium and to allow the Force to draw from its reserves on a phased basis, subject to a minimum level being retained;
- (vi) to identify and achieve targeted/selective budget reductions and savings programmes;
- (vii) to ring-fence sufficient assets (cash and investment property) to accumulate, via revenue and/or capital growth, the amount required to meet the City Corporation's Crossrail direct funding commitment of £200m;
- (viii) to continue to review critically all financing arrangements, criteria and provisions relating to existing and proposed capital and supplementary revenue project expenditures;
- (ix) to reduce the City Fund's budget exposure to future interest rate changes by adopting a very prudent, constant annual earnings assumption in financial forecasts. If higher earnings are actually achieved, consideration to be given to only making the additional income available for non-recurring items of expenditure;
- (x) to accept that in some years of the financial planning period it may be necessary to make contributions from revenue balances to balance the revenue budget;
- (xi) ordinarily to finance capital projects from disposal proceeds rather than revenue resources and supplementary revenue projects from provisions set aside within the financial forecast; and
- (xii) to minimise the impact of rate/tax increases on City businesses and residents.

City's Cash

The main constituents of the current budget policy for City's Cash services reflect the general elements within the City Fund strategy together with the following specific objectives:

- ensure that ongoing revenue expenditure is contained within revenue income over the medium term and sufficient surpluses are generated to finance capital investment on City's Cash services;
- continue to seek property investment opportunities to enhance income/seek capital appreciation during the year, subject to any financing being met from the City's Estate Designated Sales Pool; and
- sell either property or financial assets, which would need to be in addition to property disposals required to meet the financing requirements of the Designated Sales Pool, to meet City's Cash cash-flow requirements.

Bridge House Estates

Budget policy in relation to Bridge House Estates is as follows:

- adhering to a planning framework which provides cash limit allowances towards inflationary pressures rather than the budget reductions and savings programmes applied to other funds;
- ensuring that ongoing revenue expenditure is contained within revenue income over the medium term and that sufficient surpluses are generated to finance expenditure on the Bridges with surplus funds allocated to charitable grants; and
- continuing to seek property investment opportunities to enhance income/provide capital appreciation during the year subject to any financing being met from the Bridge House Estates Designated Sales Pool.

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ITEM 18

Report – Port Health & Environmental Services

Animal Reception Centre – Heathrow Airport: Annual Review of Charges

To be presented on Thursday, 3rd March 2016

To the Right Honourable The Lord Mayor, Aldermen and Commons of the City of London in Common Council assembled.

SUMMARY AND REPORT

1. This report seeks approval of the increase to be applied to the Schedule in respect of services provided at the Heathrow Animal Reception Centre (HARC), for the forthcoming financial year 2016/17. The Schedule is attached at Appendix A to this report.
2. Subject to these Byelaws being made, the Comptroller and City Solicitor would be instructed to seal them accordingly.

RECOMMENDATION

3. We **recommend** that the Byelaws contained at Appendix A to this report be made and the Comptroller and City Solicitor be instructed to seal the Byelaws accordingly.

All of which we submit to the judgement of this Honourable Court.

DATED this 19th day of January 2016

SIGNED on behalf of the Committee.

Wendy Mead, OBE
Chairman, Port Health and Environmental Services Committee

**ADDITIONAL BYELAWS RELATING TO THE
HEATHROW ANIMAL RECEPTION CENTRE**

BYELAWS made by the Mayor and Commonalty and Citizens of the City of London acting by the Mayor, Alderman and Commons of the said City in Common Council assembled in pursuance of Sections 42 and 43 of the Markets and Fairs Clauses Act 1847 as applied by Section 54 of the Animal Health Act 1981 with respect to the Heathrow Animal Reception Centre, London.

In these Byelaws unless the context otherwise requires “the Principal Byelaws” means the byelaws made by the Mayor and Commonalty and Citizens of the City of London acting by the Mayor, Alderman and Commons of the said City in Common Council assembled on 1 July 1976 and confirmed by the Minister of Agriculture, Fisheries and Food on 12 November 1976.

From the date of coming into operation of the Byelaws the Additional Byelaws made by the Mayor and Commonalty and Citizens of the City of London acting by the Mayor, Aldermen and Commons of the said City in Common Council assembled on 5 March 2015 (and sealed on 9 March 2015) shall be repealed and the following Schedule shall be substituted for the Schedule to the Principal Byelaws.

SCHEDULE

PART I

(2015 charges quoted in brackets)

Minimum charge for any one consignment £168 (£165)

ANIMALS CHARGE PER CONSIGNMENT

- | | | |
|--------------------|--------------------------------|--|
| 1. Mammals | £168 (£165) for up to 24 hours | £53 (£52) per day or part thereof after 24 hours |
| 2. Reptiles | £168 (£165) for up to 24 hours | £200 (£190) per day or part thereof after 24 hours |

Transit commercial reptile consignments should be booked through to have a maximum stay at Heathrow of 24 hours. Any transit commercial reptile consignments that stay more than 24 hours and require transferring from their containers will incur the additional special handling charge detailed below.

| | | |
|---|-------------------------------------|--|
| Additional special handling for any consignment | £200 (£190) minimum per consignment | £59 (£58) per day or part thereof after 24 hours |
|---|-------------------------------------|--|

3. Birds £59 (£58) per box per day £168 (£165) minimum charge

Transit commercial bird consignments should be booked through to have a maximum stay at Heathrow of 36 hours. Any transit commercial bird consignments that stay more than 36 hours will be charged at £37 (£35) per box per day, or part thereof.

Pet birds £40 per bird for up to 24 hours.

Bird Quarantine £330 - £1135 (£360-£1135) plus laboratory testing fees.
Fees are dependent on size of consignment and housing requirements.

Faecal Sampling and Bird Autopsy costs as per current Animal & Plant Health Agency rates. Larger consignments to be negotiated see Part 2, Section 6

4. Fish/Aquatic £1.80 (£1.75) per box £30 (£30) minimum charge
**Invertebrates/Semen/
Fish and Bird Eggs**

5. Cats and Dogs under the Pet Travel Scheme

PETS originating in the E.U. (including those countries listed in Annex 2 of part 1 to Commission Implementing Regulation (EU) 577/2013) will be charged a handling fee of £40 (£40) per animal in addition to the collection charge of £77 (£75) (see Part 2 section 5).

PETS originating outside the E.U. will be charged normal rates as in 1 above for the first animal, i.e. £168 (£165) and, where the consignment consists of more than one animal, a handling fee of £40 (£40) per animal thereafter.

PETS checked at aircraft (Assistance Dogs) £200 (£200) plus 1 hour collection charge £150 (£150) = £350 (£350) and, where the consignment consists of more than one animal, a checking fee of £40 (£40) per animal thereafter.

A surcharge of £600 will be added to the above for any transit consignment that has landed without an "OK to forward" from the on-going airline.

6. Security

A charge of £18 (£18) will be made in respect of any consignment which requires security screening prior to leaving the ARC.

7. Not on Board

Requests for collection of animals from aircraft which are subsequently not found on board will be charged at normal collection charge (see Part 2, Section 5).

PART II

CHARGES FOR ANCILLIARY SERVICES

Destruction including disposal of livestock or goods - £36 (£36) per kilogram.

Cleansing and disinfecting aircraft, animal holding facilities, vehicles, loose boxes etc. - £310 (£310) per hour (including disposal of special waste).

Identification of species for DEFRA/HM Revenue and Customs/Border Agency - £150 (£150) per hour. Assisting on off airport operations - £77 (£75) per hour/£500 (£500) per day.

Re-crating or repair to crates - quotations on request.

Collection and delivery of animals and birds to and from the Animal Reception Centre by an Animal Reception Centre member of staff - £154 (£150) per hour or £77 (£75) per consignment if no extra waiting time.

Long term rates for government agencies and non-government agencies i.e. RSPCA, to be negotiated.

Modification of containers to International Air Travel Association (IATA) standards:-

Space Bars/Battens - £45 (£45) per box
Air Holes - £18 (£18) per box
Water Pots - £18 (£18) per box

(If these services are carried out on the airport an additional fee of £75 (£70) applies for 'delivery' of the service).

Use of Large Animal Facility (per consignment) £320 (£320)

Dated day of 2016

THE COMMON SEAL OF THE MAYOR
AND COMMONALTY AND CITIZENS
OF THE CITY OF LONDON was
hereunto affixed in the
presence of:

Hillingdon London Borough Agency fee

To carry out all animal welfare inspections at export accommodation within Heathrow Airport - £10,600 per annum.

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Report – Establishment Committee

Draft Pay Policy Statement 2016/17

To be presented on Thursday, 3rd March 2016

*To the Right Honourable The Lord Mayor, Aldermen and Commons
of the City of London in Common Council assembled.*

SUMMARY

The Localism Act 2011 requires the City of London Corporation to prepare and publish a Pay Policy Statement setting out its approach to pay for the most senior and junior members of staff. This must be agreed each year by the full Court of Common Council.

The Court of Common Council has now received the pay policy statements for the past four years. The statement has now been updated for 2016/17 and has been considered and approved by the Establishment Committee on 4 February 2016 and Policy and Resources Committee on 18 February 2016.

RECOMMENDATION

It is **recommended** that the Court considers and agrees the draft Pay Policy Statement for 2016/17 set out in the Appendix to this report to ensure that the City Corporation meets its requirements under the Localism Act 2011.

MAIN REPORT

1. Under Section 38(i) of the Localism Act 2011 (the Act), all local authorities are required to produce and publish a statement setting out their pay policies. The aim of the Act is that authorities should be open, transparent and accountable to local taxpayers. Pay statements should set out the authority's approach to issues relating to the pay of its workforce, particularly senior staff (or chief officers on the Senior Management Grade) and its lowest paid employees.
2. The Department for Communities and Local Government has published guidance and the City Corporation must have regard to this guidance in formulating a pay policy statement. In addition, the Secretary of State has published a Code of Recommended Practice for Local Authorities on Data Transparency which is also of relevance in complying with the Act.
3. The pay policy statement must be agreed and published by 31st March each year. The statement must be also agreed, each year, by the full Court of Common Council in open session. Should any changes to the pay statement arise during the course of the year, a revised statement must come before the full Court.

Current Position

4. The updated draft Pay Policy Statement for 2016/17 is attached to this report for Members' consideration. There are no significant changes to the statement this year, but it has been updated to reflect any changes to pay since the last statement (e.g. the 2015 pay award and the revised statutory maximum week's pay for redundancy purposes).
5. The policy statement has not been amended to reflect changes that may arise from the Government's intention to introduce restrictions on exit pay packages for employees leaving public-sector jobs. This is because the proposed restrictions have not been finalised. However, Members may wish to note that any such restrictions may require some amendment to our severance packages for high-earning employees, and give rise to considerations about how we deal with the pension provision for employees aged 55 or over who are dismissed for reasons of redundancy or business efficiency (see paragraphs 32 and 34 of the statement).

Conclusion

6. It is **recommended** that the Court agrees the draft Pay Policy Statement for 2016/17, as set out in the Appendix to this report, to ensure that the City Corporation meets its requirements under the Localism Act 2011.

All of which we submit to the judgement of this Honourable Court.

DATED this 4th day of February 2016.

SIGNED on behalf of the Committee.

The Reverend Stephen Decatur Haines, Deputy
Chairman, Establishment Committee

CITY OF LONDON CORPORATION

PAY POLICY STATEMENT 2016/17

Introduction

1. Section 38(i) of the Localism Act 2011 (the Act) has required local authorities since the financial year 2012/13 to produce a pay policy statement for each financial year. This applies to the City of London Corporation in its capacity as a local authority and this document meets the requirements of the Act for the City of London Corporation for the financial year 2016/17.
2. We are required to set out our approach to a range of issues, particularly those relating to remuneration for senior staff (Chief Officers on the Senior Management Grade) and our lowest-paid staff. These provisions do not apply to staff of local authority schools or teaching staff in the three City Schools.
3. The provisions of the Act require that authorities are more open about their local policies and how local decisions are made. The Code of Recommended Practice for Local Authorities on Data Transparency enshrines the principles of transparency and asks authorities to follow three principles when publishing data they hold: responding to public demand; releasing data in open formats available for re-use; and, releasing data in a timely way. This includes data on senior salaries and the structure of the workforce.
4. All decisions on pay and reward for senior staff must comply with this statement. The statement must be reviewed annually and agreed by the Court of Common Council.
5. This statement relates to our local, police and port health authority functions. The Act does not require authorities to publish specific numerical data on pay and reward in their pay policy document. However, information in this statement should fit with any data on pay and reward which is published separately. The City Corporation operates consistent pay policies which are applied across all of our functions. Further details of the grade structures and associated pay scales can be found on our website at:

<http://www.cityoflondon.gov.uk/about-the-city/who-we-are/Pages/senior-officer-and-general-salary-scales.aspx>

This information is reviewed, updated and published on a regular basis in accordance with the guidance on data transparency and by the Accounts and Audit (England) Regulations 2011. It should be noted that all Police Officer pay scales are nationally determined and as such do not form part of the City of London's Pay Policy.

6. The Act's provisions do not supersede the City Corporation's autonomy to make decisions on pay which are appropriate to local circumstances and deliver value

for money for local taxpayers. We seek to be a fair employer and an employer of choice - recognising and rewarding the contributions of staff in an appropriate way. We set pay fairly within published scales and, in doing so, have regard to changing conditions in differing occupational and geographic labour markets.

Background

7. All pay and terms and conditions of service are locally negotiated with our recognised trade unions or staff representatives. In 2006/07 extensive work was undertaken on a review of our pay and grading structures. As a result, the principles set out in the guidance to the Act have already generally been addressed although the Act set out some additional requirements which are covered by this statement.
8. In 2007 we implemented a number of core principles, via collective agreement, to form the City Corporation's pay strategy. This moved the pay and reward strategy from one based entirely on time-served increments to one which focusses on a balance between incremental progression, individual performance and contribution to the success of the organisation. A fundamental element of the strategy is that achievement of contribution payments is more onerous and exacting the more senior the member of staff.
9. There has been a pay award of 2% on basic salaries agreed for all staff commensurate with the Government's pay policy. This was agreed by delegated authority from the Court of Common Council in June 2015 and was effective from 1 July 2015. A 2% increase was also added to the London Weighting allowance rates for all staff. London Weighting allowance rates do not differ between Grades of staff.
10. As at January 2016, no directly employed member of staff was paid below the London Living Wage (Apprentices being paid in proportion to this). The City of London also agreed to pay all casual and agency workers the London Living Wage from 1 April 2014 and this is reviewed each year in line with any changes.

Staff below Senior Management

11. All staff employed by the City Corporation below the Senior Management Grade have been allocated to one of 10 Grades (Grades A-J), other than in a very small number of exceptional cases, such as apprentices. All such posts were reviewed under Job Evaluation, ranked in order and allocated to a Grade following the Pay & Grading Review in 2007. The evaluation scheme was independently equalities-impact-assessed to ensure that it was inherently fair and unbiased. The scheme, how it is applied, the scoring mechanism and how scores relate to Grades are published on our Intranet so staff can be assured that the process is fair and transparent. In addition, there is an appeal mechanism agreed with the recognised trade unions and staff representatives.
12. The lowest Graded and paid staff are in Grade A as determined by the outcomes of the job evaluation process. The current lowest point on Grade A is £18,700 including a London Weighting allowance for working in Inner London. The current pay range for Grades A - J is £18,330 to £92,870 inclusive of Inner London Weighting of £5,500 for non-residential employees.

- Grades A-C are the lowest grades in the City Corporation. They have up to 6 increments which can be achieved subject to satisfactory performance. There is no Contribution Pay assessment. However, employees in these Grades have the opportunity if they have undertaken exceptional work to be considered for a Recognition Award up to a maximum level set corporately each year (this has been £500 in each year since 2010).
 - Grades D-J have 4 'core' increments and 2 'contribution' increments. Progression through the 4 'core' increments is subject to satisfactory performance. Progression into and through the 2 'contribution' increments requires performance to be at a higher than satisfactory level. Once at the top of the scale, for those who achieve the highest standards of performance and contribution, it is possible to earn a one-off non-consolidated Contribution Payment of up to 3% or 6% of basic pay depending on the assessed level of contribution over the previous year.
 - The Senior Management Grade comprises the most senior roles in the organisation. As these are distinct roles, posts are individually evaluated and assessed independently against the external market allowing each post to be allocated an individual salary range within the Grade. Any increase in salary (whether through incremental progression or a cost-of-living award) is entirely dependent on each individual being subject to a rigorous process of assessment and evaluation, and is based on their contribution to the success of the organisation.
13. The City Corporation operates a distribution curve to advise on a fair and consistent distribution of Contribution Payments for staff in Grades D-J. This ensures that, in any one year, no more than approximately 75% of eligible staff are able to progress to the 2 higher contribution increments. Approximately 50% of eligible staff may receive a one-off Contribution Payment in any given year. For the appraisal year ending March 2015, 66% of eligible staff were allowed to move into the two higher contribution increments and 55% of eligible staff received a one-off non-consolidated contribution payment.

Senior Management

14. The term Senior Management incorporates the following posts:
- Town Clerk & Chief Executive
 - Chamberlain
 - Comptroller & City Solicitor
 - Remembrancer
 - City Surveyor
 - Director of the Built Environment
 - Managing Director of the Barbican Centre
 - Principal of the Guildhall School of Music & Drama
 - Director of Community & Children's Services
 - Deputy Town Clerk

- Director of the Economic Development Office
 - Private Secretary & Chief of Staff to the Lord Mayor
 - Director of HR
 - Director of Culture, Heritage & Libraries
 - Director of Markets & Consumer Protection
 - Director of Open Spaces
 - Head Teacher, City of London School
 - Head Teacher, City of London School for Girls
 - Head Teacher, City of London Freemen’s School
15. The Head Teachers of the City of London School, City of London School for Girls and City of London Freemen’s School are not part of the Senior Management Group for the purposes of pay (their pay is governed by a separate teaching pay scale). The post of Remembrancer is currently aligned to Senior Civil Service pay scales.
16. It should be noted that not all of the costs of the above posts are funded from public resources. The City of London is not an ordinary local authority, in that it has private and charitable functions which receive funding through income from endowment and trust funds.
17. Following the principles outlined above, the pay ranges for the Senior Management Group were set with reference to both job evaluation and an independent external market assessment. The principles of this were agreed by the Court of Common Council in 2007 and, subsequently, the specific unique range for each senior management post was agreed by the Establishment Committee in October 2007. Current Senior Management salary scales are published on our website at:
- <http://www.cityoflondon.gov.uk/about-the-city/who-we-are/Pages/senior-officer-and-general-salary-scales.aspx>
18. Each Senior Management post is allocated a range around a datum point. There is a maximum and minimum (datum plus 9% and datum minus 6% respectively) above and below which no individual salary can fall. Where a pay increase for a member of staff would take them above the maximum in a given year, the excess amount above the maximum may be paid as a non-consolidated payment in that year. This does not form part of basic salary for the following year and will, therefore, have to be earned again by superior performance for it to be paid.
19. Each year the datum point advances by a percentage equivalent to any ‘cost of living’ pay award. Individual salaries would move according to the table below:

| Contribution Level | Salary Change |
|---------------------------|---------------------------|
| A Outstanding | Datum % change + up to 6% |
| B Very Good | Datum % change + up to 4% |
| C Good | Datum % change |
| D Improvement Required | 0.0 % |

20. The average payment based on contribution alone has been 2.66% for the appraisal year ending in March 2015. The payments have been largely non-consolidated i.e. they have to be re-earned each year based on superior performance.
21. All pay increases for any staff in the Senior Management Group are agreed by a Senior Remuneration panel comprising the Chairmen of Policy & Resources, Finance and Establishment Committees supported by either the Town Clerk and Chief Executive or the Director of HR. The Town Clerk & Chief Executive deals with all salary discussions for senior staff other than in relation to himself. The Director of HR deals with any pay discussions in relation to the Town Clerk & Chief Executive.
22. The Act specifies that in addition to senior salaries, authorities must also make clear what approach they take to the award of other elements of senior remuneration including bonuses and performance-related pay as well as severance payments. This should include any policy to award additional fees for Chief Officers for their local election duties.
23. The scheme for pay increases and contribution pay for the Senior Management Group is set out above. Staff in the Senior Management Group do not have an element of their basic pay "at risk" to be earned back each year. Progression is, however, subject to successful performance assessed through the application of the performance-appraisal scheme. No one in the Senior Management Group receives any additional payments or fees for City of London Corporation electoral duties.
24. Set out below are the broad pay ranges for the Senior Management Group, with the numbers in each band, excluding London Weighting. Each member of staff will have an individual salary scale within these broad ranges.

| | |
|---------------------|-----|
| £79,150 - £109,560 | (5) |
| £106,390 - £142,950 | (8) |
| £151,680 - £181,090 | (2) |
| £203,810 - £236,290 | (1) |

25. The Act requires authorities to set their policies on remuneration for their highest-paid staff alongside their policies towards their lowest-paid staff, and to explain what they think the relationship should be between the remuneration of staff on the Senior Management Grade and other staff. The City Corporation's pay multiple - the ratio between the highest paid and lowest paid staff - is approximately 1:13. The ratio between the taxable earnings for the highest paid member of staff and the median earnings figure for all staff in the authority is 1:7.

Other Payments

26. In addition to basic salary, all Graded staff are paid a London Weighting allowance which varies depending on where they are based and whether they are supplied by the employer with residential accommodation. This is to assist

staff with the higher cost of living and working in London. Current levels of London Weighting for non-residential staff are £5,500 for those based in inner London and £3,300 in outer London.

27. Being based in the City of London, there are some types of posts which are difficult to recruit to e.g. lawyers, IT staff etc. Accordingly, there is often the need to use market supplements to attract, recruit and retain highly sought-after skills. Any request for a market supplement must be supported by independent market data and is considered by a panel of senior officers and the Establishment Committee where appropriate.
28. For officers at Grade I or above, any market supplement requires a formal Member committee decision based on a full business case. All market supplement payments are kept under regular review and reported to Members. No member of staff in the Senior Management Group receives a market supplement.

Transparency

29. The Act requires the pay policy statement to make reference to policies in relation to staff leaving the authority, senior staff moving posts within the public sector, and senior staff recruitment.

Recruitment

30. New staff, including those in the Senior Management Group, are normally appointed to the bottom of the particular pay scale applicable for the post. If the existing salary falls within the pay scale for the post, the appointment is normally to the lowest point on the scale which is higher than their existing salary provided this gives them a pay increase commensurate with the additional higher level duties. In cases where the existing salary is higher than all points on the pay scale for the new role, the member of staff is normally appointed to the top of the pay scale for the role.

For posts where the salary is £100,000 or more, the following approvals will be required:

- i) in respect of all new posts - the Court of Common Council.
- ii) in respect of all existing posts - the Establishment Committee.

Payments on Ceasing Office

31. Staff who leave the City Corporation, including the Town Clerk & Chief Executive and staff on the Senior Management Grade are not entitled to receive any payments from the authority, except in the case of redundancy or retirement as indicated below.

Retirement

32. Staff who contribute to the Local Government Pension Scheme who retire from age 55 onwards may elect to receive immediate payment of their pension benefits on a reduced basis in accordance with the Scheme. Unreduced benefits are payable if retirement is from Normal Pension Age, with normal pension age linked to the State Pension Age from 1 April 2014, unless protections allow for an earlier date. Early retirement, with immediate payment

of pension benefits, is also possible under the Pension Scheme following redundancy or business efficiency after age 55 onwards and on grounds of permanent ill-health at any age.

33. Whilst the Local Government Pension Scheme allows applications for flexible retirement from staff aged 55 or over, where staff reduce their hours or Grade, it is the City Corporation's policy to agree to these only where there are clear financial or operational advantages to the organisation. Benefits are payable in accordance with Regulation 27 of the Local Government Pension Scheme Regulations 2013. Unless there are exceptional circumstances, the City does not make use of the discretion allowed by the LGPS Regulations to waive any actuarial reduction in pensions awarded under the flexible-retirement provisions.

Redundancy

34. Staff who are made redundant are entitled to receive statutory redundancy pay as set out in legislation calculated on a week's pay (currently a maximum of £475 per week). The City Corporation currently bases the calculation on actual salary. This scheme may be amended from time to time subject to Member decision. The authority's policy on discretionary compensation for relevant staff under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006 is published on our website.

Settlement of potential claims

35. Where a member of staff leaves the City Corporation's service in circumstances which would, or would be likely to, give rise to an action seeking redress through the courts from the organisation about the nature of the member of staff's departure from our employment, such claims may be settled by way of a settlement agreement where it is in the City Corporation's interests to do so based on advice from the Comptroller & City Solicitor. The amount to be paid in any such instance may include an amount of compensation, which is appropriate in all the circumstances of the individual case. Should such a matter involve the departure of a member of staff in the Senior Management Group or the Town Clerk & Chief Executive, any such compensation payment will only be made following consultation with the Chairman of Policy & Resources Committee, the Chairman of Establishment Committee, and with legal advice that it would be legal, proper and reasonable to pay it.

Payment in lieu of notice

36. In exceptional circumstances, where it suits service needs, payments in lieu of notice are made to staff on the termination of their contracts.

Re-employment

37. Applications for employment from staff who have retired or been made redundant from the City Corporation or another authority will be considered in accordance with our normal recruitment policy, or in exceptional circumstances, where it is for the benefit of the City Corporation, and with Establishment Committee's approval, it is appropriate to do otherwise.

Publication of information relating to remuneration

38. The City Corporation will seek to publish details of positions with remuneration of £50,000 or above in accordance with the Accounts and Audit Regulations 2015 and the Local Government Transparency Code issued by the Secretary of State for Communities and Local Government.
39. This Pay Policy Statement will be published on our public website. It may be amended at any time during 2015/16 by the resolution of the Court of Common Council. Any amendments will also be published on our public website.
40. This statement meets the requirements of the: Localism Act 2011; the Department for Communities and Local Government (DCLG) guidance on "Openness and accountability in local pay: Guidance under section 40 of the Localism Act"; "The Local Government Transparency Code 2015"; and the Accounts and Audit Regulations 2015.

Jan 2016

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