

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 **9th day of March, 2017**.

JOHN BARRADELL,
Town Clerk & Chief Executive.

*Guildhall,
Wednesday 1st March 2017*

Dame Fiona Woolf

Alastair John Naisbitt King

}

Aldermen on the Rota

1 **Apologies**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 12 January 2017.

For Decision
(Pages 1 - 18)

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

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

6 **Policy Statement**

To receive a statement from the Chairman of the Policy and Resources Committee.

7 **Docquets for the Hospital Seal**8 **The Freedom of the City**

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

For Decision
(Pages 19 - 24)

9 **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 25 - 26)

10 **Ballot Results**

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

★ *denotes appointed.*

(A) One Member to the Board of Governors of the City of London School.

	Votes
Dominic Gerard Christian	71 ★
Michael Hudson	23

(B) One Member to The City Bridge Trust Committee.

	Votes
John Alfred Barker, O.B.E., Deputy	27
Dhruv Patel	67 ★

For Information

11

Appointments

To consider the following appointments:

- (A) One Member on the **Trust for London**, for a term expiring in April 2022.

Nominations received:-

Peter Estlin, Alderman & Sheriff

- (B) One Member on the **Mitchell City of London Charity and Educational Foundation**, for a term expiring in March 2022.

** denotes a Member standing for re-appointment*

Nominations received:-

*Marianne Bernadette Fredericks

- (C) One Member on the **City & Metropolitan Welfare Charity**, for a term expiring in March 2021.

** denotes a Member standing for re-appointment*

Nominations received:-

*Mark Raymond Peter Henry Delano Wheatley

- (D) **Two Members** on the **City Reserve Forces' and Cadets' Association**, for terms expiring in March 2020.

** denotes a Member standing for re-appointment*

Nominations received:-

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

*Jamie Ingham Clark, Deputy

- (E) Three Members on the **Guild Church Council of St Lawrence Jewry**, for terms expiring in March 2018.

** 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., Alderman Elect

For Decision

12

The Honourable The Irish Society

- (A) To appoint five Common Councilmen to The Honourable The Irish Society, for three year terms expiring in March 2020:

** denotes a Member standing for re-appointment*

Nominations received:-

*Peter Gerard Dunphy

Ann Holmes

*Wendy Hyde
 Vivienne Littlechild, J.P.
 Jeremy Paul Mayhew
 *Hugh Fenton Morris
 Jeremy Simons

- (B) To endorse the appointment of Alderman Vincent Keaveny, who has been nominated by the Court of Aldermen, for a three-year term expiring March 2020.
- (C) To note that Alderman Sir David Wootton will serve as Governor for the year ensuing.

For Decision

13 **Questions**

14 **Motions**

15 **Awards and Prizes**

To receive a report of the Chairman of the Port Health and Environmental Services Committee advising of the recent receipt of an award.

For Information
 (Pages 27 - 28)

16 **Finance Committee**

To consider reports of the Finance Committee, as follows:

- (A) **City Fund 2017/18 Budget Report and Medium Term Financial Strategy** – to approve the budget for 2017/18.

For Decision
 (Pages 29 - 92)

- (B) **Revenue and Capital Budgets 2016/17 and 2017/18** – to receive the latest revenue budgets for 2016/17, approve the revenue budgets for 2017/18, and approve the capital budgets.

For Decision
 (Pages 93 - 114)

17 **Policy and Resources Committee**

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

- (A) **Proposed Amendments to Standing Orders** – proposing amendments to Standing Orders relating to the disposal of property assets.

For Decision
 (Pages 115 - 120)

- (B) **Report of Urgent Action Taken: London Councils Grant Scheme Levy** – reporting on action taken under urgency procedures in approving the 2017/18 London Councils Grants Scheme Levy.

For Information
 (Pages 121 - 124)

- 18 **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 125 - 128)
- (B) **Applications for Hospitality** – to consider three recommendations concerning the provision of hospitality.
For Decision
(Pages 129 - 130)
- 19 **Port Health and Environmental Services Committee**
To consider reports of the Port Health and Environmental Services Committee, as follows:-
- (A) **Update to Scheme of Delegations** – proposing amendments to the Scheme of Delegations associated with Marriage Licensing.
For Decision
(Pages 131 - 132)
- (B) **Heathrow Animal Reception Centre: Annual Review of Charges** – proposing the annual increases to be applied in respect of services provided at the Heathrow Animal Reception Centre.
For Decision
(Pages 133 - 136)
- 20 **Establishment Committee**
To consider the draft pay policy statement for 2017/18.
For Decision
(Pages 137 - 146)

MOTION

- 21 **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.
For Decision
- 22 **Non-public Minutes**
To agree the non-public minutes of the meeting of the Court held on 12 January 2017.
For Decision
(Pages 147 - 152)
- 23 **Finance Committee**
To consider reports of the Finance Committee as follows:-

- (A) **New Spitalfields Market Waste Collection** – to consider the award of a contract associated with the provision of Waste Collection, Recycling and Cleansing Services at New Spitalfields Market.

For Decision
(Pages 153 - 160)

- (B) **Building repairs and maintenance contract** – to consider the award of contracts associated with Mechanical & Electrical Maintenance and Building Fabric Repairs.

For Decision
(Pages 161 - 170)

24 **Community and Children's Services Committee**

To consider a report seeking additional funds required for the completion of a project.

For Decision
(Pages 171 - 172)

25 **Property Investment Board**

To consider a report concerning the redevelopment of a property.

For Decision
(Pages 173 - 176)



PARMLEY, MAYOR

COURT OF COMMON COUNCIL

12th January 2017
MEMBERS PRESENT

ALDERMEN

Nicholas Anstee
Sir Michael David Bear
John Garbutt
Sir Roger Gifford
Alison Gowman
David Andrew Graves

Timothy Russell Hailes, JP
Peter Lionel Raleigh Hewitt, JP
Robert Picton Seymour Howard
Vincent Thomas Keaveny
Alastair John Naisbitt King
Ian David Luder, JP

Professor Michael Raymond Mainelli
The Rt. Hon. the Lord Mayor, Dr Andrew
Charles Parmley
Sheriff William Anthony Bowater Russell
Sir David Hugh Wootton

COMMONERS

Randall Keith Anderson
Alex Bain-Stewart, JP
John Alfred Barker, OBE, Deputy
Douglas Barrow, Deputy
John Bennett, Deputy
Peter Gordon Bennett
Nicholas Michael Bensted-Smith, JP
Christopher Paul Boden
Mark Boleat
Keith David Forbes Bottomley
Revd Dr William Goodacre
Campbell-Taylor
Nigel Kenneth Challis
John Douglas Chapman, Deputy
Dominic Gerard Christian
Henry Nicholas Almroth Colthurst
Dennis Cotgrove
Karina Dostalova
Simon D'Olier Duckworth, OBE, DL
The Revd Dr Martin Raymond
Dudley
Peter Gerard Dunphy
Emma Edhem

Anthony Noel Eskenzi, CBE,
Deputy
Kevin Malcolm Everett, Deputy
Anne Helen Fairweather
Sophie Anne Fernandes
John William Fletcher
William Barrie Fraser, OBE, Deputy
Stuart John Fraser, CBE
Marianne Bernadette Fredericks
George Marr Flemington Gillon, MBE
Stanley Ginsburg, JP, Deputy
Brian Nicholas Harris, Deputy
Graeme Harrower
Christopher Michael Hayward
Tom Hoffman
Ann Holmes
Michael Hudson
Jamie Ingham Clark, Deputy
Clare James
Gregory Percy Jones QC
Henry Llewellyn Michael Jones, Deputy

Vivienne Littlechild, JP
Oliver Arthur Wynlayne Lodge, TD
Edward Lord, OBE, JP
Paul Nicholas Martinelli
Jeremy Mayhew
Catherine McGuinness, Deputy
Andrew Stratton McMurtrie, JP
Wendy Mead, OBE
Robert Allan Merrett, Deputy
Brian Desmond Francis Mooney, Deputy
Gareth Wynford Moore
Alastair Michael Moss, Deputy
Sylvia Doreen Moys
Joyce Carruthers Nash, OBE, Deputy
Barbara Patricia Newman, CBE
Graham David Packham
Dhruv Patel
Judith Pleasance
James Henry George Pollard, Deputy
Henrika Johanna Sofia Priest

Stephen Douglas Quilter
Delis Regis
Elizabeth Rogula, Deputy
Virginia Rounding
James de Sausmarez
John George Stewart Scott, JP
Ian Christopher Norman Seaton
Jeremy Lewis Simons
Tom Sleight
Graeme Martyn Smith
Patrick Thomas Streeter
David James Thompson
James Michael Douglas
Thomson, Deputy
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 There were none.
3. Minutes *Resolved* – That the Minutes of the last Court are correctly recorded.
4. Resolutions *Resolved unanimously* – That the sincere congratulations of this Court be offered to

*Welbank, M.,
M.B.E.; Mayhew,*

George Marr Flemington Gillon, MBE

J.P.

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 the City of London Corporation and the Scottish community in London.

Mr Gillon was heard in reply.

Welbank, M.,
M.B.E.; Mayhew,
J.P.

Resolved unanimously – That the sincere congratulations of this Court be offered to

Gordon Warwick Haines, MBE, JP

recently Alderman for the Ward of Queenhithe, 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 voluntary and charitable services to the Community and Environmental Conservation in London.

Welbank, M.,
M.B.E.; Mayhew,
J.P.

Resolved unanimously – That the sincere congratulations of this Court be offered to

Professor Sir Barry William Ife, CBE

Principal of the Guildhall School of Music & Drama, on his recent appointment by Her Majesty the Queen as a Knight Bachelor in recognition of his services to performing arts education.

Welbank, M.,
M.B.E.; Mayhew,
J.P.

Resolved unanimously – That the sincere congratulations of this Court be offered to

Timothy Slade, QPM

A Sergeant in the City of London Police, on his recent award of the Queen's Police Medal by Her Majesty the Queen.

Ginsburg, S., J.P.,
Deputy; Welbank,
M., M.B.E.

Resolved unanimously – that the Members of the Court of Common Council express to

William Harry Dove, OBE, JP

their sincere gratitude for his dedication to the work of the City Corporation over the past 23 years, during which time he served on more than 25 committees, many of which he also chaired.

A teacher by trade, it is no surprise that Billy's time and activities on this Court reflected his enthusiasm for improving the lives of young people, as well as his charitable nature and his passion for serving residents. Under his Chairmanship the City Bridge Trust considered over 1,300 applications and awarded over £53.2m in grants, supporting organisations large and small and the diverse communities they serve across London. His time as Chairman of the Community and Children's Services Committee was marked by his ability to understand the needs of the vulnerable or less able, which ensured that the Committee was always reminded of the people they serve. And as Chairman of the Benefices Sub-Committee, he built up a strong and lasting friendship with the incumbents and their churches, and has been a committed champion for their work.

His civic career culminated in his becoming Chief Commoner in 2015 and, during his year, he used the opportunities presented to him to further those causes close to his heart such as his work with young people and with those less fortunate.

We warmly thank him for his exceptional service to this Court. His passion, his dedication and his jovial spirit will be sorely missed. We all wish Billy a long and happy retirement and send our best wishes to him and Joe in their future adventures.

5. Mayoral
Visits

There was no report.

6. Policy
Statement

There was no statement.

7. Hospital Seal

There were no documents to be sealed.

8. 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:-

Clive William Romney Harley <i>John Alexander Smail</i> <i>Anthony Russell Miller</i>	an Engineer, retired <i>Citizen and Distiller</i> <i>Citizen and Haberdasher</i>	Newton Ferrers, Devon
Margaret Eveline Pratt <i>Suzanne Clare Jones</i> <i>Christopher Nigel Bilsland</i>	an Accountant <i>Citizen and Baker</i> <i>Citizen and Farrier</i>	Wapping, London
Janet Margaret Legg <i>Anne Elizabeth Holden</i> <i>Gordon Mark Gentry</i>	a Voluntary Worker <i>Citizen and Basketmaker</i> <i>Citizen and Baker</i>	Siddington, Cheshire
Matthew Philip Todd <i>The Rt. Hon. The Lord Mayor</i> <i>Dame Catherine Fiona Woolf, DBE,</i> <i>Ald.</i>	a Writer <i>Citizen and Musician</i> <i>Citizen and Solicitor</i>	Islington, London
Neil Thomas Woodward <i>Roger Trevor Parker</i> <i>Colin Robert Woodcock, MBE</i>	a Police Officer, retired <i>Citizen and Loriner</i> <i>Citizen and Security Professional</i>	Driffield, East Yorkshire
Susanne Ruthe Schneider <i>Aubrey John Cox</i> <i>Allen Lionel Burlton</i>	a Doctors Assistant <i>Citizen and Upholder</i> <i>Citizen and Clockmaker</i>	Oerlinghausen, Germany
Joseph Anthony William Story <i>Scott Marcus Longman</i> <i>George Henry Capon</i>	a Project Manager <i>Citizen and Blacksmith</i> <i>Citizen and Blacksmith</i>	Tulse Hill, London
Janet Phyllis Williams <i>Sara Pink</i> <i>David Robert Stanley Pearson</i>	a Local Government Officer <i>Citizen and Stationer & Newspaper</i> <i>Maker</i> <i>Citizen and Stationer & Newspaper</i> <i>Maker</i>	Cheshunt, Hertfordshire

Anne Rosemary Cox <i>David Benjamin Morris</i> <i>Keith Henry Williams</i>	a Homemaker <i>Citizen and Solicitor</i> <i>Citizen and Engineer</i>	Wolverhampton
Anne Christine Cox <i>David Benjamin Morris</i> <i>Keith Henry Williams</i>	an Executive Assistant <i>Citizen and Solicitor</i> <i>Citizen and Engineer</i>	Camden, London
Maurice John Whelan <i>Wyndham Seymour-Hamilton</i> <i>Henry John Emms</i>	a Communications Company Chairman, retired <i>Citizen and Loriner</i> <i>Citizen and Gardener</i>	Uxbridge, Middlesex
Rachel Diana Hughes <i>Anthony Ben Charlwood</i> <i>Donald Newell</i>	a Head of Sales Governance <i>Citizen and Basketmaker</i> <i>Citizen and Pattenmaker</i>	Twickenham, Middlesex
Anneliese Owen <i>Alan Leslie Warman</i> <i>David Robert Boston</i>	a Civil Servant, retired <i>Citizen and Clockmaker</i> <i>Citizen and Gold & Silver Wyre</i> <i>Drawer</i>	Oerlinghausen, Germany
Isabelle Michele Jacqueline Britten-Denniee <i>Leslie Findley, TD</i> <i>Michael John Willett</i>	an Early Years Advisor <i>Citizen and Apothecary</i> <i>Citizen and Air Pilot</i>	Coulsdon, Surrey
Alastair Richard Cockrem <i>John Alfred Bennett, Deputy</i> <i>Evelyn Elizabeth Guest</i>	a Student <i>Citizen and International Banker</i> <i>Citizen and Educator</i>	Corsham, Wiltshire
Michael David Eglin <i>David Andrew Harry McGregor</i> <i>Smith, CBE</i> <i>Carol Jane Haynom Jackson</i>	a Fish Merchant <i>Citizen and Cook</i> <i>Citizen and Fishmonger</i>	Herongate, Essex
Iain Saxton <i>David Mackenzie Kirke-Smith</i> <i>Michael Peter Cawston</i>	a Media Producer <i>Citizen and Fanmaker</i> <i>Citizen and Tyler & Bricklayer</i>	Newham, London
Ajvinder Singh Sandhu <i>David Mackenzie Kirke-Smith</i> <i>Michael Peter Cawston</i>	a Nursing Home Director <i>Citizen and Fanmaker</i> <i>Citizen and Tyler & Bricklayer</i>	Chigwell, Essex
Alan John Richards <i>David Mackenzie Kirke-Smith</i> <i>Michael Peter Cawston</i>	a Heating Engineer, retired <i>Citizen and Fanmaker</i> <i>Citizen and Tyler & Bricklayer</i>	Westbrook, Margate, Kent
Alison McDonald <i>Nicholas Stuart Bark</i> <i>Neil Logan Green</i>	a Surveying Company Director <i>Citizen and Carpenter</i> <i>Citizen and Solicitor</i>	Welwyn Garden City, Hertfordshire
Andrew Maclean William Moffat <i>Robert Constant</i> <i>Richard Leslie Springford</i>	an Investor <i>Citizen and Carman</i> <i>Citizen and Carman</i>	Chelsea, London
Gary Neil Billington <i>Jashvant Joshi</i> <i>Ricky James Toomey</i>	a Business Consultant <i>Citizen and Blacksmith</i> <i>Citizen and Blacksmith</i>	Beddington, Surrey

Alan David Rickwood <i>Alison Jane Gowman, Ald.</i> <i>Marianne Bernadette Fredericks, CC</i>	a Traffic & Highway Policy Adviser <i>Citizen and Glover</i> <i>Citizen and Baker</i>	Iver, Buckinghamshire
David William Tomlinson JP <i>Patricia Ann Ayres</i> <i>David Albert Charles Ayres</i>	a Construction Works Manager, retired <i>Citizen and Upholder</i> <i>Citizen and Upholder</i>	Rochford, Essex
Dr Anthony Paul House <i>Thomas Sleigh, CC</i> <i>Timothy Russell Hailes, Ald., JP.</i>	a Director of Policy Strategy <i>Citizen and Common Councilman</i> <i>Citizen and International Banker</i>	Islington, London
Nicholas Stephen Leland Lyons <i>Philip Woodhouse, CC</i> <i>Andrew Martin Smith</i>	an Insurance Broking Chairman <i>Citizen and Grocer</i> <i>Citizen and Fishmonger</i>	Stanhoe, Norfolk
Chun Yin Chak <i>Michael Richard Adkins</i> <i>Ivor Cook</i>	a Student <i>Citizen and Water Conservator</i> <i>Citizen and Poulter</i>	Swansea
David Lochrie, MBE <i>Major-General Sir Evelyn Webb-Carter, KCVO, OBE, DL</i> <i>Major-General Sir Sebastian John Lechmere Roberts, KCVO, OBE</i>	an Regular Army Warrant Officer <i>Citizen and Farrier</i> <i>Citizen and Girdler</i>	Westminster, London
Graham Warner, BEM <i>Major-General Sir Evelyn Webb-Carter, KCVO, OBE, DL</i> <i>Major-General Sir Sebastian John Lechmere Roberts, KCVO, OBE</i>	a Civil Servant <i>Citizen and Farrier</i> <i>Citizen and Girdler</i>	Westminster, London
John Anthony Shepherd <i>Barry John Frederick Theobald-Hicks</i> <i>John James Tunesi of Liongam, The Younger</i>	a Chartered Director <i>Citizen and Scrivener</i> <i>Citizen and Scrivener</i>	Sandy, Bedfordshire
Steven Farmer <i>Susan Mary Harrison</i> <i>Basil Roy Hodgson</i>	a Product Design Company Director <i>Citizen and Educator</i> <i>Citizen and Stationer & Newspaper Maker</i>	Sandy, Bedfordshire
Christos Bardas <i>Michael David Breeze</i> <i>Robert George Hankin Bethel</i>	a Business Analyst <i>Citizen and Carman</i> <i>Citizen and Apothecary</i>	Newham, London
Her Excellency Paivi Maria Luostarinen <i>William Anthony Bowater Russell, Ald. & Sheriff</i> <i>Mark John Boleat, CC</i>	The Ambassador of Finland <i>Citizen and Haberdasher</i> <i>Citizen and Insurer</i>	Kensington, London
Christopher John Moran <i>Sir David Wootton, Kt., Ald.</i> <i>Roger Arthur Holden Chadwick, Deputy</i>	an Entrepreneur <i>Citizen and Fletcher</i> <i>Citizen and Bowyer</i>	Chelsea, London

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.

9. Legislations 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:-

Statutory Instruments

Date in force

The Street Works (Qualifications of Operatives and Supervisors) (England) Regulations 2016, S.I. No. 1147

6 April 2017

The Regulations lay down the qualification requirements for those supervising or carrying out street works, with a view to modernising and streamlining the current system.

The Non-automatic Weighing Instruments Regulations 2016, S.I. No. 1152

28 December 2016

The Regulations implement new European standards for non-automatic weighing instruments used in the course of business. Weights and measures authorities (including the Common Council acting in that capacity) will be responsible for enforcing the Regulations.

The Measuring Instruments Regulations 2016, S.I. No. 1153

28 December 2016

The Regulations implement new European standards for measuring instruments (such as utilities meters and taximeters) used in the course of business. Weights and measures authorities (including the Common Council acting in that capacity) will be responsible for enforcing the Regulations.

The Environmental Permitting (England and Wales) Regulations 2016, S.I. No. 1154

22 December 2016

The Regulations consolidate existing rules governing the issue of permits for potentially polluting activities. The Common Council is responsible for enforcement in its capacity as local authority and port health authority.

The Code of Practice (English Language Requirements for Public Sector Workers) Regulations 2016, S.I. No. 1157

22 December 2016

The Regulations bring into force a code of practice, to which public bodies are to have regard in fulfilling their new statutory duty to ensure that workers in customer-facing roles speak fluent English.

The Rent Officers (Housing Benefit and Universal Credit Functions) (Local Housing Allowance Amendments) Order 2016, S.I. No. 1179

23 January 2017

The Order gives effect to a 3 per cent increase in the Local Housing Allowance (which determines the maximum amount of housing benefit) in 'high-rent' areas, including central London.

The Police (Amendment) (No. 2) Regulations 2016, S.I. No. 1200

4 January 2017

The Regulations extend the Secretary of State's power to determine prior service requirements for appointment as chief constable to cover the offices of Commissioner of the Metropolitan Police and the City Police. They also allow for the alcohol testing of police officers.

The Higher Education (Basic Amount) (England) Regulations 2016, S.I. No. 1205

6 January 2017

The Higher Education (Higher Amount) (England) Regulations 2016, S.I. No. 1206

The Regulations lay down the basic and higher amount of tuition fee for 2017–18 for higher education institutions in receipt of public funding. For most

institutions (including the Guildhall School of Music and Drama), the amounts are £6,165 and £9,250.

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

10. Ballot
Results

The Town Clerk reported the results of a ballot taken at the last Court, as follows:-

One Member to the **Police Committee**.

	Votes
John Alfred Barker, O.B.E., Deputy	17
Keith David Forbes Bottomley	45
Robert Allan Merrett, Deputy	35

With no candidate having obtained 50% of the first preference votes, the candidate with the fewest first preference votes had their second preference votes (where indicated) transferred.

	Votes
Keith David Forbes Bottomley	48
Robert Allan Merrett, Deputy	43

Whereupon the Lord Mayor declared Keith Bottomley to be appointed to the Police Committee.

11.
Appointments

The Court proceeded to consider appointments to the following committees:

- (A) **Board of Governors of the City of London School** (one vacancy for the balance of a term expiring in July 2020).

Nominations received:-

Dominic Gerard Christian
Michael Hudson

Read.

The Court proceeded, in accordance with Standing Order No.10, to ballot on the vacancies. 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) **Board of Governors of the Guildhall School of Music and Drama** (one vacancy for the balance of a term expiring in April 2017).

Nominations received:-

Adam Fox McCloud Richardson

Read.

Whereupon the Lord Mayor declared Adam Richardson to be appointed to the Board of Governors of the Guildhall School of Music and Drama.

- (C) **Establishment Committee** (one vacancy for the balance of a term expiring in April 2017).

Nominations received:-

Michael Hudson

Read.

Whereupon the Lord Mayor declared Michael Hudson to be appointed to the Establishment Committee.

- (D) **Barbican Residential Committee** (one vacancy for the balance of a 4 year term expiring in April 2020).

Nominations received:-

Clare James

Read.

Whereupon the Lord Mayor declared Clare James to be appointed to the Barbican Residential Committee.

- (E) One Member on the **City Bridge Trust Committee**, for the balance of a term expiring in April 2020.

Nominations received:-

John Alfred Barker, O.B.E., Deputy
Dhruv Patel

Read.

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

- (F) One Member on the **Standards Committee**, for the balance of a term expiring in April 2020.

Nominations received:-

Christopher Michael Hayward

Read.

Whereupon the Lord Mayor declared Chris Hayward to be appointed to the Standards Committee.

12. Questions

Road Closures

Edward Lord asked a question of the Chairman of the Planning & Transportation Committee concerning recent road closures and their impact, particularly in relation to the Bank Junction experimental safety scheme.

In reply, the Chairman outlined the significant planning which had been involved to ensure that recent and ongoing major projects were delivered as efficiently and quickly as possible, to minimise the effect of necessary works on traffic. He noted the timely delivery of the recent Tower Bridge project and confirmed that the Bank Junction safety scheme would not be implemented until the Cannon Street works had been completed. He also reminded Members that the safety scheme could be amended at any time to alleviate road closures elsewhere, in order to ensure the free-flow of traffic.

Observing that a significant number of Members wished to speak on this matter, the Lord Mayor suggested that, in accordance with Standing Order 2, Members might wish to consider the suspension of Standing Orders 13(6) and 13(9).

*Newman, B.P.,
C.B.E.; Simons, J.*

Motion – That Standing Orders 13(6) and 13(9) be suspended for the duration of item 12.

Upon the Motion being put, the Lord Mayor declared it to be carried.

In response to a number of supplementary questions, the Chairman stressed that the issue of safety was of paramount importance and highlighted the duty on the City Corporation, as the highway authority, to ensure that the Junction was as safe as possible. The mandate to pursue this was clear, particularly given the Coroner's expectations that improvements would be implemented following the tragic death of Ying Tao. Whilst noting that black cabs were amongst some of the safer drivers using the Junction, it was not viable to make exceptions for taxis as part of the scheme without impacting the overall safety of the proposals. The Chairman also agreed with an observation that it was incumbent on all road users to use the Junction safely and undertook to provide interested Members with details of relevant training and information provided to cyclists.

The Chairman also made reference to traffic modelling which showed that the closure of Bank Junction was not expected to have a negative impact on traffic and informed the Court that he had undertaken to provide the Policy & Resources Committee with an update after four weeks to assess the trial's early success. He urged taxi drivers to work with the City Corporation during the trial, to help accurately monitor the impact of the changes and inform future decisions. The importance of proper signage and enforcement, amongst other elements in ensuring the viability and success of the trial were emphasised. It was also confirmed that local businesses had been closely involved in developing the Bank Junction proposals and work was ongoing to ensure that their needs around loading, unloading and access were met.

Noting the importance of enforcement in ensuring the success of the Bank Junction proposals, particularly in relation to illegal parking and illegal loading and unloading, the Chairman confirmed that five additional civil enforcement officers were being appointed to focus specifically on the new distributor roads associated with the scheme.

The benefits of the scheme to air quality were also touched on, with the Chairman welcoming the commitment of black cabs to ensuring that no new vehicles would be diesel; the move away from diesel and towards electric buses was also welcomed.

13. Motions There were no motions.

14. Awards and Prizes The Court received a report of the Chairman of the Port Health & Environmental Services Committee, advising that the City of London Corporation's Pollution Team had won the 2016 John Connell Soundscape Award for its Noise and Soundscape Strategy.

15. **POLICY AND RESOURCES COMMITTEE**

(Mark Boleat)

15 December 2016

Amendment to Standing Order 29(3) – Local Government Pensions Board

In April 2015, the Court of Common Council approved the creation of the Local Government Pensions Board, consisting of three Scheme Administrator (employer) representatives and three Scheme Member (employee) representatives. The Scheme Administrator representatives consisted of two Members of the Court of Common Council and one Senior Officer.

Given the requirement for either the Chairman or Deputy Chairman to be a Member of the Court of Common Council, alongside there only being two Members of the Court on the Board, it was considered prudent to **recommend** that Standing Order 29(3) be amended to enable the Chairman of the Board to also be Chairman of another Grand Committee at the same time.

Resolved - That Standing Order 29 (3) be amended to enable the Chairman of the Local Government Pensions Board to also be Chairman of another Grand Committee at the same time.

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

(Michael Welbank, M.B.E., Chief Commoner)

6 December 2016

(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>
Western Union Business Solutions	Friday 3 March 2017	Dinner
Chew Events Ltd	Friday 10 March 2017	Dinner
2B UK (destination management company)	Saturday 20 May 2017	Dinner
AE3 Media (publisher)	Friday 9 June 2017	Lunch
Lord Mayor's Appeal 2017	Wednesday 21 June 2017	Dinner
	Tuesday 7 November 2017	Dinner
Chartered Institute of Internal Auditors	Wednesday 28 June 2017	Dinner
New London Architecture	Wednesday 5 July 2017	Lunch
Srebrenica Memorial Event	Tuesday 11 July 2017	Memorial Event
London School of Economics	Saturday 2 September 2017	Graduation
Creative Head	Monday 4 September 2017	Dinner
Advertising Producers Association	Thursday 7 September 2017	Reception
Town Clerk's Department	Saturday 16 September 2017	Open House
	Sunday 17 September 2017	
City of London School for Girls	Friday 6 October 2017	Prize Giving
British Property Federation	Wednesday 1 November 2017	Dinner
Emunah (welfare charity)	Monday 6 November 2017	Dinner
National Society for the Prevention of Cruelty for Children	Tuesday 5 December 2017	Dinner
The Royal British Legion	Wednesday 13 December 2017	Concerts
	Thursday 14 December 2017	
	Wednesday 12 December 2018	
	Thursday 13 December 2018	

Resolved – That the several applications be noted.

6 December 2016

(B) Application for Hospitality: Lunchtime Reception to mark the Royal Regiment of Fusiliers' 50th anniversary

An approach had been made for the City Corporation to host a lunchtime reception

following a march through the City in September 2018 by the Royal Regiment of Fusiliers, to mark their 50th anniversary.

It was therefore **recommended** that hospitality be granted for a lunchtime reception for the Royal Regiment of Fusiliers and that 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.

Resolved – That hospitality be granted for a lunchtime reception for the Royal Regiment of Fusiliers and that 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.

17. **FINANCE COMMITTEE**

(Jeremy Paul Mayhew)

13 December 2016

Council Tax Reduction Scheme

In 2013/14, the Government introduced a locally-determined Council Tax Reduction Scheme (CTRS). This replaced the national Council Tax Benefit scheme and assisted people on low incomes with their council tax bills. To protect residents on low incomes, the City of London Corporation adopted the Government's default scheme for the financial years 2013/14 to 2015/16, which kept the CTRS in line with the Government's general increase in benefits.

Changes were made to national benefits in the July 2015 budget and, as a result, it was not possible to maintain the same scheme for the 2016/17 financial year. A consultation exercise was undertaken and the Court agreed to make adjustments to the scheme to protect existing claimants from possibly being worse off, keeping the administration of the CTRS in line with Housing Benefit.

There were no proposals to make any specific amendments to the CTRS for this or future years, beyond keeping the CTRS in line with Housing Benefit and it was therefore **recommended** that the Court agree that the CTRS for 2017/18 be the same as the CTRS for 2016/17, subject to the annual uprating of amounts in line with Housing Benefit applicable amounts. It was also recommended that the CTRS for future years be the same as the previous year, subject to the application of those upratings.

Resolved – That approval be granted to the continuation of the current Council Tax Reduction Scheme, with the annual uprating of application amounts in line with Housing Benefit application amounts, as set out in paragraph 10 of the report.

18. **PLANNING AND TRANSPORTATION COMMITTEE**

(Christopher Michael Hayward)

13 December 2016

Tudor Street – Alternative Design & Mitigation Measures

On 28 April 2016, Transport for London (TfL) opened their North-South cycle

superhighway from Blackfriars to Stonecutter Street. However, concerns about the impact of the superhighway on the area around Tudor Street were expressed at the time by the Temples and other residents and, following debate, proposals put forward to help mitigate the position were not supported by the Court of Common Council. Officers had consequently been instructed to work with TfL, the Temples and their transport consultants to establish if a more effective scheme could be developed.

An alternative design for the Tudor Street junction had now been agreed in principle by all parties and was presented to Members for consideration at Appendix 2 to the report.

It had also been recognised that there was a need to implement mitigation measures ahead of the revised scheme, as it had been observed that the introduction of TfL's cycle superhighway schemes had resulted in an increase in traffic on other City streets which was causing circulation implications for lorry movements within the area.

The Court was consequently **recommended** to:-

- agree and instruct officers to continue to work with TfL to progress the alternative layout as shown in Appendix 2;
- approve a total estimated cost of £195,000, of which £175,000 is a contribution towards TfL's costs in delivering the alternative layout; and
- approve and agree to the delivery of the mitigation measures (subject to the resolution of any objections arising from the statutory public consultation) as shown in Appendix 3.

Introducing the report, the Chairman thanked the consultants representing the Temples, relevant Ward Members, TfL staff and officers involved for their hard work and dedication in developing a sensible and pragmatic solution which was acceptable to all parties.

A number of Members spoke to express their very real gratitude to the Chairman for his exemplary work in ensuring a mutually satisfactory outcome to this issue. The Chairman thanked Honourable Members for their kind words and reiterated his own gratitude to the various parties who had worked extremely hard and collaboratively to find a solution. He also expressed particular thanks to TfL for agreeing to fund a significant proportion of the implementation costs for the new layout.

In response to a query concerning the cost of developing the alternative proposal and any compensatory savings that would be required from the Department of the Built Environment's local risk budget, the Chairman undertook to provide the information to the interested Member in due course.

Resolved – That approval be given to:-

- the alternative layout set out at Appendix 2 to the report, with officers instructed to continue to work with TfL to progress this;

- a total estimated cost of £195,000, of which £175,000 would be a contribution towards TfL's costs in delivering the alternative layout; and
- the delivery of the mitigation measures (subject to the resolution of any objections arising from the statutory public consultation) as shown in Appendix 3 to the report.

19.

POLICE COMMITTEE**(Douglas Barrow, Deputy)**

15 December 2016

City of London Police Medium-Term Financial Plan

The revised City of London Police Medium Term Financial Plan (MTFP) showed a deteriorating financial position. This position had been arrived at within a context of increased terrorism threats post the attacks in France, Belgium and Germany and revised national planning assumptions in the United Kingdom. The associated additional pressures on frontline policing capability, protective services, growing cybercrime, online crime demand and intelligence requirements had also been considered along with work undertaken in the last quarter to better understand increasing pressures within policing directorates.

The MTFP assumptions and financial and operational risks had been reviewed and options being identified to mitigate new threats and risks across the MTFP and consider future viable efficiencies. The current position could also be offset by the use of reserves, which required agreement from the Court of Common Council. The threshold required reserves to be maintained at or above £4m and current estimates showed that the drawdown on reserves would take reserves below that amount in 2016/17 with a forecast drawdown of £2.6m. Reserves would be completely exhausted by 2017/18.

The Policy & Resources Committee had endorsed the proposed relaxation of the reserve threshold, whilst noting the planned professional analytical review which would take place, and it was **recommended** that the Court approve the relaxation of the reserve threshold of £4m and approve the use of reserves in 2016/17 totalling £2.6m and 2017/18 totalling £1.5m.

Resolved – That approval be given to the relaxation of the reserve threshold of £4m the use of reserves in 2016/17 totalling £2.6m and 2017/18 totalling £1.5m.

20.

ESTABLISHMENT COMMITTEE**(The Revd. Stephen Decatur Haines, Deputy)**

21 December 2016

Appointment of Strategic Education and Skills Director

Since September 2015 the City Corporation had engaged a temporary Education Strategy Director, an Education Policy Officer and part-time Assistant Policy Officer in support of the work of the Education Board. This included the delivery, monitoring and review of the City Corporation's Education Strategy.

There was now a need to secure long term strategic leadership, monitoring and review of the Strategy and combine it with the responsibility for adult education and

the new City Corporation commitment to apprenticeships. As a result, the creation of a permanent post of Strategic Education and Skills Director had been identified as the most effective and efficient way of ensuring that these key City Corporation functions are delivered.

The post had been evaluated at Grade I and therefore required the approval of the Court of Common Council. Members were consequently **recommended** to approve the creation of this post.

Resolved – That approval be given to the creation of the Grade I post of Strategic Education and Skills Director.

21. STANDARDS COMMITTEE

(Oliver Arthur Wynlayne Lodge)

16 December 2016

Independent Review of the City of London Corporation's Standards Regime

On 21 July 2016, the Standards Committee advised the Court of its intention to commission an independent, broadly-based review of the arrangements currently in place for addressing matters connected with the conduct of Members (including co-opted Members) under the Localism Act 2011, with particular focus on the Complaints Procedure (alleged breaches of the Members' Code of Conduct).

The choice of the individual to undertake the review was determined by the Town Clerk and Mr Charles Bourne QC of 11 King's Bench Walk was subsequently appointed to carry out the task.

The report detailing Mr Bourne's findings, together with his recommendations, was now presented to the Court of Common Council for information, at this stage. It was **recommended** that the Court note the report and also note that the Standards Committee would consider Mr Bourne's report in detail and report back to the Court during 2017 as to how the various recommendations might best be progressed and implemented, as appropriate.

A Member spoke to suggest that it might be more appropriate for the experience and input of the wider Court to be involved in the consideration of Mr Bourne's report, rather than this matter being referred to the Standards Committee. He proposed that a panel of senior Members be appointed instead, who might select a number of Members from the Court to serve on a Working Party with power to report back to the Court. The following amendment was proposed:

Scott, J.G.S.,
J.P.; Fredericks,
M.B.

Amendment – That a Panel be established by resolution of this Court today comprising the Chairman of the Standards Committee, the Chairman of the Policy & Resources Committee, the Chairman of the General Purposes Committee of Aldermen, and the Chief Commoner, with power to act and to appoint a Working Party to report to this Court as soon as is practicable during this year on how the various recommendations in Mr Bourne's report might be progressed and implemented, as appropriate.

In seconding the Amendment, a Member asked that the Working Party also consider the composition of the Standards committee as part of its review,

particularly in relation to the role of independent Members and the continued need for Co-opted Members.

In response to a question concerning outstanding queries raised at Members' meetings on this issue which had not been addressed in the report, the Chairman agreed to follow up on this issue and provide responses to the relevant Members where possible.

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

Upon the amended Motion being put, the Lord Mayor declared it to be carried.

Resolved – That a Panel be established comprising the Chairman of the Standards Committee, the Chairman of the Policy and Resources Committee, the Chairman of the General Purposes Committee of Aldermen, and the Chief Commoner, with power to act and to appoint a Working Party to report to the Court as soon as is practicable during this year on how the various recommendations in Mr Bourne's report might be progressed and implemented as appropriate.

22. LICENSING COMMITTEE

(Peter Gerard Dunphy)

26 October 2016

Review of Statement of Licensing Policy - Licensing Act 2003

The City of London Corporation, in its capacity as Licensing Authority, published its first statutory Statement of Licensing Policy under the Licensing Act 2003 in January 2005. Subsequent reviews were published in January 2008 and again in January 2011 and January 2013. Although not statutorily due for a further review until 2018, due to changes in the City Corporation's policies and procedures, improvements to the Code of Practice and major legislative changes to the Licensing Act 2003, there was a need to revise and update the Statement of Licensing Policy sooner.

The consultation period for the revised text of the Policy finished on Thursday 29 September 2016. Four responses to the consultation were received and the concerns and comments expressed had been taken into account in the Policy attached as an appendix to the report.

The Court was **recommended** to approve the revised Statement of Licensing Policy, as set out at Appendix 1, for adoption.

In introducing the report, the Chairman advised that a section had also been included detailing how to make an application, so as to be helpful to City businesses. He also clarified that neither the Sexual Entertainment Venue Policy nor the Tables and Chairs Policy, both referred to in the report, were being reviewed at this stage.

Resolved – That the revised Statement of Licensing Policy, as set out at Appendix 1, be approved for adoption.

23.
Welbank, M.,
M.B.E.; Mayhew,
J.P.

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.

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

24. Non-
public Minutes

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

25.

Policy and Resources Committee

The Court approved a proposal concerning the Centre for Music.

26.

Finance Committee

The Court:-

(A) approved the award of a contract relating to temporary agency resource; and

(B) noted action taken under urgency procedures in relation to the Action Fraud reporting centre.

27.

Markets Committee

The Court received a report advising of action taken under urgency procedures concerning a programme of repairs to the Poultry Market.

28.

Board of Governors of the Guildhall School of Music & Drama

The Court approved a proposal concerning the renewal of a lease.

The meeting commenced at 1.00 pm and ended at 2.05 pm

BARRADELL.

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List of Applications for the Freedom

To be presented on Thursday, 9th March, 2017

*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.

Lawrence Cecil Van Kampen - Brooks <i>Robert James Ingham Clark, Deputy Giles Donald Moore De Margary, TD</i>	a Finance & Technology Company Director <i>Citizen and Clothworker Citizen and Salter</i>	Chiswick, London
Demetrios Angelo Edward Apostolides <i>Donald Howard Coombe, MBE Richard Howard Coombe</i>	an Estate Agent <i>Citizen and Poulter Citizen and Poulter</i>	Bromley, Kent
Stewart Geoffrey Webb <i>Donald Howard Coombe, MBE David Peter Coombe</i>	a Solicitor <i>Citizen and Poulter Citizen and Poulter</i>	Ascot, Berkshire
Jonathan Stephen Fenton-Vince <i>John Alexander Smail Gordon Mark Gentry</i>	a Master of English <i>Citizen and Distiller Citizen and Baker</i>	Eason's Green, Sussex
Rhiannon Fall McLellan <i>Andrew Stratton McMurtrie, JP CC William Barrie Fraser, OBE, Deputy</i>	a Student <i>Citizen and Salter Citizen and Gardener</i>	Rotherhithe, London
James William Barnett <i>Brigadier Peter Richard Sharpe Malcolm Brooks</i>	a Regular Army Officer, retired <i>Citizen and Gunmaker Citizen and Loriner</i>	Silchester, Berkshire
Peter John Chapman <i>Michael Richard Adkins Stanley Brown, QGM, TD</i>	an Engineering Management Consultant <i>Citizen and Water Conservator Citizen and Loriner</i>	Woodford Green, Essex
Rt Hon James Peter Brokenshire MP <i>Graeme Martyn Smith Roger Arthur Holden Chadwick, Deputy</i>	a Member of Parliament <i>Citizen and Common Councilman Citizen and Bowyer</i>	Bexley, Kent
Joseph Alan Piddington <i>George Richard Cannell Michael Peter Cawston</i>	a Food Retail Manager <i>Citizen and Loriner Citizen and Tyler & Bricklayer</i>	Northwood, Middlesex

Stuart Anthony Baxter <i>Michael Peter Cawston</i> <i>Timothy James Callow</i>	a Tour Company Director <i>Citizen and Tyler & Bricklayer</i> <i>Citizen and Security Professional</i>	Lower Kingswood, Surrey
Henry John Adams <i>Frederick Charles Parr</i> <i>Michael Peter Cawston</i>	a Bank Manager <i>Citizen and Tyler & Bricklayer</i> <i>Citizen and Tyler & Bricklayer</i>	Upminster, Essex
Dr Howard Harold Robert Bailes <i>Neville John Watson</i> <i>Peter Francis Clark</i>	a History Teacher, retired <i>Citizen and Fletcher</i> <i>Citizen and Mason</i>	Ealing, London
Dr Michael David Robinson <i>Christopher Douglas Cradock</i> <i>Derek Alan Harrington</i>	a Medical Practitioner, retired <i>Citizen and Plumber</i> <i>Citizen and Blacksmith</i>	Horley, Surrey
Joan Agate <i>George Luke Harris</i> <i>Sir Paul Judge, Kt., Ald.</i>	an Electronics Company Secretary, retired <i>Citizen and Pattenmaker</i> <i>Citizen and Marketor</i>	Bushey, Hertfordshire
Marco Fabio Capobianco <i>Stanley Brown, QGM, TD</i> <i>Michael Richard Adkins</i>	a Ministry of Justice Interpreter <i>Citizen and Loriner</i> <i>Citizen and Water Conservator</i>	Golders Green, Londonn
Niall John Ahern <i>The Rt Hon The Lord Mayor</i> <i>Timothy Russell Hailes, Ald., JP</i>	a Crown Servant <i>Citizen and Musician</i> <i>Citizen and International Banker</i>	Vauxhall, London
Andrew James Brennan <i>Thomas Sleigh, Deputy</i> <i>Timothy Russell Hailes, Ald., JP</i>	a Communications Manager <i>Citizen and Common Councilman</i> <i>Citizen and International Banker</i>	Bloomsbury, London
Darin Neal Qualls <i>Ronald Peter Murray</i> <i>Alan Mabbutt</i>	a Classical Musician <i>Citizen and Firefighter</i> <i>Citizen and Firefighter</i>	Victoria, London
Anthony Alfred Peter Davis <i>Ronald Peter Murray</i> <i>Steven William Tamcken</i>	an Aviation Consultant <i>Citizen and Firefighter</i> <i>Citizen and Basketmaker</i>	Victoria, London
Oliver John Rainbow <i>Susan Mary Harrison</i> <i>Basil Roy Hodgson</i>	a Parcel Delivery Company Director <i>Citizen and Educator</i> <i>Citizen and Stationer & Newspaper Maker</i>	Newark, Nottinghamshire
Simon James Rainbow <i>Susan Mary Harrison</i> <i>Basil Roy Hodgson</i>	a Chartered Accountant <i>Citizen and Educator</i> <i>Citizen and Stationer & Newspaper Maker</i>	East Dulwich, Southwark
Andrew Christopher Rainbow <i>Susan Mary Harrison</i> <i>Basil Roy Hodgson</i>	an Accountant <i>Citizen and Educator</i> <i>Citizen and Stationer & Newspaper Maker</i>	Southwell, Nottinghamshire
David Leonard Clarke <i>Rasik Magudia</i> <i>Neil Phillip Miller</i>	a Management Accountant, retired <i>Citizen and Wheelwright</i> <i>Citizen and Wheelwright</i>	Chingford, Essex
Gillian Elisabeth Huntley <i>Mark Douglas Estaugh</i> <i>Paul Holmes</i>	a Cosmetic Aesthetician <i>Citizen and Wheelwright</i> <i>Citizen and Security Professional</i>	Chislehurst, Kent

Robert Ian Duncan <i>Michael Peter Cawston</i> <i>Colin Trevor Gurnett</i>	a Carpenter <i>Citizen and Tyler & Bricklayer</i> <i>Citizen and Wheelwright</i>	Hainault, Essex
John Stephen Hutchings <i>Sir David Wootton, Kt., Ald.</i> <i>Marianne Bernadette Fredericks, CC</i>	an Educational Psychologist, retired <i>Citizen and Fletcher</i> <i>Citizen and Baker</i>	Hornsey, Harringey
Jonathan Philip Simon Bianco <i>Richard Anthony Lewis</i> <i>Christopher Michael Catesby Rogers</i>	a Commercial Property Consultant <i>Citizen and Founder</i> <i>Citizen and Founder</i>	Northwood, Middlesex
Alan Gerald Humphries <i>Sir David Wootton, Kt., Ald.</i> <i>Peter Reginald Allcard</i>	a Royal Air Force Officer, retired <i>Citizen and Fletcher</i> <i>Citizen and Blacksmith</i>	Harmston, Lincoln
Christine Yvonne Velterop <i>Keith John Ebsworth</i> <i>Stephen Joseph Michael Marsh</i>	a Physiotherapist <i>Citizen and Glover</i> <i>Citizen and Glover</i>	Romford, Essex
James Douglas Agnew <i>Oliver Arthur Wynlayne Lodge, CC, TD</i> <i>Georgina Ela Evangeline Hunter-Jones</i>	an Accountant <i>Citizen and Pewterer</i> <i>Citizen and Skinner</i>	Kensington and Chelsea, London
Barry Neil Speker, OBE DL <i>Douglas Donald Ward</i> <i>Phillip Hyde</i>	a Solicitor <i>Citizen and Shipwright</i> <i>Citizen and Lightmonger</i>	Gosforth, Newcastle Upon Tyne
Henry Michael Norman Campbell-Ricketts <i>Alan Roy Willis</i> <i>David Llewelyn Daniel</i>	an Intelligence Analyst <i>Citizen and Baker</i> <i>Citizen and Baker</i>	Lambeth, London
Caroline Mary Willes <i>John Edward Paul Norris</i> <i>Martin Sean Coffey</i>	a Civil Engineer <i>Citizen and Firefighter</i> <i>Citizen and Firefighter</i>	Petts Wood, Kent
Shirley Anne Chapman <i>Keith John Ebsworth</i> <i>Stephen Joseph Michael Marsh</i>	a Teacher <i>Citizen and Glover</i> <i>Citizen and Glover</i>	Ilford, Essex
Dr Rossella Grisolia <i>Frederick Joseph Trowman</i> <i>David Robert Boston</i>	a Psychologist <i>Citizen and Loriner</i> <i>Citizen and Gold & Silver Wyre Drawer</i>	Ferentino, Italy
Joseph James Newman <i>Stephen Douglas Dudeney</i> <i>William Alfred Hackett</i>	a Post Room Operative <i>Citizen and Firefighter</i> <i>Citizen and Firefighter</i>	Hornchurch, Essex
Geoffrey Raymond Gill <i>John Anthony Goodrum</i> <i>Steven William Tamcken</i>	an Information Technology Company Director <i>Citizen and Firefighter</i> <i>Citizen and Basketmaker</i>	Hightown, Merseyside
Jack Stephen Gore <i>John Anthony Goodrum</i> <i>Steven William Tamcken</i>	a Bank Official, retired <i>Citizen and Firefighter</i> <i>Citizen and Basketmaker</i>	Formby, Liverpool
Peter Michael Leslie Rayns Wheeler <i>Anthony John Keith Woodhead</i> <i>Peter Reginald Allcard</i>	a Senior Prison Officer <i>Citizen and Tax Adviser</i> <i>Citizen and Blacksmith</i>	Wisbech, Cambridgeshire

Jean Lois Anastasia Jacyna <i>Graham Woodhouse</i> <i>David Cannell</i>	a Maths Advisor, retired <i>Citizen and Hackney Carriage Driver</i> <i>Citizen and Hackney Carriage Driver</i>	Romford, Essex
Professor Michael Angus Crawford <i>Frederick Joseph Trowman</i> <i>David Robert Boston</i>	a Professor of Biological Chemistry <i>Citizen and Loriner</i> <i>Citizen and Gold & Silver Wyre Drawer</i>	Camden, London
David Denning <i>Scott Marcus Longman</i> <i>George Henry Capon</i>	a Refurbishment & Redevelopment Director <i>Citizen and Blacksmith</i> <i>Citizen and Blacksmith</i>	Bexleyheath, Kent
Sherry Ann Giessen <i>Mei Sim Lai</i> <i>Peter John Alvey</i>	a Financial Chief Executive Officer, retired <i>Citizen and Horner</i> <i>Citizen and World Trader</i>	Bermondsey, London
Dr Rachel Martin <i>Warren Douglas Foot</i> <i>Lawrence Stephen Phillips</i>	a Solicitor <i>Citizen and Scrivener</i> <i>Citizen and Information Technologist</i>	Oxted, Surrey
Andrew Paul Carter <i>Nicholas Julian Goddard</i> <i>John Alfred Bennett, Deputy</i>	a Solicitor <i>Citizen and Barber</i> <i>Citizen and International Banker</i>	Lambeth, London
Carol Ann Kempton, MBE <i>John Alexander Smail</i> <i>John Donald Lunn</i>	a Civil Servant, retired <i>Citizen and Distiller</i> <i>Citizen and Fan Maker</i>	West Wickham, Kent
Zachariah Howell Dennis Smith <i>Graham John Peacock</i> <i>Joshua James Pennell</i>	an Operational Task Manager <i>Citizen and Loriner</i> <i>Citizen and Information Technologist</i>	Erith, Kent
Colin Michael Owen <i>Donald Howard Coombe, MBE</i> <i>David Peter Coombe</i>	an Underwriter, retired <i>Citizen and Poulter</i> <i>Citizen and Poulter</i>	Keston Park, Kent
Andrew Cormac Smith <i>David Jonathan Reynolds</i> <i>Robert Michael Thompson</i>	a Solicitor <i>Citizen and Chartered Surveyor</i> <i>Citizen and Lightmonger</i>	Chelsea, London
Leslie Hutchinson <i>Christopher James Caine</i> <i>Councillor Robert Michael John Benham</i>	a Charity Chief Operating Officer <i>Citizen and Maker of Playing Cards</i> <i>Citizen and Plumber</i>	Bromley, Kent
Laura Jane Marsh <i>Stephen Joseph Michael Marsh</i> <i>Keith John Ebsworth</i>	an Analyst <i>Citizen and Glover</i> <i>Citizen and Glover</i>	Camden, London
Claire Elizabeth Marsh <i>Stephen Joseph Michael Marsh</i> <i>Keith John Ebsworth</i>	a Teacher <i>Citizen and Glover</i> <i>Citizen and Glover</i>	West Bridgford, Nottinghamshire
Ian Truslove <i>Henry John Emms</i> <i>Wyndham Seymour-Hamilton</i>	a Computer Company Director, retired <i>Citizen and Gardener</i> <i>Citizen and Loriner</i>	Hinkley, Leicestershire

David Arnold Candeland <i>Ricky James Toomey</i> <i>Derek John Lawrence</i>	a Masonic Hall Managing Director <i>Citizen and Blacksmith</i> <i>Citizen and Blacksmith</i>	Croydon, Surrey
Stanislas Michael Antoine Yassukovich <i>Stephen John Klimczuk</i> <i>Cristopher Morgan</i>	a Banker, retired <i>Citizen and World Trader</i> <i>Citizen and Distiller</i>	Oppedo, France
Samuel David Josiah Rogers <i>John Edward Ratcliff, CBE</i> <i>Gerald Albert George Pulman, JP</i>	an Advocate <i>Citizen and Carman</i> <i>Citizen and Basketmaker</i>	Belgravia, London
Kevin Jan Lars Andersson <i>Sir David Wootton, Kt., Ald.</i> <i>Peter Reginald Allcard</i>	a Pastoral Assistant <i>Citizen and Fletcher</i> <i>Citizen and Blacksmith</i>	Westminster, London
Vijaya Kumar Ragawan <i>Howard Andre Beber</i> <i>Brian John Coombe</i>	a Psychiatric Nurse <i>Citizen and Poulter</i> <i>Citizen and Poulter</i>	Manor Park, London
Philip William Hynard <i>Roger Brian Adcock</i> <i>Andrew Graham Bowles</i>	a Chartered Quantity Surveyor <i>Citizen and Constructor</i> <i>Citizen and Mason</i>	High Wycombe, Buckinghamshire
Sajaad Akber Jetha <i>Iain Reid</i> <i>Richard Stuart Goddard</i>	a Consultancy Managing Director <i>Citizen and Educator</i> <i>Citizen and Shipwright</i>	Croydon, Surrey
Joseph Anthony Alexander McLean <i>Neville John Watson</i> <i>Peter Francis Clark</i>	a Private Client Wealth Manager <i>Citizen and Fletcher</i> <i>Citizen and Mason</i>	Headley Down, Hampshire
Dennis Ewen Stott <i>Susan Mary Harrison</i> <i>Basil Roy Hodgson</i>	an Oil Company Production Manager, retired <i>Citizen and Educator</i> <i>Citizen and Stationer & Newspaper Maker</i>	Sharnbrook, Bedfordshire
Stephen Wragg <i>Howard Andre Beber</i> <i>Brian John Coombe</i>	a Licensee <i>Citizen and Poulter</i> <i>Citizen and Poulter</i>	Market Lavington, Wiltshire
Jane Elizabeth Gill <i>David Benjamin Morris</i> <i>Trevor Peter Dutt, RD</i>	a Barrister, retired <i>Citizen and Solicitor</i> <i>Citizen and Apothecary</i>	Gray's Inn, London
Victor Jeffrey Daniels <i>Robert James Ingham-Clarke</i> <i>Michael McAllister Todd</i>	a Creative Director <i>Citizen and Clothworker</i> <i>Citizen and Turner</i>	Teddington, London
Bryan William McLaggan <i>Martin Robert Charles Humphrys</i> <i>Paul Baldwin</i>	a Building Services Director <i>Citizen and Wheelwright</i> <i>Citizen and Wheelwright</i>	Romford, Essex
Mark George Creswell <i>Brian Derek Francois</i> <i>Christopher Thomas Albrow</i>	a Civil Servant <i>Citizen and Environmental Cleaner</i> <i>Citizen and Wheelwright</i>	Harlow, Essex

Christina Sorensen Knapper <i>Timothy John Waller</i> <i>Edward Michael Vernon Knapper</i>	a Bank Manager, retired <i>Citizen and Gold & Silver Wyre Drawer</i> <i>Citizen and Gold & Silver Wire Drawer</i>	Poole, Dorset
Cristiano Pizzocheri <i>Michael Raymond Mainelli, Alderman</i> <i>Mark Geoffrey Yeandle</i>	an Insurance Company Director <i>Citizen and World Trader</i> <i>Citizen and Weaver</i>	Tower Hamlets, London
Christopher John Cherry <i>Gregory Percy Jones, QC, CC</i> <i>Nigel Baldwin Whitehead</i>	a Teacher <i>Citizen and Leatherseller</i> <i>Citizen and Blacksmith</i>	Bexley, Kent
Elliott James Andrew Godman <i>Rt Hon Sir Robert George Alexander Balchin</i> <i>Nigel Anthony Chimmo Branson, JP.</i>	a Law Student <i>Citizen and Goldsmith</i> <i>Citizen and Haberdasher</i>	Cheshunt, Hertfordshire
Brigadier Alastair Andrew Bernard Reibey Bruce of Crionaich, OBE, VR, ADC, DL <i>Lord Jeffrey Richard Mountevans, Ald.</i> <i>Simon D'Olier Duckworth, OBE, DL, CC</i>	an Army Officer <i>Citizen and Shipwright</i> <i>Citizen and Skinner</i>	Alresford, Hampshire
Eswaraj Ranil Perera <i>John Dominic Reid</i> <i>Ashley Jon Kovas</i>	a Risk and Compliance Consultant <i>Citizen and Grocer</i> <i>Citizen and International Banker</i>	Croydon, Surrey
Laurie Renee Defrain-Stemm <i>Lord Robert George Alexander Lingfield, Kt., DL.</i> <i>Nigel Anthony Chimmo Branson, JP</i>	a Trainer <i>Citizen and Goldsmith</i> <i>Citizen and Haberdasher</i>	Florida, United States of America
Gregory Paul Stemm <i>Lord Robert George Alexander Lingfield, Kt., DL</i> <i>Nigel Anthony Chimmo Branson, JP</i>	a Marine Company Chairman <i>Citizen and Goldsmith</i> <i>Citizen and Haberdasher</i>	Florida, United States of America
Professor Sir Paul James Curran <i>Lord Jeffrey Richard Mountevans, Ald.</i> <i>Prof. Michael Raymond Mainelli, Ald.</i>	a University President <i>Citizen and Shipwright</i> <i>Citizen and World Trader</i>	Islington, London
His Excellency Kenna Alewa Mphonda <i>Mark Watson-Gandy</i> <i>James Alastair Christian Watson- Gandy</i>	The High Commissioner of Malawi <i>Citizen and Scrivener</i> <i>Citizen and Pattenmaker</i>	Bloomsbury, London
His Excellency Claus Grube <i>John Garbutt, Ald., JP</i> <i>Sir David Wootton, Kt., Ald.</i>	The Ambassador of Denmark <i>Citizen and Weaver</i> <i>Citizen and Fletcher</i>	Knightsbridge, London
Lord Norman Robert Foster of Thames Bank, OM <i>John Michael Welbank, MBE, Deputy</i> <i>Christopher Michael Hayward, CC</i>	an Architect <i>Citizen and Chartered Architect</i> <i>Citizen and Pattenmaker</i>	St Moritz, Switzerland

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, 9th March 2017

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

Bills

European Union (Notification of Withdrawal) Bill

The Bill enables the Government to notify the European Council of the United Kingdom's intention to withdraw from the European Union and to allow formal withdrawal negotiations to begin under Article 50 of the Treaty on European Union.

Local Government Finance Bill

The Bill will require 100 per cent of business rates to be retained within local government (subject to redistribution among councils), abolish the revenue support grant, provide for councils to be compensated for valuation appeal losses, and make various other changes to the local government finance system.

Statutory Instruments

Date in force

The Childcare (Early Years Provision Free of Charge) (Extended Entitlement) Regulations 2016, S.I. No. 1257

1 September 2017

The Regulations make detailed provision about eligibility for, and delivery of, the extended entitlement to free childcare enacted in the Childcare Act 2016. The entitlement is enjoyed by working parents of three- or four-year-olds and amounts to 30 hours per week for 38 weeks per year. Local authorities (including the Common Council acting in that capacity) will be responsible for delivering the entitlement.

The Non-Domestic Rating (Chargeable Amounts) (England) Regulations 2016, S.I. No. 1265

1 April 2017

The Regulations provide transitional relief for business ratepayers facing increased bills as a result of the 2017 revaluation. For properties with a rental value of more than £100,000, the maximum increase in 2017–18 will be 42 per cent.

The Coasting Schools (England) Regulations 2017, S.I. No. 9

11 January 2017

The Regulations define 'coasting' for the purposes of the Education and Adoption Act 2016, which empowers the Secretary of State to intervene in schools meeting that description. The definition is by reference to standard performance measures and is intended to identify schools that consistently fail to stretch their pupils. It applies to maintained school and academies at the primary and secondary levels.

The Council Tax (Demand Notices) (England) (Amendment) Regulations 2017, S.I. No. 13 10 February 2017

The Regulations amend the form of council tax demand notice so as to include information about the adult social care precept which councils are entitled to charge in 2017–18.

The Neighbourhood Planning (Referendums) (Amendment) Regulations 2016, S.I. No. 934 14 February 2017

The Regulations impose a requirement on local authorities (including the Common Council acting in that capacity) to write to parents each year notifying them of schools with atypical ages of admission (such as university technical colleges) within reasonable travelling distance to which their children could apply.

The Non-Domestic Rating (Demand Notices) (Amendment) (England) Regulations 2017, S.I. No. 39 20 February 2017

The Regulations remove the ability for billing authorities (including the Common Council acting in that capacity) to issue business rate demand notices covering more than one financial year, require the accompanying explanatory notes to be provided online rather than in paper form, and update the content of the explanatory notes to reflect changes to the rating system.

The School and Early Years Finance (England) Regulations 2017, S.I. No. 44 1 April 2017

The Regulations specify how local authorities (including the Common Council acting in that capacity) are to set education budgets and allocate education funding in 2017–18. They include provision intended to aid transition towards the new schools funded formula which the Government is committed to introduce in 2018–19.

The Social Housing Rents (Exceptions and Miscellaneous Provisions) (Amendment) Regulations 2017, S.I. No. 91 1 April 2017

The Regulations extend, clarify and add to the exceptions to the four-year reduction in social rents required by the Housing and Planning Act 2016. The principal exceptions, such as domestic violence refuges and almshouses, will now apply throughout the four years.

The Non-Domestic Rating (Reliefs, Thresholds and Amendment) (England) Order 2017, S.I. No. 102 1 April 2017

The Regulations give effect to the reductions in smaller businesses' rates bills announced in the 2016 Budget, including putting 100% small business rates relief on a permanent footing and raising rateable value thresholds. They also up-rate other thresholds, including that for empty property relief.

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

Report – Chairman of the Port Health and Environmental Services Committee

Awards and Prizes

To be presented on Thursday, 9th March 2017

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

‘Loo of the Year’ Awards

“I am delighted to announce the City of London Corporation has recently received the highest accolade for toilet standards by the British Toilet Association, with all four of our attended toilets achieving Platinum Grade.

Grading took place over the summer months, with mystery assessors rating all aspects from cleanliness to service provided to the public. Awards were presented at the Loo of the Year Awards Ceremony in December 2016, where the City was also awarded Local Authority Premier League Status. This Status ranks us as being the one of the top 20 local authorities throughout the UK in respect of toilet service and provision.

Toilets were impacted on by the Service Based Review savings last year and to maintain such a high standard shows commitment to the City from the attendants and pride in their role and service.

I commend this achievement to the Court.”

DATED this 24th day of January 2017.

SIGNED on behalf of the Committee.

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

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Report – Finance Committee

City Fund 2017/18 Budget Report and Medium Term Financial Strategy

To be presented on Thursday, 9th March 2017

*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 Council Tax for 2017/18 remains unchanged from 2016/17; and
- the Business Rate Premium is unchanged.

There is a further report to the Court 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 that presents a balanced budget.

- City Fund (non-Police): the provisional Government grant settlement is largely in line with our expectations. The one area of growth in income, compared to previous forecasts, is in retained business rate income and results from a growth in office space within the City. This additional income has provided headroom to fund investment in one-off projects, such as the Museum of London relocation project, and to deal with the backlog of outstanding repair works for the operational properties.

The fund shows a deficit in 2016/17, as a result of the £27m purchase of an investment property in the year (133 Whitechapel High Street), funded through a drawdown on reserves. Otherwise, the extra business rates income, combined with an increase in anticipated rents from the fund's investment properties and additional interest on cash balances, has allowed cost pressures to be accommodated and some extra items to be included, whilst still leaving the fund in surplus for 2017/18 and 2018/19. The fund moves into deficit from 2019/20, due to the inclusion of costs for the Museum of London relocation project. Funding options for MoL are being considered.

- Police: The core Police grant settlement is marginally (£0.7m) lower than anticipated. Additional cost pressures have meant the fund has moved into deficit, utilising the remaining ring-fenced reserves in 2016/17 and 2017/18. The Police Medium Term Financial Plan, which went through the City's committee process in December, set out a strategy for dealing with the deficit to the end of 2017/18 and this has been put in place. An external review of future demands on policing and

value for money has been commissioned, to identify options to address the, projected deficits of £5.6m in 2018/19 and £3.8m in 2019/20. No increase in the business rate is, therefore, proposed for the 2017/18 year.

RECOMMENDATION

The Court of Common Council is **recommended** to:

- Approve the overall financial framework and the revised Medium Term Financial Strategy (paragraph 2)
- Approve the City Fund Net Budget Requirement of £119.3m (paragraph 14)
- Approve the following **changes** from the previous forecast (paragraphs 3 and 11):
 - Allowances for pay and prices are factored in at 1% for 2017/18 and zero thereafter (paragraph 11c);
 - 2% cashable efficiency savings for City Fund from 2018/19 are included in line with the published Efficiency Plan (paragraph 12d);
 - A 3.5% increase across both City Fund and non-uniformed staff in Police in employer's pension contribution to tackle the pension fund deficit (paragraph 3a);
 - Additional provision of £2.9m pa from 2017/18 for IT (split £1.8m City Fund and £1.1m for Police) (paragraph 3c); and
 - A provision of £400k p.a. from 2017/18 onwards for Rough Sleepers and £400k p.a. for Adult Social Care, subject to a further report to Policy and Resources Committee (paragraphs 3g and 3h).
- Approve the following **investment opportunities** being included, subject to further reports:
 - Additional provision of £2m in 2017/18 and £4m pa thereafter, to fund the investment in tackling the 'bow wave' for City Fund properties and, in particular, focus on some substantial refurbishment works at specific properties e.g. Old Bailey (paragraph 3f)
 - Provision for spending on the Cultural Hub, including £5m in City Fund for the 'Look & Feel' strategy (paragraph 3e)
 - Substantial provision for the Museum of London relocation project (paragraph 3k), amounting to £81.2m across the planning period.
- Note that the forecast **includes items already agreed** by Policy and Resources Committee:
 - Provision in the City Fund forecast for the £2.5m, to complete the design work for the Centre for Music, together with a provision of £1.25m for the City Surveyor to develop a full commercial scheme for the site if the Centre for Music doesn't go ahead; and
 - Substantial additional City Fund support for City Police, pending the result of the external review. This amounts to £9m revenue funding across the planned period (including £0.9m for the 2017/18 deficit) and to a further circa £11m in funding for the Police capital schemes.
- Note that the revenue estimates for 2017/18 assumes the City will be in a 'growth' position under the business rates retention scheme.
- Note the Local Council Tax Reduction Scheme, set by the Court of Common Council on 12 January 2017 and as set out at paragraph 31.

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 47.9p for 2017/18, together with a Small Business Non-Domestic Rate multiplier of 46.6p (paragraph 17).
- Note that the Greater London Authority is, in addition, levying a Business Rate Supplement in 2017/18 of 2p in the £ on properties with a rateable value greater than £70,000 (paragraph 23).
- 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 21.

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 2016/17, 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 2017/18 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 2017/18 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 the City of London Corporation remains debt free for 2017/18.

Recommendations

The Court of Common Council is requested to:

Capital expenditure

- Note the proposed financing methodology of the capital programme in 2017/18 (paragraph 34).
- Approve the Prudential Code indicators (Appendix B).
- Approve the following resolutions for the purpose of the Local Government Act 2003 (paragraph 37 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 2017/18, is £896,000. This amount equals the annual income released from the sale of long leases in accordance with the MRP Policy at Appendix E.

- Any potential external borrowing requirement and associated implications will be subject to a further report to Finance Committee and the Court of Common Council.
- Note that the funding for the £200m contribution from City Fund to Crossrail has been recognised in the 2016/17 financial year, as the payment is anticipated to be made in March 2017.

Chamberlain's assessment

- Take account of the Chamberlain's assessment of the robustness of estimates and the adequacy of reserves (paragraphs 40 and 41; 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 2017/18 and the Policing Minister published the revenue allocations for police for 2017/18.
2. The latest forecast position for City Fund, showing Police separately, and taking account of conclusions from the annual survey and the property rental income forecasts from the City Surveyor, is shown below:

Table 1: City Fund Overall Revenue		Deficit/ (Surplus)			
	£m				
	<u>16/17</u>	<u>17/18</u>	<u>18/19</u>	<u>19/20</u>	<u>20/21</u>
City Fund – non Police					
March 2016 forecast	(5.9)	(2.0)	(2.1)	(1.0)	N/A
Current forecast*	(7.2)	(10.9)	(0.1)	15.6	19.4
Unearmarked revenue reserves	(28.4)	(32.6)	(35.0)	(19.4)	-
City Fund – Police					
March 2016	0.0	2.9	4.8	N/A	N/A
Current forecast	2.6	1.5	5.6	3.8	N/A
Unearmarked revenue reserves	(1.5)	-	5.6	9.4	N/A

** Underlying position – excludes planned use of revenue reserves to fund one off items including the purchase of investment properties and cashflow assistance.*

3. **For City Fund**, following a £25.3m deficit in the current year - reflecting the £27m purchase of an investment property in year (133 Whitechapel High Street), funded through a draw-down in reserves, City Fund is forecast to be in surplus across the period. Extra business rates income, combined with an increase in anticipated rents from the fund's investment properties and additional interest on cash balances, has allowed the inclusion of additional funding to meet Member priorities and initiatives as follows:
 - a) Increased contribution to tackle the pension fund deficit. The proposed option is to make a 3.5% increase in employer's pension contribution from revenue. This has been included in the forecast. The aim is to maintain the time-frame for the deficit recovery plan. Alternative options, including a one-off capital contribution or extending the deficit recovery period, were considered, but ruled out on cost and reputational grounds.
 - b) The apprenticeship levy has been included from 2017/18 onwards and is already in the base estimates. This year the forecast has been adjusted for the cost of apprentice posts in City Fund (£0.5m in 2017/18 and £0.7m thereafter). At present, it seems only training costs will be recoverable against the levy.

- c) Further funding for IT. Agreed funding of £2.2m has been included in 2016/17 (£1.3m City Fund and £0.9m for Police). Going forward, provision of £2.9m pa has been included from 2017/18 onwards (£1.8m City Fund and £1.1m for Police) to enable we have modernised, robust and reliable IT systems and services. This includes provision for spending on information security to address risks around cyber security.
- d) Additional funding for City of London Police. An extra £9m package (across the planning period), covering funding for IT noted at c) above, £2.4m revenue contribution to capital schemes, and for an employer's pension fund contribution of £0.5m pa from 2017/18 have been included in the forecast. For 2017/18 only - pending the outcome of the external Demand and VFM review - funding for the remaining deficit of £0.9m after mitigation measures has also been included, to be drawn down only if reserves have been exhausted. In addition the City has earmarked £11m from its City Fund capital resources to fund Police capital schemes.
- e) Cultural Hub - a £5m provision has been included to fund the works associated with the 'Look & Feel' strategy.
- f) Additional Cyclical Works Programme Funding. Following RASC Away Day in June 2016, Members gave steer that any 'windfall' surpluses from business rates in 2017/18 ought to be applied to 'one off items', such as revenue contributions to large capital schemes and catch-up on the 'bow wave' of maintenance cost. As a consequence, £2m in 2017/18 and £4m pa for 2018/19 and thereafter, has been included in the forecast, to fund the 'bow wave' for City Fund properties, in particular, focused on some substantial refurbishment projects (e.g. Old Bailey).
- g) Adult Social Care. Community and Children's Services have identified a budget pressure of circa £0.4m pa for the provision of adult social care and this has been included in the forecasts. Given the City's overall funding position, and the modest size of the cost, a social care precept increase would not be appropriate. £0.4m has been included in the budget, subject to a further report outlining the issue to Policy and Resources Committee
- h) Rough Sleepers – The cost of statutory homelessness assistance is being driven up by higher demand and the impact of welfare reform. Welfare reform is both reducing the amount of rent the City can reclaim against the cost of temporary accommodation and is likely to increase greatly the levels of unpaid rent. Alongside this, changes to legislation are set to increase the demand for assistance provided by the City. Rough sleeping has increased in scale and complexity; the demand for specialist accommodation outstrips the supply available to the City, resulting in people remaining stuck on the streets. Increased resources are necessary to provide a range of accommodation types – from emergency assessment beds to providing for people with complex needs. A provision of £400k pa from 2017/18 has been included to meet this additional budget pressure, subject to a further report outlining the issue to Policy and Resources Committee.

- i) City's Learning & Engagement Forum – £150k pa from 2017/18, to fund the 'cultural educational partnership'.
 - k) Museum of London Relocation. Appendix 2 sets out the current phasing of the cost of the project to relocate the Museum of London to Smithfield. The net costs for 2017/18 to 2020/21 have been included in the City Fund forecast.
 - l) Centre for Music. Provision has been included for the £2.5m bid to complete the design work, together with a provision of £1.25m for the City Surveyor to develop a full commercial scheme for the site if the Centre for Music doesn't go ahead. No other provision has been made relating to this project.
4. **Council Tax:** The City's council tax, expressed at band D and excluding the GLA precept, is £857.31 for the current financial year, 2016/17. The council tax referendum threshold will effectively be 5%, including 3% to spend on social care. It will be up to councils to choose whether to exercise their discretion to raise council tax by an additional 3% for adult social care. We have been able to accommodate the increased cost of £400k pa within the existing forecast, so this option is not recommended.
 5. **For Police**, additional cost pressures have meant the fund has moved into deficit, utilising the ring-fenced reserves in 2016/17 and 2017/18. The Police Medium Term Financial Plan, which went through the City's Committee process in December, set out a strategy for dealing with the deficit to the end of 2017/18 and this has been put in place. Even allowing for these measures, deficits are forecast from 2018/19 onwards and action is, therefore, needed to restore financial balance.
 6. In response to the deteriorating financial position, a Medium Term Financial Plan for the Police was submitted to the December Committee cycle. This detailed some immediate steps to stabilise the position, which included the Police adopting a cashable savings target; the utilisation of the remaining Police reserves and the City funding some additional costs for IT and employers pension contribution directly. It also involved the City funding the revenue contribution to Police capital schemes already in the budget (£1.4m in 2017/18 and £1m in 2018/19) and the future Police capital programme. The latter will be subject to a further report, but could be of the order of £11m over the planning period.
 7. Despite these mitigations, there remain substantial deficits in 2018/19 and 2019/20. In response to this the Town Clerk, the Chamberlain and the Commissioner have commissioned an external review to assess value for money opportunities, current and future demand, and potentially considering a revised operating model. It is intended that the initial findings of this study will be reported back to Members before the Summer recess.
 8. A further option to consider would be an **increase in the business rate premium**. The City is uniquely able to raise additional income for the City Fund from its business rate premium. The premium on City businesses had been unchanged since 2006/07 at 0.4p; last year, in the light of Police funding constraints and additional requirements in relation to counter-terrorism and security, the Resource Allocation Sub Committee agreed an increase to 0.5p in the pound.

9. As the Police forecasts show a continuing deficit, exhausting the reserves in 2017/18, and in light of the Home Secretary's expectation that Police authorities will use their precepting powers to maintain funding levels, Members may wish to consider a business rate increase.
10. The premium can be increased in increments of 0.1p with each 0.1p generating circa £2m pa. However, given the overall position on the City Fund budget and the awaited results of the Demand and VFM review, **it is suggested that no increase is made in 2017/18**. It should also be remembered that, as a result of the 2017 revaluation, ratepayers are already facing an increase. A meeting with ratepayers was held on 10 February.

Key assumptions used in the forecasts

11. 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 and lease renewals. Rental income is forecast to grow over the period.
- b) Interest rates: It is likely that interest rates will rise, at some point, in the medium term, although 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 the end of the planning period. This will be reviewed in the light of any substantial economic change and adjusted, if required, when the forecast is updated in the summer. Additional interest on cash balances, shown in the schedules, is being achieved in the City Fund, due to the higher level of cash balances being held e.g. due to receipts from property disposals pending capital spend. A 0.25% increase in interest rates in 2017/18 would equate to £1.5m p.a. on City Fund.

Expenditure

- c) An inflation allowance is factored in at 1% for 2017/18 and zero thereafter. On City Fund each 1% amounts to approximately £636k. RPI is currently 2.5% and CPI is 1.6%, so maintaining a zero pay and prices allowance adds further impetus for efficiency. Consideration will be given to supporting exceptional cost increases on a case-by-case basis.
- d) 2% cash efficiency savings are included from 2018/19, in line with the published Efficiency Plan.

12. The key assumptions that underpin these latest projections for **City Fund** include the following:

- a. **Grant Settlement:** the provisional settlement is largely as expected. As the City's Efficiency Plan has been accepted, we have been promised certainty on the figures published for the lifetime of this Parliament (ie four years up to 2019/20). This four-year horizon reveals a gradual rate of reduction in the Revenue Support Grant, with the grant dropping from its current level of £10.6m in 2016/17 in stepped amounts to £6.2m in 2019/20 and continuing at this level thereafter. If the business rates retention scheme were to be introduced in 2018/19, grant income would be reduced to zero and to maintain income levels we would need the shortfall to be made up from additional retained rates.
- b. **Business Rates retention:** The other element of core Government funding relates to retained business rates. This is known as the Baseline Funding Level and is £15.6m for 2017/18. The system of business rate retention remains broadly the same with the City benefiting from 15% of any growth in business rates. The one area of growth in income, compared to the previous forecast, is in additional retained business rates where, due to growth in business occupation in the City, substantial additional business rate income is forecast. Members should note the Government has announced a review of the business rates retention system. Depending on the outcome of the review there is a risk that this income will not be achieved. Also, although the 2017 rating revaluation shows a considerable increase in rateable values, there may well be appeals reducing the overall additional income achieved. Appeals are unlikely until 2018/19 at the earliest, but will be back-dated to 2017 and the effect of any appeals cannot at this stage be quantified.
- c. **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 2017/18, will be £11.267m, a similar level to 2016/17 with RPI added. Small inflationary increases have been assumed for future years in the forecast period.
- d. The remaining **Service Based Review Savings** will be achieved.

13. Funding assumptions for **City Police** include:

- a. **Grant funding:** The Police core grant settlement was £51.4m, some £0.7m lower than anticipated. The Government's stated intention is that the shortfall should be met from an increase in the precept (in the City's case, the business rate premium).
- 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 £4.5m, a reduction of 0.2m from 2016/17. The other key grant is for Capital City Funding has been advised as part of the settlement at £4.5m, which is no change from the prior year.

- c. **Action Fraud Service:** The latest phasing for this Police project has been included in the forecasts, which has resulted in the recovery of the Home Office grant of the City's £6.6m advance funding being pushed out into the future. The project has significantly slipped and recovery by the City of its £6.6m advance from Home Office grant has consequently also slipped further into the future. This has been reflected in the forecast. The Police currently envisage a £2.8m overspend on the project by its end in 2020/21 and the plan is to cover this shortfall by a combination of additional Home Office grant and 'monetisation' (selling the product to others). If this strategy fails, the City would be faced with picking up the remaining bill.

Revenue Spending Proposals for 2017/18

14. The City Fund net budget requirement for 2017/18 is £119.3m, an increase of £12.3m. The following table shows how this is financed and the resulting council tax requirement.

Table 2: Setting the Council Tax requirement		
	2016/17 (original) £m	2017/18 £m
Net Expenditure before investment income from City Fund assets	147.3	162.3
Estate rental income	(42.3)	(45.0)
Income on balances	(2.5)	(3.0)
Net requirement	102.5	114.3
Plus proposed contribution to/(from) reserves	4.5	4.2
City Fund Net Budget Requirement	107.0	119.3
<u>Financing sources</u>		
Formula Grant	(80.5)	(90.1)
City Offset	(11.0)	(11.3)
NNDR premium (net)	(8.1)	(10.5)
City's share of Collection Fund Surplus	(1.4)	(0.6)
Council Tax Requirement	6.0	6.0

15. A separate report on today's agenda "Revenue and Capital Budgets 2016/17 and 2017/18" 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 bodies such as the Environment Agency, the Lee Valley Regional Park Authority, London Pensions Fund Authority and London Councils (through its grant scheme) 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		
	2016/17 £	2017/18 £
Inner Temple	188,003	202,484
Middle Temple	153,218	164,155
Total	341,221	366,638

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

Table 4: Analysis of Core Government Grants					
		2016/17 Original £m	2017/18 Original £m	Reduction (Increase) on 2016/17	
				£m	%
1	Police	52.1	51.4	0.7	1.3%
2	Non-Police	10.6	8.8	1.8	17.0%
3	Total before Rates Retention Scheme and grants Rolled In	62.7	60.2	2.5	4.0%
4	Baseline	15.3	15.6	(0.3)	(2.0%)
5	Growth	2.5	14.3	(11.8)	(472.0%)
6	Total before Grants Rolled In	80.5	90.1	(9.6)	(11.9%)
7	Grants Rolled In	(0.4)	(0.4)	0.0	NA
8	Total Core Government Grants	80.1	89.7	(9.6)	(12.0%)

Business Rates

17. The Secretary of State has proposed a National Non-Domestic Rate multiplier of 47.9p and a Small Business Non-Domestic Rate Multiplier Rate of 46.6p for 2017/18. These multipliers represent a reduction of 1.8p over the 2016/17 levels, as a result of the rates revaluation. The actual amount payable by each business will depend upon its rateable value.
18. The business rate premium on City businesses was increased to 0.5p in the £ last year and, if this remains unchanged, the proposed premium will result in a Non-Domestic Rate multiplier of 48.4p and a Small Business Non-Domestic Rate of 47.1p for the City for 2017/18. It is anticipated that a premium of 0.5p will raise approximately £10.5m.
19. Likely appeals would also affect the premium income. However, as with business rates, we do not know the likelihood or timing, and any impact may be outside our current planning horizon.
20. The forecast assumes no increase in the business rates premium and that the existing provision for appeals will be sufficient.
21. One other 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:

- a. exemption from empty rate for new rating assessments, that completed between 1st October 2013 and 30th September 2016, for up to 18 months.
22. Although fully funded by central government, this discount is to be delivered using Localism Act discounts and so will be discretionary.

Business Rate Supplement

23. 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 £70,000, to raise funds towards Crossrail; this threshold is being increased to reflect the effects of revaluation.

Determination of the Council Tax requirement

24. 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.
25. After allowing for a proposed contribution to reserves, the final City Fund Council Tax requirement for 2017/18 is £6.0m. In accordance with the provisions in the Localism Act 2011, the Council Tax requirement takes into account for the Formula Grant, the City Offset, the City's Rate Premium, and the estimated surplus on the Collection Fund at 31 March 2017. As detailed in Appendix A, the City's proposed Council Tax for 2017/18 at band D is £857.31. Consequently, it is proposed to freeze Council Tax for 2017/18 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.
26. The GLA's precept for 2017/18 is £73.89 for a Band D property. This excludes the Metropolitan Police requirement and represents no change compared with 2016/17.
27. 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	620.80	724.27	827.73	931.20	1,138.13	1,345.07	1,552.00	1,862.40

28. It is anticipated that the City's total Council Tax will remain the third lowest in London. The Court of Common Council is requested to determine that the relevant

(net of local precepts and levies) basic amount of Council Tax for 2017/18 will not be excessive in relation to the new referendum requirements for any council tax increases.

(i) Council Tax Reduction (formerly Council Tax Benefit)

29. In 2013/14, the Government introduced a locally-determined Council Tax Reduction Scheme. This replaced the national Council Tax Benefit scheme and assisted people on low incomes with their council tax bills. To protect residents on low incomes, the City Corporation adopted the Government's default scheme for the financial years 2013/14 to 2015/16, which kept the Council Tax Reduction Scheme in line with the Government's general increase in benefits.

30. Changes were made to national benefits in the July 2015 budget and, as a result, it was not possible to maintain the same scheme for the 2016/17 financial year. A consultation exercise was undertaken and the Court of Common Council agreed to make adjustments to the scheme, as it applies to working age claimants, in order to protect existing claimants from being worse off, keeping the administration of the Council Tax Reduction Scheme in line with Housing Benefit

31. There are no proposals to make any specific amendments to the Council Tax Reduction Scheme for this or future years, beyond keeping the scheme in line with Housing Benefit and, therefore, Members at the Court of Common Council meeting in January 2017 approved the Council Tax Reduction Scheme for 2017/18 to be the same as the scheme for 2016/17, subject to the annual uprating of amounts in line with Housing Benefit applicable amounts. They also approved the Council Tax Reduction Scheme for future years to be the same as in the previous year, subject to the application of those upratings.

Capital

32. 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 2017/18 capital programme (including the indicative costs of implementing schemes still subject to approval) comprise:

	£m
Roads, Street-scene and Public Realm	26.3
Dwelling Improvements	20.8
Affordable Housing Construction	15.6
New Police Accommodation	15.7
Museum of London	10.5
Police systems and equipment	10.0
Barbican Podium	10.0
Old Bailey Enhancements	3.6

33. Note that the funding for the £200m contribution from City Fund to Crossrail has been recognised in the 2016/17 financial year, as it is anticipated that the payment be made in March 2017.
34. 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 2017/18 City Fund Capital Expenditure	
	£m
Estimated Capital Expenditure	132.2
Financing	
Internal	
• Earmarked reserves:	
Housing Revenue Account (HRA)	13.1
Highways Improvements	8.7
Unapplied grants	2.9
Other	1.7
• Disposal Proceeds	38.8
• Revenue Reserves	18.5
External	
• Grants and reimbursements	48.5
Total	132.2

35. 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 is now asked to set are:
- Estimates of capital expenditure 2017/18 to 2019/20
 - Estimates of the capital financing requirement 2017/18 to 2019/20
 - 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.
36. 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 Statement and Annual Investment Strategy' at Appendix C.

37. 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. Having already utilised the cash to finance capital expenditure, when the deferred income is released to revenue over the life of the lease, it is important to ensure that this cash is not 'used again'. Therefore, 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 2017/18 is set out in Annex E. A further point to note relates to the funding for relocating the Museum of London to the Smithfield Market site. Although the Museum is undertaking a fundraising campaign and the GLA is providing a contribution to the project, the City will be "forward-funding" a large element of the costs. The intention is initially to use revenue reserves for as long as this is affordable - with, if necessary, external borrowing to bridge the gap in the latter period.

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

Provision for future capital expenditure

39. In addition to the programmed capital schemes over the planning period, the Capital Programme allows £2m per annum for new schemes which have not 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

40. 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.

41. In coming to a conclusion on the robustness of estimates, the Chamberlain needs to assess the risk of over- or under-spending of 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 until such time as external borrowing may be needed to bridge funding the gap for the Museum of London relocation
- 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
 - across the planning period the assumed interest rate remains low

- f) a strong track record in achieving budgets gives confidence about the robustness of estimates.

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

Risks

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

Within the City Corporation's control

- a. Delivery of efficiency savings built into City Police budget forecast
- b. The Police Action Fraud project
- c. Museum of London relocation project delivery within estimated cost.
- d. Delivery of the service based review savings proposals.

Outside the City Corporation's control

- e. BREXIT affecting rental income from our commercial property – for example, as a result of increased voids
- f. Adjustments to the Rates Retention System
- g. An increase in the rate of inflation over the planning period above its current relatively low level.

Equalities Implications

44. During the preparation of this report, all Chief Officers have been asked to consider whether the various budget policy proposals would have any potentially adverse impact on the equality of service provision or delivery for people, or groups of people, in respect of disability, gender and racial equality. No such equalities issues have been identified.

Conclusion

45. Following the service based review and the growth in business rate income, the City Fund is, in the medium term, in a much healthier position. . However, there are a number of risks, as outlined above. City Fund will need to develop a funding strategy for the Museum of London relocation project, before it can be fully returned to surplus.

46. City Police face a budget challenge, but the Demand and VFM review will highlight options for addressing the deficit.

47. The different financial messages of the continuing need for efficiencies and the forecast of surpluses may be difficult to manage, especially with our external stakeholders. Further thought is being given to how best to tackle some of such issues. There are still risks around the implementation of the saving proposals, but the estimates are considered robust. The level of and policies relating to the City Fund reserves are considered reasonable by the Chamberlain.

48. 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 21st day of February 2017.

SIGNED on behalf of the Committee.

Jeremy Mayhew
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 2017/18
- 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 (7,060.39) together with the Council Tax bases for each part of the City's area.

The above calculation is as follows:

$$'B1' = \frac{\pounds 6,052,943}{7,060.39}$$

$$'B1' = \pounds 857.31$$

Note: Item R consists of the following components:

	£	£
City Fund Net Budget Requirement		118,490,236
Less:		
Formula Grant	(90,109,478)	
City's Offset	(11,267,000)	
Estimated Non-Domestic Rate Premium (Net)	(10,500,000)	
Estimated Collection Fund Surplus as at 31 March 2017 (City's share)	(560,815)	(112,437,293)
TOTAL COUNCIL TAX REQUIREMENT (R)		6,052,943

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:

$$'B2' = \frac{\pounds 857.31 - \pounds 16,860,638.85}{7,060.39}$$

$$'B2' = \pounds 1,530.75 \quad \underline{\text{CR}}$$

Note: Item A consists of the following components:

	£	£
Highways Net Expenditure	8,941,000.00	
Waste Collection & Disposal Net Expenditure	2,188,000.00	
Open Spaces Net Expenditure	1,674,000.00	
Transportation Planning	2,008,000.00	
Drains and Sewers	417,000.00	
Street Lighting Net Expenditure	1,266,000.00	
Total City's Special Expenses		16,494,000.00
Inner Temple's Precept	202,483.61	
Middle Temple's Precept	164,155.24	366,638.85
Total Special Items		16,860,638.85

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:

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

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

$$\text{'B3'} = £1,530.75 \text{ CR} + \frac{£16,494,000}{6,906.86}$$

$$\text{'B3'} = £857.31$$

Inner Temple

$$\text{'B3'} = £1,530.75 \text{ CR} + \frac{£202,483.61}{84.79}$$

$$\text{'B3'} = £857.31$$

Middle Temple

$$\text{'B3'} = £1,530.75 \text{ CR} + \frac{£164,155.24}{68.74}$$

$$\text{'B3'} = £857.31$$

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	1,138.13	1,345.07	1,552.00	1,862.40

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 2017/18, 2018/19 and 2019/20 (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

	2013/14 Actual	2014/15 Actual	2015/16 Actual	2016/17 Revised	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
HRA	0.24	0.25	0.21	0.50	1.13	0.53	0.53
Non-HRA	0.22	-0.46	-0.37	-0.14	-0.25	-0.33	-0.16
Total	0.22	-0.39	-0.30	-0.09	-0.12	-0.25	-0.10
<i>At this time last year</i>	0.22	-0.39	-0.28	-0.31	-0.03	-0.38	-

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 2017/18, 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

	2016/17 Revised £	2017/18 Estimate £	2018/19 Estimate £	2019/20 Estimate £
Incremental increase/(decrease) Per Band 'D' Equivalent	2,500.00	4,488.00	5,614.00	9,527.00
<i>At this time last year</i>	1,546.00	1,455.00	1,335.00	

This ratio has been calculated to show the net incremental revenue impact of variations in the capital programme since the 2016/17 original estimates were prepared, expressed as a Band D equivalent. The variations reflect the net impact of changes in the capital programme on the revenue budget.

The increases over the indicators calculated at this time last year reflect the purchase of an investment property in 2016/17 to maximise income over the medium term and from 2017/18 onwards reflect the funding of the Museum of London relocation from revenue. 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

	2016/17 Revised £	2017/18 Estimate £	2018/19 Estimate £	2019/20 Estimate £
Incremental increase/(decrease) on Average Weekly Rent	(3.64)	(4.89)	(4.06)	(1.70)
<i>At this time last year</i>	1.58	9.18	11.67	

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. These negative figures arise from lower levels of expenditure than anticipated at this time last year. Councils' discretion to amend rents has, 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 2016/17 to 2019/20 £m
Net borrowing/(Net investments)	(35,193)
Capital Financing Requirement	154,509

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 2016/17 to 2019/20. 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

	2013/14 Actual £m	2014/15 Actual £m	2015/16 Actual £m	2016/17 Revised £m	2017/18 Estimate £m	2018/19 Estimate £m	2019/20 Estimate £m
HRA	2.502	4.534	8.984	9.903	36.615	25.253	7.331
Non-HRA	181.183	41.103	32.012	274.130	95.601	105.450	95.658
Total	183.685	45.637	40.996	284.033	132.216	130.703	102.989
<i>At this time last year</i>	183.685	45.637	56.709	304.809	73.580	57.151	-

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, together with the inclusion of additional provisions such as the Museum of London relocation and the increase in cost of the police accommodation programme.

Estimate of the Capital Financing Requirement

Table 6

	2013/14 Actual £m	2014/15 Actual £m	2015/16 Actual £m	2016/17 Revised £m	2017/18 Estimate £m	2018/19 Estimate £m	2019/20 Estimate £m
HRA	10.705	10.490	2.352	0.000	0.000	0.000	0.000
Non-HRA	-12.647	-12.309	-3.496	92.928	49.688	100.955	154.509
Total	-1.942	-1.819	-1.144	92.928	49.688	100.955	154.509
<i>At this time last year</i>	-1.942	-1.819	-1.818	99.567	118.457	158.186	-

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 external and/or 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 currently continues to remain free of external debt. Going forward, a funding strategy for the Museum of London relocation is to be developed which may result in a need for external borrowing or the sale of investment property.

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

	2016/17	2017/18	2018/19	2019/20
Times cover on unencumbered revenue reserves	1.2	(5.5)	26.0	1.1
<i>At this time last year</i>	(10.0)	32.8	11.1	-

This indicator is calculated by dividing the balance of unencumbered general reserves by any annual revenue deficit/(surplus). By 2019/20 the cover is reduced, reflecting the diminution of the City Fund general reserves to fund the Museum of London relocation. A formal funding strategy is to be developed which may result in external borrowing or the sale of investment property.

TREASURY MANAGEMENT STRATEGY STATEMENT

AND

ANNUAL INVESTMENT STRATEGY

2017/18

Treasury Management Strategy Statement and Annual Investment Strategy 2017/18

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 2017/18

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 2017/18 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 which limit the treasury risk and activities of the City
- 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 2017/18 to 2019/20

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 2016 comprised:

Table 1		Principal		Ave. rate
		£m	£m	%
Fixed rate funding	PWLB	0		
	Market	0	0	-
Variable rate funding	PWLB	0	0	-

	Market	0	0	-
Other long term liabilities			0	
Gross debt			0	-
Total investments			969.1	0.53
Net Investments			969.1	

4. Treasury Indicators for 2017/18 – 2019/20

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.

	Bank Rate %	PWLB Borrowing Rates % (including certainty rate adjustment)			
		5 year	10 years	25 year	50 year
Dec 2016	0.25	1.60	2.30	2.90	2.70
Mar 2017	0.25	1.60	2.30	2.90	2.70
Jun 2017	0.25	1.60	2.30	2.90	2.70
Sep 2017	0.25	1.60	2.30	2.90	2.70
Dec 2017	0.25	1.60	2.30	3.00	2.80
Mar 2018	0.25	1.70	2.30	3.00	2.80
Jun 2018	0.25	1.70	2.40	3.00	2.80
Sep 2018	0.25	1.70	2.40	3.10	2.90
Dec 2018	0.25	1.80	2.40	3.10	2.90
Mar 2019	0.25	1.80	2.50	3.20	3.00
Jun 2019	0.50	1.90	2.50	3.20	3.00
Sep 2019	0.50	1.90	2.60	3.30	3.10
Dec 2019	0.75	2.00	2.60	3.30	3.10
Mar 2020	0.75	2.00	2.70	3.40	3.20

The Monetary Policy Committee, (MPC), cut Bank Rate from 0.50% to 0.25% on 4th August in order to counteract what it forecast was going to be a sharp

slowdown in growth in the second half of 2016. It also gave a strong steer that it was likely to cut Bank Rate again by the end of the year. However, economic data since August has indicated much stronger growth in the second half 2016 than that forecast; also, inflation forecasts have risen substantially as a result of a continuation of the sharp fall in the value of sterling since early August. Consequently, Bank Rate was not cut again in November or December and, on current trends, it now appears unlikely that there will be another cut, although that cannot be completely ruled out if there was a significant dip downwards in economic growth.

During the two-year period 2017 – 2019, when the UK is negotiating the terms for withdrawal from the EU, it is likely that the MPC will do nothing to dampen growth prospects, (i.e. by raising Bank Rate), which will already be adversely impacted by the uncertainties of what form Brexit will eventually take. Accordingly, a first increase to 0.50% is not tentatively pencilled in, as in the table above, until quarter 2 2019, after those negotiations have been concluded, (though the period for negotiations could be extended). However, if strong domestically generated inflation, (e.g. from wage increases within the UK), were to emerge, then the pace and timing of increases in Bank Rate could be brought forward.

Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts, (and MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently. It has long been expected that at some point, there would be a start to a switch back from bonds to equities after a historic long term trend over about the last twenty five years of falling bond yields. The action of central banks since the financial crash of 2008, in implementing substantial quantitative easing purchases of bonds, added further impetus to this downward trend in bond yields and rising prices of bonds. The opposite side of this coin has been a rise in equity values as investors searched for higher returns and took on riskier assets.

The sharp rise in bond yields since the US Presidential election, has called into question whether, or when, this trend has, or may, reverse, especially when America is likely to lead the way in reversing monetary policy. Until 2015, monetary policy was focused on providing stimulus to economic growth, but has since started to refocus on countering the threat of rising inflationary pressures as strong economic growth becomes more firmly established. The expected substantial rise in the Fed. rate over the next few years may make holding US bonds much less attractive and cause their prices to fall, and therefore bond yields to rise. Rising bond yields in the US would be likely to exert some upward pressure on bond yields in other developed countries. The degree of that upward pressure is likely to be dampened by how strong, or weak, the prospects for economic growth and rising inflation are in each country, and on the degree of progress in the reversal of monetary policy away from quantitative easing and other credit stimulus measures.

PWLB rates and gilt yields have been experiencing exceptional levels of volatility that have been highly correlated to geo-political, sovereign debt crisis and

emerging market developments. It is likely that these exceptional levels of volatility could continue to occur for the foreseeable future.

The overall balance of risks to economic recovery in the UK is to the downside, particularly in view of the current uncertainty over the final terms of Brexit and the timetable for its implementation.

Apart from the above uncertainties, **downside risks to current forecasts** for UK gilt yields and PWLB rates currently include:

- Monetary policy action by the central banks of major economies reaching its limit of effectiveness and failing to stimulate significant sustainable growth, combat the threat of deflation and reduce high levels of debt in some countries, combined with a lack of adequate action from national governments to promote growth through structural reforms, fiscal policy and investment expenditure.
- Major national polls:
 - Italian constitutional referendum 4.12.16 resulted in a 'No' vote which led to the resignation of Prime Minister Renzi. This means that Italy needs to appoint a new government.
 - Spain has a minority government with only 137 seats out of 350 after already having had two inconclusive general elections in 2015 and 2016. This is potentially highly unstable.
 - Dutch general election March 2017;
 - French presidential election April/May 2017;
 - French National Assembly election June 2017;
 - German Federal election August – October 2017.
- A resurgence of the Eurozone sovereign debt crisis, with Greece being a particular problem, and stress arising from disagreement between EU countries on free movement of people and how to handle a huge influx of immigrants and terrorist threats.
- Weak capitalisation of some European banks, especially Italian.
- Geopolitical risks in Europe, the Middle East and Asia, causing a significant increase in 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.

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

- UK inflation rising to significantly higher levels than in the wider EU and in the US, causing an increase in the inflation premium in gilt yields.
- A rise in US Treasury yields as a result of Fed. funds rate increases and rising inflation expectations in the USA, dragging UK gilt yields upwards.
- 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.

- A downward revision to the UK's sovereign credit rating undermining investor confidence in holding sovereign debt (gilts).

6. Borrowing Strategy

It is anticipated that there will be no capital borrowings required during 2017/18.

7. Annual Investment Strategy

7.1. 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) security; and
- (b) liquidity.

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.

7.2. 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, the Deputy Chamberlain, 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 criteria 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

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

7.3. 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 (which is currently rated as AA) will be excluded from this stipulated minimum sovereign rating requirement.

7.4. 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 2018/19 financial year.

- 7.5. **Investment returns expectations:** The Bank Rate is forecast to stay flat at 0.25% until quarter 2 of 2019 and not to rise above 0.75% by quarter 1 of 2020. Bank Rate forecasts for financial year ends (March) are as follows:

- 2016/17 0.25%
- 2017/18 0.25%
- 2018/19 0.25%
- 2019/20 0.50%

Capita consider that the overall balance of risks to these forecasts is currently probably slightly skewed to the downside in view of the uncertainty over the final terms of Brexit. If growth expectations disappoint and inflationary pressures are minimal, the start of increases in Bank Rate could be pushed back. On the other hand, should the pace of growth quicken and / or forecasts for increases in inflation rise, upside risk may increase i.e. Bank Rate increases occur earlier and / or at a quicker pace.

The Chamberlain and his Treasury Officers consider that the base rate will not increase until June 2019 at the earliest and even then is unlikely to increase rapidly following the initial rises. Currently available interest rates over the longer term (2 to 3 years) are not significantly above 0.75% to 1.0% and are therefore considered insufficient to place funds on 2 or 3 year deposit at present.

For 2016/17 the City has budgeted for an average investment return of 0.50% on investments placed during the financial year. Financial forecasts for the period 2017/18 and 2018/19 include interest earnings based on an average investment return of 0.50%.

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.

7.6. 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)			
	2017/18 £M	2018/19 £M	2019/20 £M
Principal sums invested >364 days	300	300	300

7.7. 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.

7.8. External fund managers

A proportion of the City's funds, amounting to £403.2m as at 31 December 2016, 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.

7.9. 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.

7.10. Scheme of Delegation

Please see Appendix 7.

7.11. Role of the Section 151 officer

Please see Appendix 8.

7.12. Training

The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. 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 2017-2020
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 2017 - 2020

Capita Asset Services Interest Rate View													
	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
Bank Rate View	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.75%	0.75%
3 Month LIBID	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.40%	0.50%	0.60%	0.70%	0.80%	0.90%
6 Month LIBID	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.50%	0.60%	0.70%	0.80%	0.90%	1.00%
12 Month LIBID	0.70%	0.70%	0.70%	0.70%	0.70%	0.80%	0.80%	0.90%	1.00%	1.10%	1.20%	1.30%	1.40%
5yr PWLB Rate	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.00%
10yr PWLB Rate	2.30%	2.30%	2.30%	2.30%	2.30%	2.40%	2.40%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%
25yr PWLB Rate	2.90%	2.90%	2.90%	3.00%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%
50yr PWLB Rate	2.70%	2.70%	2.70%	2.80%	2.80%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%
Bank Rate													
Capita Asset Services	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.75%	0.75%
Capital Economics	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.50%
5yr PWLB Rate													
Capita Asset Services	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.00%
Capital Economics	1.60%	1.70%	1.90%	2.00%	2.10%	2.20%	2.30%	2.40%	2.50%	2.70%	2.80%	2.90%	3.00%
10yr PWLB Rate													
Capita Asset Services	2.30%	2.30%	2.30%	2.30%	2.30%	2.40%	2.40%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%
Capital Economics	2.40%	2.40%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%	2.90%	3.10%	3.20%	3.30%	3.40%
25yr PWLB Rate													
Capita Asset Services	2.90%	2.90%	2.90%	3.00%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%
Capital Economics	2.95%	3.05%	3.05%	3.15%	3.25%	3.25%	3.35%	3.45%	3.55%	3.65%	3.75%	3.95%	4.05%
50yr PWLB Rate													
Capita Asset Services	2.70%	2.70%	2.70%	2.80%	2.80%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%
Capital Economics	2.80%	2.90%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%	3.60%	3.70%	3.80%	3.90%

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
The Bank of England base rate was cut from 0.5% to 0.25% on 4 August 2016.

ECONOMIC BACKGROUND

UK. GDP growth rates in 2013, 2014 and 2015 of 2.2%, 2.9% and 1.8% were some of the strongest rates among the G7 countries. Growth is expected to have strengthened in 2016 with the first three quarters coming in respectively at +0.4%, +0.7% and +0.5%. The latest Bank of England forecast for growth in 2016 as a whole is +2.2%. The figure for quarter 3 was a pleasant surprise which confounded the downbeat forecast by the Bank of England in August of only +0.1%, (subsequently revised up in September, but only to +0.2%). During most of 2015 and the first half of 2016, the economy had faced headwinds for exporters from the appreciation of sterling against the Euro, and weak growth in the EU, China and emerging markets, and from the dampening effect of the Government's continuing austerity programme.

The **referendum vote for Brexit** in June 2016 delivered an immediate shock fall in confidence indicators and business surveys at the beginning of August, which were interpreted by the Bank of England in its August Inflation Report as pointing to an impending sharp slowdown in the economy. However, the following monthly surveys in September showed an equally sharp recovery in confidence and business surveys so that it is generally expected that the economy will post reasonably strong growth numbers through the second half of 2016 and also in 2017, albeit at a slower pace than in the first half of 2016.

The **Monetary Policy Committee, (MPC), meeting of 4th August** was therefore dominated by countering this expected sharp slowdown and resulted in a package of measures that included a cut in Bank Rate from 0.50% to 0.25%, a renewal of quantitative easing, with £70bn made available for purchases of gilts and corporate bonds, and a £100bn tranche of cheap borrowing being made available for banks to use to lend to businesses and individuals.

The **MPC meeting of 3 November** left Bank Rate unchanged at 0.25% and other monetary policy measures also remained unchanged. This was in line with market expectations, but a major change from the previous quarterly Inflation Report MPC meeting of 4 August, which had given a strong steer, in its forward guidance, that it was likely to cut Bank Rate again, probably by the end of the year if economic data turned out as forecast by the Bank. The MPC meeting of 15 December also left Bank Rate and other measures unchanged.

The latest MPC decision included a forward view that **Bank Rate** could go either up or down depending on how economic data evolves in the coming months. Our central view remains that Bank Rate will remain unchanged at 0.25% until the first increase to 0.50% in quarter 2 2019 (unchanged from our previous forecast). However, we would not, as yet, discount the risk of a cut in Bank Rate if economic growth were to take a significant dip downwards, though we think this is unlikely. We would also point out that forecasting as far ahead as mid 2019 is highly fraught as there are many potential economic headwinds which could blow the UK economy one way or the other as well as political developments in the UK, (especially over the terms of Brexit), EU, US and beyond, which could have a major impact on our forecasts.

The pace of Bank Rate increases in our forecasts has been slightly increased beyond the three year time horizon to reflect higher inflation expectations.

The August quarterly Inflation Report was based on a pessimistic forecast of near to zero GDP growth in quarter 3 i.e. a sharp slowdown in growth from +0.7% in quarter 2, in reaction to the shock of the result of the referendum in June. However, **consumers** have very much stayed in a 'business as usual' mode and there has been no sharp downturn in spending; it is consumer expenditure that underpins the services sector which comprises about 75% of UK GDP. After a fairly flat three months leading up to October, retail sales in October surged at the strongest rate since September 2015 and were again strong in November. In addition, the GfK consumer confidence index recovered quite strongly to -3 in

October after an initial sharp plunge in July to -12 in reaction to the referendum result. However, in November it fell to -8 indicating a return to pessimism about future prospects among consumers, probably based mainly around concerns about rising inflation eroding purchasing power.

Bank of England GDP forecasts in the November quarterly Inflation Report were as follows, (August forecasts in brackets) - 2016 +2.2%, (+2.0%); 2017 1.4%, (+0.8%); 2018 +1.5%, (+1.8%). There has, therefore, been a sharp increase in the forecast for 2017, a marginal increase in 2016 and a small decline in growth, now being delayed until 2018, as a result of the impact of Brexit.

Capital Economics' GDP forecasts are as follows: 2016 +2.0%; 2017 +1.5%; 2018 +2.5%. They feel that pessimism is still being overdone by the Bank and Brexit will not have as big an effect as initially feared by some commentators.

The Chancellor has said he will do 'whatever is needed' to **promote growth**; there are two main options he can follow – fiscal policy e.g. cut taxes, increase investment allowances for businesses, and/or increase government expenditure on infrastructure, housing etc. This will mean that the PSBR deficit elimination timetable will need to slip further into the future as promoting growth, (and ultimately boosting tax revenues in the longer term), will be a more urgent priority. The Governor of the Bank of England, Mark Carney, had warned that a vote for Brexit would be likely to cause a slowing in growth, particularly from a reduction in business investment, due to the uncertainty of whether the UK would have continuing full access, (i.e. without tariffs), to the EU single market. He also warned that the Bank could not do all the heavy lifting to boost economic growth and suggested that the Government would need to help growth e.g. by increasing investment expenditure and by using fiscal policy tools. The newly appointed Chancellor, Phillip Hammond, announced, in the aftermath of the referendum result and the formation of a new Conservative cabinet, that the target of achieving a budget surplus in 2020 would be eased in the Autumn Statement on 23 November. This was duly confirmed in the Statement which also included some increases in infrastructure spending.

The other key factor in forecasts for Bank Rate is **inflation** where the MPC aims for a target for CPI of 2.0%. The November Inflation Report included an increase in the peak forecast for inflation from 2.3% to 2.7% during 2017; (Capital Economics are forecasting a peak of just under 3% in 2018). This increase was largely due to the effect of the sharp fall in the value of sterling since the referendum, although during November, sterling has recovered some of this fall to end up 15% down against the dollar, and 8% down against the euro (as at the MPC meeting date – 15.12.16). This depreciation will feed through into a sharp increase in the cost of imports and materials used in production in the UK. However, the MPC is expected to look through the acceleration in inflation caused by external, (outside of the UK), influences, although it has given a clear warning that if wage inflation were to rise significantly as a result of these cost pressures on consumers, then they would take action to raise Bank Rate.

What is clear is that **consumer disposable income** will come under pressure, as the latest employers' survey is forecasting median pay rises for the year ahead of only 1.1% at a time when inflation will be rising significantly higher than this. The CPI figure has been on an upward trend in 2016 and reached 1.2% in November. However, prices paid by factories for inputs rose to 13.2% though producer output prices were still lagging behind at 2.3% and core inflation was 1.4%, confirming the likely future upwards path.

Gilt yields, and consequently PWLB rates, have risen sharply since hitting a low point in mid-August. There has also been huge volatility during 2016 as a whole. The year started with 10 year gilt yields at 1.88%, fell to a low point of 0.53% on 12 August, and hit a new peak on the way up again of 1.55% on 15 November. The rebound since August reflects the initial combination of the yield-depressing effect of the MPC's new round of quantitative

easing on 4 August, together with expectations of a sharp downturn in expectations for growth and inflation as per the pessimistic Bank of England Inflation Report forecast, followed by a sharp rise in growth expectations since August when subsequent business surveys, and GDP growth in quarter 3 at +0.5% q/q, confounded the pessimism. Inflation expectations also rose sharply as a result of the continuing fall in the value of sterling.

Employment had been growing steadily during 2016 but encountered a first fall in over a year, of 6,000, over the three months to October. The latest employment data in December, (for November), was distinctly weak with an increase in unemployment benefits claimants of 2,400 in November and of 13,300 in October. **House prices** have been rising during 2016 at a modest pace but the pace of increase has slowed since the referendum; a downturn in prices could dampen consumer confidence and expenditure.

USA. The American economy had a patchy 2015 with sharp swings in the quarterly **growth rate** leaving the overall growth for the year at 2.4%. Quarter 1 of 2016 at +0.8%, (on an annualised basis), and quarter 2 at 1.4% left average growth for the first half at a weak 1.1%. However, quarter 3 at 3.2% signalled a rebound to strong growth. The Fed. embarked on its long anticipated first increase in rates at its December 2015 meeting. At that point, confidence was high that there would then be four more increases to come in 2016. Since then, more downbeat news on the international scene, and then the Brexit vote, have caused a delay in the timing of the second increase of 0.25% which came, as expected, in December 2016 to a range of 0.50% to 0.75%. Overall, despite some data setbacks, the US is still, probably, the best positioned of the major world economies to make solid progress towards a combination of strong growth, full employment and rising inflation: this is going to require the central bank to take action to raise rates so as to make progress towards normalisation of monetary policy, albeit at lower central rates than prevailed before the 2008 crisis. The Fed. therefore also indicated that it expected three further increases of 0.25% in 2017 to deal with rising inflationary pressures.

The result of the **presidential election** in November is expected to lead to a strengthening of US growth if Trump's election promise of a major increase in expenditure on infrastructure is implemented. This policy is also likely to strengthen inflation pressures as the economy is already working at near full capacity. In addition, the unemployment rate is at a low point verging on what is normally classified as being full employment. However, the US does have a substantial amount of hidden unemployment in terms of an unusually large, (for a developed economy), percentage of the working population not actively seeking employment.

Trump's election has had a profound effect on the **bond market and bond yields** rose sharply in the week after his election. Time will tell if this is a reasonable assessment of his election promises to cut taxes at the same time as boosting expenditure. This could lead to a sharp rise in total debt issuance from the current level of around 72% of GDP towards 100% during his term in office. However, although the Republicans now have a monopoly of power for the first time since the 1920s, in having a President and a majority in both Congress and the Senate, there is by no means any certainty that the politicians and advisers he has been appointing to his team, and both houses, will implement the more extreme policies that Trump outlined during his election campaign. Indeed, Trump may even rein back on some of those policies himself.

In the first week since the US election, there was a major shift in **investor sentiment** away from bonds to equities, especially in the US. However, gilt yields in the UK and bond yields in the EU have also been dragged higher. Some commentators are saying that this rise has been an overreaction to the US election result which could be reversed. Other commentators take the view that this could well be the start of the long expected eventual unwinding of bond prices propelled upwards to unrealistically high levels, (and conversely bond yields pushed down), by the artificial and temporary power of quantitative easing.

EZ. In the Eurozone, the **ECB** commenced, in March 2015, its massive €1.1 trillion programme of quantitative easing to buy high credit quality government and other debt of selected EZ countries at a rate of €60bn per month. This was intended to run initially to September 2016 but was extended to March 2017 at its December 2015 meeting. At its December and March 2016 meetings it progressively cut its deposit facility rate to reach -0.4% and its main refinancing rate from 0.05% to zero. At its March meeting, it also increased its monthly asset purchases to €80bn. These measures have struggled to make a significant impact in boosting economic growth and in helping inflation to rise significantly from low levels towards the target of 2%. Consequently, at its December meeting it extended its asset purchases programme by continuing purchases at the current monthly pace of €80 billion until the end of March 2017, but then continuing at a pace of €60 billion until the end of December 2017, or beyond, if necessary, and in any case until the Governing Council sees a sustained adjustment in the path of inflation consistent with its inflation aim. It also stated that if, in the meantime, the outlook were to become less favourable or if financial conditions became inconsistent with further progress towards a sustained adjustment of the path of inflation, the Governing Council intended to increase the programme in terms of size and/or duration.

EZ GDP growth in the first three quarters of 2016 has been 0.5%, +0.3% and +0.3%, (+1.7% y/y). Forward indications are that economic growth in the EU is likely to continue at moderate levels. This has added to comments from many forecasters that those central banks in countries around the world which are currently struggling to combat low growth, are running out of ammunition to stimulate growth and to boost inflation. Central banks have also been stressing that national governments will need to do more by way of structural reforms, fiscal measures and direct investment expenditure to support demand and economic growth in their economies.

There are also significant specific political and other risks within the EZ: -

- **Greece** continues to cause major stress in the EU due to its tardiness and reluctance in implementing key reforms required by the EU to make the country more efficient and to make significant progress towards the country being able to pay its way – and before the EU is prepared to agree to release further bail out funds.
- **Spain** has had two inconclusive general elections in 2015 and 2016, both of which failed to produce a workable government with a majority of the 350 seats. At the eleventh hour on 31 October, before it would have become compulsory to call a third general election, the party with the biggest bloc of seats (137), was given a majority confidence vote to form a government. This is potentially a highly unstable situation, particularly given the need to deal with an EU demand for implementation of a package of austerity cuts which will be highly unpopular.
- The under capitalisation of **Italian banks** poses a major risk. Some **German banks** are also undercapitalised, especially Deutsche Bank, which is under threat of major financial penalties from regulatory authorities that will further weaken its capitalisation. What is clear is that national governments are forbidden by EU rules from providing state aid to bail out those banks that are at risk, while, at the same time, those banks are unable realistically to borrow additional capital in financial markets due to their vulnerable financial state. However, they are also 'too big, and too important to their national economies, to be allowed to fail'.
- **4 December Italian constitutional referendum** on reforming the Senate and reducing its powers; this was also a confidence vote on Prime Minister Renzi who has resigned on losing the referendum. However, there has been remarkably little fall out from this result which probably indicates that the financial markets had already fully priced it in. A rejection of these proposals is likely to inhibit significant progress in the near future to fundamental political and economic reform which is urgently needed to deal with Italy's core problems, especially low growth and a very high debt to GDP ratio of 135%. These reforms were also intended to give Italy more stable government

as no western European country has had such a multiplicity of governments since the Second World War as Italy, due to the equal split of power between the two chambers of the Parliament which are both voted in by the Italian electorate but by using different voting systems. It is currently unclear what the political, and other, repercussions are from this result.

- **Dutch general election 15 March 2017;** a far right party is currently polling neck and neck with the incumbent ruling party. In addition, anti-big business and anti-EU activists have already collected two thirds of the 300,000 signatures required to force a referendum to be taken on approving the EU – Canada free trade pact. This could delay the pact until a referendum in 2018 which would require unanimous approval by all EU governments before it can be finalised. In April 2016, Dutch voters rejected by 61.1% an EU – Ukraine cooperation pact under the same referendum law. Dutch activists are concerned by the lack of democracy in the institutions of the EU.
- **French presidential election;** first round 13 April; second round 7 May 2017.
- **French National Assembly election** June 2017.
- **German Federal election August 22 October 2017.** This could be affected by significant shifts in voter intentions as a result of terrorist attacks, dealing with a huge influx of immigrants and a rise in anti EU sentiment.
- The core EU, (note, not just the Eurozone currency area), principle of **free movement of people** within the EU is a growing issue leading to major stress and tension between EU states, especially with the Visegrad bloc of former communist states.

Given the number and type of challenges the EU faces in the next eighteen months, there is an identifiable risk for the EU project to be called into fundamental question. The risk of an electoral revolt against the EU establishment has gained traction after the shock results of the UK referendum and the US Presidential election. But it remains to be seen whether any shift in sentiment will gain sufficient traction to produce any further shocks within the EU.

Asia. Economic growth in **China** has been slowing down and this, in turn, has been denting economic growth in emerging market countries dependent on exporting raw materials to China. Medium term risks have been increasing in China e.g. a dangerous build up in the level of credit compared to the size of GDP, plus there is a need to address a major over supply of housing and surplus industrial capacity, which both need to be eliminated. This needs to be combined with a rebalancing of the economy away from investment expenditure to consumer spending. However, the central bank has a track record of supporting growth through various monetary policy measures, though these further stimulate the growth of credit risks and so increase the existing major imbalances within the economy. Economic growth in **Japan** is still patchy, at best, and skirting with deflation, despite successive rounds of huge monetary stimulus and massive fiscal action to promote consumer spending. The government is also making little progress on fundamental reforms of the economy.

Emerging countries. There have been major concerns around the vulnerability of some emerging countries exposed to the downturn in demand for commodities from China or to competition from the increase in supply of American shale oil and gas reaching world markets. The ending of sanctions on Iran has also brought a further significant increase in oil supplies into the world markets. While these concerns have subsided during 2016, if interest rates in the USA do rise substantially over the next few years, (and this could also be accompanied by a rise in the value of the dollar in exchange markets), this could cause significant problems for those emerging countries with large amounts of debt denominated in dollars. The Bank of International Settlements has recently released a report that \$340bn of emerging market corporate debt will fall due for repayment in the final two months of 2016 and in 2017 – a 40% increase on the figure for the last three years.

Financial markets could also be vulnerable to risks from those emerging countries with major sovereign wealth funds, that are highly exposed to the falls in commodity prices from

the levels prevailing before 2015, especially oil, and which, therefore, may have to liquidate substantial amounts of investments in order to cover national budget deficits over the next few years if the price of oil does not return to pre-2015 levels.

Brexit timetable and process

- March 2017: UK government notifies the European Council of its intention to leave under the Treaty on European Union Article 50
- March 2019: two-year negotiation period on the terms of exit. This period can be extended with the agreement of all members i.e. not that likely.
- UK continues as an EU member during this two-year period with access to the single market and tariff free trade between the EU and UK.
- The UK and EU would attempt to negotiate, among other agreements, a bi-lateral trade agreement over that period.
- The UK would aim for a negotiated agreed withdrawal from the EU, although the UK may also exit without any such agreements.
- If the UK exits without an agreed deal with the EU, World Trade Organisation rules and tariffs could apply to trade between the UK and EU - but this is not certain.
- On exit from the EU: the UK parliament would repeal the 1972 European Communities Act.
- The UK will then no longer participate in matters reserved for EU members, such as changes to the EU's budget, voting allocations and policies.
- It is possible that some sort of agreement could be reached for a transitional time period for actually implementing Brexit after March 2019 so as to help exporters to adjust in both the EU and in the UK.

TREASURY INDICATORS

TABLE 1: TREASURY MANAGEMENT INDICATORS	2015/16	2016/17	2017/18	2018/19	2019/20
	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	£14,124	£14,006	£13,888	£13,770
TOTAL	£0	£14,124	£14,006	£13,888	£13,770
Operational Boundary for external debt -					
borrowing	£0	£0	£0	£0	£0
other long term liabilities	£0	£14,124	£14,006	£13,888	£13,770
TOTAL	£0	£14,124	£14,006	£13,888	£13,770
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 OR:-	100%	100%	100%	100%	100%
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 OR:-	100%	100%	100%	100%	100%
Net interest re variable rate borrowing / investments	100%	100%	100%	100%	100%
Upper limit for total principal sums invested for over 364 days					
(per maturity date)	£200m	£300m	£300m	£300m	£300m

TABLE 2: Maturity structure of fixed rate borrowing during 2015/16	upper limit	lower limit
- under 12 months	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%

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/mmfs (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 categories set out below.

	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 callable deposits - banks and building societies (with maturities in excess of one year)	Long-term A, Short-term F1,	In-house and Fund Managers	£300m overall	Three 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
UK Index Linked Gilts	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 2016

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 BANK incl. Bank of Scotland -----	Up to 3 years
BBB+ F2	16-75-80	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	225	120	Up to 3 years
A- F1	Yorkshire	39	20	Up to 1 year
A F1	Coventry	36	20	Up to 1 year
A- F1	Skipton	18	20	Up to 1 year
A- F1	Leeds	14	20	Up to 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 16 December 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.

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.

Appendix D

Reserves

Forecast Movements in City Fund Usable Reserves 2017/18				
	Notes	Estimated Opening Balance 1 April 17 £m	Forecast Net Movement in Year £m	Estimated Closing Balance 31 March 18 £m
<u>Revenue Usable Reserves</u>				
General	a	(28.4)	(4.2)	(32.6)
Earmarked:				
Police future expenditure	b	(1.5)	1.5	(0.0)
Highway improvements	c	(19.8)	6.7	(13.2)
VAT Reserve	d	(4.2)	0.0	(4.2)
Proceeds of Crime Act	e	(3.6)	1.0	(2.6)
Judges Pensions	f	(1.1)	0.0	(1.1)
Public Health	g	(1.0)	0.0	(1.0)
Renewals and Repairs	h	(0.7)	0.0	(0.7)
Service Projects	i	(2.4)	0.0	(2.4)
Total Revenue Earmarked		(34.5)	9.2	(25.3)
Housing Revenue Account		(9.6)	9.0	(0.7)
Total Revenue Usable Reserves		(72.5)	14.0	(58.6)
<u>Capital Usable Reserves</u>				
Capital Receipts Reserve		0.0	0.0	0.0
Capital Grants Unapplied		(7.8)	(3.8)	(11.6)
HRA Major Repairs Reserve		(3.8)	3.1	(0.7)
Total Capital Usable Reserves		(11.5)	(0.7)	(12.2)
Total Usable Reserves		(84.1)	13.2	(70.8)

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) 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.
- (e) 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.
- (f) Judges Pensions - Sums set aside to assist with the City of London's share of liabilities.
- (g) 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.
- (h) 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.
- (i) 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.
- (j) These reserves are ringfenced by statute to the Housing Revenue Account.
- (k) It is anticipated that the capital receipts reserve will be exhausted in 2016/17 due to the City's commitment to Crossrail
- (l) Capital grants and contributions received for specific purposes. This includes receipts from the City's Community Infrastructure Levy.

Minimum Revenue Provision (MRP) Policy Statement 2017/18

To ensure that capital expenditure funded by borrowing is ultimately financed, the City Fund is required to make a Minimum Revenue Provision (MRP) when the Capital Financing Requirement (CFR) is positive. A positive 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, subject to the funding strategy for the Museum of London relocation which has yet to be agreed.

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 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. The MRP liability for 2017/18 is estimated at £896k. Subsequent year MRPs are to be equal to the deferred income to be released.

City Fund 2016/17 Budget Report and Medium Term Financial Strategy including Non Domestic Rates and Council Taxes for the Year 2017/18

Resolution by the Court of Common Council

1. It is recommended that for the 2017/18 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 (no increase 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 £119.3m.

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 2017/18 in accordance with Section 31B of the Local Government Finance Act 1992:
 - (a) 7060.39 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)
84.79	68.74	6906.86

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 2017/18 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 £16,494,000 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 2017/18 in accordance with Sections 31 to 36 of the Local Government Finance Act 1992:

- | | |
|--------------------|--|
| (a) £387,200,000 | 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) £381,147,057 | 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) £6,052,943 | 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) £16,860,638.85 | 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) £1,530.75 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 2017/18 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:

<u>Valuation Bands</u>	<u>Precepting Authority</u>
------------------------	-----------------------------

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 2017/18 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 2017;
 - 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 2017;
 - (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 2017 (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 2017.
8. The Common Council of the City of London hereby determines that its relevant basic amount of council tax for 2017/18, 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 2017/18.

Council Tax Reduction (formerly Council Tax Benefit)

9. It be noted that at the Court of Common Council meeting in January 2017 Members approved the Council Tax Reduction Scheme for 2017/18 to be the same as the scheme for 2016/17 Effectively, the City's Local Council Tax Reduction Scheme for 2017/18 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 2017, a Non-Domestic Rating Multiplier of 0.484 and a Small Business Non-Domestic Rating Multiplier of 0.471 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).
11. In addition, the levying by the Greater London Authority of a Business Rate Supplement in 2017/18 of 0.020 (i.e. 2.0p in the £) on hereditaments with a

rateable value greater than £70,000, 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 2017/18

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 2017/18 to 2019/20, 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 2017/18, the Court of Common Council hereby determines that the prudent amount of Minimum Revenue Provision is £896,000 which equals 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:

	2017/18	2018/19	2019/20
Estimates of the ratio of financing costs to net revenue stream:			
HRA	1.13	0.53	0.53
Non-HRA	(0.25)	(0.33)	(0.16)
Total	(0.12)	(0.25)	(0.10)
Estimate of the incremental impact of capital investment decisions on the Council Tax - compared to 2016/17 estimates and expressed as a Band D equivalent	£ 4,488	£ 5,614	£ 9,527
Estimate of the incremental impact on average weekly rent of capital investment decisions on housing rents	£ (4.89)	£ (4.06)	£ (1.70)
Estimates of Capital Expenditure	£m	£m	£m
HRA	36.615	25.253	7.331
Non-HRA	95.601	105.450	95.658
Total	132.216	130.703	102.989
Estimates of Capital Financing Requirement – underlying need to borrow	£m	£m	£m
HRA	0.000	0.000	0.000
Non-HRA	49.688	100.955	154.509
Total	49.688	100.955	154.509
Net borrowing/(Net investments)	Period 2016/17 to 2019/20 £m (35.193)		
Capital financing requirement – underlying need to borrow	154.509		

Prudential Indicators for Treasury Management:

	<i>2017/18</i>	<i>2018/19</i>	<i>2019/20</i>
Operational Boundary for External Debt	£m	£m	£m
Borrowing	0	0	0
Other Long Term Liabilities	14.0	13.9	13.8
Total	14.0	13.9	13.8
Authorised Limit	£m	£m	£m
Borrowing	0	0	0
Other Long Term Liabilities	14.0	13.9	13.8
Total	14.0	13.9	13.8
Upper Limit - Fixed Interest Rate Exposure	100%	100%	100%
Upper Limit-Variable Interest Rate Exposure	100%	100%	100%
Upper limit for Principal Sums Invested for > 364 days	£300m	£300m	£300m
Maturity Structure of New Fixed Rate Borrowing During 2015/16	Upper Limit %	Lower Limit %	
Under 12 months	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	

Local Indicator focusing on revenue reserves:

	<i>2017/18 Estimate</i>	<i>2018/19 Estimate</i>	<i>2019/20 Estimate</i>
<i>Times cover by dividing unencumbered revenue reserves by annual revenue deficit/(surplus) - bracketed figures denote annual surpluses</i>	<i>(5.5)</i>	<i>26.0</i>	<i>1.1</i>

Other Recommendations

19. The Treasury Management Strategy Statement and Annual Investment Strategy 2017/18 are endorsed.
20. The Chamberlain's assessment of the robustness of budgets and the adequacy of reserves is endorsed.

Report – Finance Committee

Revenue and Capital Budgets 2016/17 and 2017/18

To be presented on Thursday, 9th March 2017

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

SUMMARY

This report should be read in conjunction with the separate report to the Court entitled 'City Fund – 2017/18 Budget Report and Medium Term Financial Strategy' which recommends that:

- the Council Tax for 2017/18 remains unchanged from 2016/17; and
- Members agree to recommend no increase in the Business Rates Premium to the Court of Common Council.

The 2016/17 and 2017/18 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			
	2016/17 Original £m	2016/17 Latest £m	2017/18 Original £m
City Fund			
Gross Expenditure	344.5	396.7	383.0
Gross Income	(242.0)	(255.7)	(268.7)
Net Expenditure before Government Grants and Taxes	102.5	141.0	114.3
Government Grants and Taxes	(107.0)	(115.7)	(118.5)
Deficit/ (Surplus) from (to) Reserves	(4.5)	25.3	(4.2)
Less one-off items planned to be funded from revenue reserves	(1.4)	(32.5)	(6.7)
Underlying Deficit/(Surplus)	(5.9)	(7.2)	(10.9)
City's Cash			
Gross Revenue Expenditure	172.8	185.3	196.8
Gross Revenue Income	(173.5)	(175.9)	(181.9)
Operating Deficit (Surplus)	(0.7)	9.4	14.9
Profit on asset sales	(3.7)	(1.1)	(2.0)
Deficit/ (Surplus) from (to) Reserves	(4.4)	8.3	12.9
Bridge House Estates			
Gross Expenditure	47.9	56.8	51.3
Gross Income	(47.8)	(49.4)	(49.6)
Operating Deficit (Surplus)	0.1	7.4	1.7
Profit on asset sales	0.0	0.0	(2.0)
Deficit/ (Surplus) from (to) Reserves	0.1	7.4	(0.3)

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

City Fund

- The latest budget for the current year is an underlying surplus of £7.2m which compares to a surplus of £5.9m in the original budget. For 2017/18 a surplus of £10.9m is indicated. In particular, this surplus takes account of the City's share of growth in the retained National Non Domestic rates income which feeds, increased incomes from rents and interest earnings, and further savings/increased incomes agreed for the Service Based Review. Other reasons for the main variations are set out in paragraphs 11 to 31.
- The subsequent years of the medium term financial forecast (2018/19 to 2020/21) show a breakeven position in 2018/19 and the Fund then moves into deficit from 2019/20 due to inclusion of costs for the Museum of London relocation project. Funding options for the Museum at that point are being considered.
- 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. The Government core grant settlement for 2017/18 the Police was £51.4m, some £0.7m lower than anticipated. Overall, the fund moved into deficit in 2016/17 and the Police Medium Term Financial Plan sought to address this deficit in the short term through a combination of additional support from the City and use of the Police reserve, which will now be fully utilised in 2017/18.
- Despite these mitigations, substantial deficits are still anticipated for 2018/19 and 2019/20. In response to this, an external value for money review has been commissioned to address the problem. It is intended that initial findings from the review will be reported back to Members prior to the Summer recess. The police medium term financial position is considered in detail in the separate report to the Court entitled 'City Fund – 2017/18 Budget Report and Medium Term Financial Strategy'.

City's Cash

- The City's Cash deficit in the current year is anticipated to be £8.3m compared to a surplus of £4.4m in the original budget. This movement largely relates to budgets carried forward from 2015/16; additional cyclical works; lower disposal receipts due to slippage; and provision for the "Promoting the City" initiative. These additional costs are in part offset by extra rental income. Details of significant budget variations are set out in paragraphs 37 to 45.
- For 2017/18, the City's Cash deficit increases due to some additional costs, such as an increase in the employers' pension contribution but also to increased investment in repairs and maintenance projects and the 'Promoting the City' initiative. Some of these costs are offset by additional rental income.

- As indicated in the table above, these bottom line figures are after anticipated profits on asset sales of £1.1m and £2.0m respectively. If the profits on asset sales are excluded, there is an estimated operating deficit of £9.4m in the current year and £14.9m in 2016/17.
- With regard to the subsequent years of the medium term financial forecast, City's Cash has a reducing deficit in 2018/19 and 2019/20 and returns to surplus in 2020/21.

Bridge House Estates

- For the current year, the deficit is estimated to increase from £0.1m to £7.4m, mainly due to an increase in expenditure on cyclical repairs projects such as Tower Bridge Bascules.
- For 2017/18, the fund is expected to break even in broad terms. Surpluses are forecast for the remaining planning period of 2018/19 to 2020/21, even after allowing for the £5m increase to the City Bridge Trust grants budget to be extended to the end of the period. Details of significant budget variances are set out in paragraphs 50 to 60.

Guildhall Administration

- 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. Details of significant budget variances are set out in paragraphs 62 to 63.
- The 2017/18 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 john.james@cityoflondon.gov.uk.

RECOMMENDATION

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

- a) note the latest revenue budgets for 2016/17;
- b) agree the 2017/18 revenue budgets, subject to any amendments on the City Fund that may be agreed in relation to the report on 'City Fund – 2017/18 Budget Report and Medium Term Financial Strategy';
- c) agree the capital budgets; and
- d) delegate authority to the Chamberlain to determine the financing of the capital budgets.

MAIN REPORT

Background

1. The primary purpose of this report is to summarise the latest budgets for 2016/17 and the proposed budgets for 2017/18, respectively, together with the capital budgets, which have all been prepared within agreed policy guidelines and allocations.
2. 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 (see paragraphs 3 and 4 below) to which the Service Based Review didn't apply, took account of the general planning framework for Chief Officers which provided for:
 - an allowance towards pay and price increases of 1%;
 - inclusion of 3.5% increase across all funds in employer's pension contributions to tackle the pension fund deficit; and
 - the inclusion of the Service Based Review expenditure reductions and/or increased incomes agreed by the Policy and Resources Committee.
3. 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 exhausting its reserves in 2017/18. In addition, because of the Police's worsening financial position, the City has agreed to fund some specific additional cost pressures relating to IT, additional employer's pension contribution as well as the marginal reduction in grant from the Police core grant settlement. An external value for money review has been commissioned with a view to addressing financial pressures in future years.
4. For Bridge House Estates, the 1% allowance towards inflationary pressures and the resources for the 3.5% increase in employer's national insurance have been provided, but, as the fund remains in a reasonably buoyant position, no Service Based Review budget reductions have been required. Savings have, however, been made in the fund, through the reduction of central departmental costs which are then apportioned to the fund.
5. Accompanying this report is the Summary Budget Book 2017/18 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 john.james@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

6. 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.
7. The medium term financial strategies/budget policies for each of the funds are set out in Appendix 1.

CITY FUND

Overall Budget Position

8. The overall budgets have been prepared in accordance with the strategy and the requirements for 2016/17 and 2017/18 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	2016/17 Original £m	2016/17 Latest £m	2017/18 Original £m
<i>Net Expenditure (Income)</i>			
Barbican Centre	24.7	26.4	26.6
Barbican Residential	2.8	2.9	2.3
Community and Children's Services	11.7	12.1	12.0
Culture Heritage and Libraries	20.6	20.1	20.7
Finance ⁽²⁾	(11.8)	20.6	(5.3)
Licensing	0.1	0.1	0.1
Markets	(0.7)	(1.7)	(1.2)
Open Spaces	1.7	1.7	1.7
Planning and Transportation	14.5	13.8	15.4
Police ⁽³⁾⁽⁴⁾	58.3	65.1	64.0
Policy and Resources	3.9	4.6	4.0
Port Health and Environmental Services	13.6	13.5	13.6
Property Investment Board	(36.9)	(38.2)	(39.6)
City Fund Requirement⁽⁵⁾	102.5	141.0	114.3

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 £11.8m surplus in the 2016/17 original budget to £20.6m deficit in the 2016/17 latest budget primarily relates to the purchase of an investment property (133 Whitechapel High Street) from reserves plus the funding of some agreed supplementary revenue projects
3. The increase in Police net expenditure from £58.3m in the original budget to £65.1 in the latest budget relates to a £5.2m carry forward of unused budget for the Action Fraud Service provided to assist with its cash flow. It should be repayable over the life of the project.

4. The increase in Police net expenditure from £58.3m in the original budget 2016/17 to £64.0m in the original budget 2017/18 comprises £2.0m extra expenditure funded by the headroom on business rates plus the agreed additional City Fund support for 2017/18 for Police IT, employer's pension contribution, capital schemes and deficit after utilisation of Police reserves
5. Reconciles to line 9 in the following table.

9. 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 7, and investment property rent income – line 8);
 - the funding received from Government formula grants and from taxes (lines 10 to 13); and
 - the estimated surpluses to be transferred to reserves, or deficits to be funded from reserves (lines 15 to 17)

City Fund Revenue Requirements 2016/17 and 2017/18					
		2016/17 Original £m	2016/17 Latest £m	2017/18 Original £m	Para. No.
1	Net expenditure on services	141.9	148.1	163.1	11,19
2	Property Investments funded from Revenue Reserves	1.9	27.3	6.7	12,20
3	City Police - Action Fraud	(0.5)	5.2	0.0	13
4	Cyclical Works Programme and capital expenditure financed from revenue	4.0	8.9	13.7	14,21
5	Drawdown retained business rates	-	-	(21.2)	22,23
6	Requirement before investment income from the City's Assets	147.3	189.5	162.3	
7	Interest on balances	(2.5)	(4.0)	(3.0)	15,24
8	Estate rent income	(42.3)	(44.5)	(45.0)	16,25
9	City Fund Requirement	102.5	141.0	114.3	
	Financed by:				
10	Government formula grants	(80.5)	(88.7)	(90.1)	17,26
11	City offset	(11.0)	(11.0)	(11.3)	
12	Council tax	(7.4)	(7.4)	(6.6)	29
13	Business rates premium	(8.1)	(8.6)	(10.5)	30
14	Total Government Grants and Tax Revenues	(107.0)	(115.7)	(118.5)	
15	Deficit/(Surplus)transferred from (to) reserves	(4.5)	25.3	(4.2)	
16	Less one-off items planned to be funded from revenue reserves	1.4	32.5	6.7	18,31
17	Underlying Deficit/(Surplus)	(5.9)	(7.2)	(10.9)	

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

10. The latest budget for the current year is an underlying surplus of £7.2m which compares to a surplus of £5.9m in the original budget. For 2017/18 a surplus of £10.7m is indicated. The subsequent years of the medium term financial forecast (2018/19 to 2020/21) show a breakeven position in 2018/19 and the Fund then moves into deficit from 2019/20, due to the inclusion of costs for the

Museum of London relocation project. Funding options for the Museum project at that point are being considered.

Revenue Budget 2016/17

Net Expenditure on Services

11. Net expenditure on City Fund services in 2016/17 was originally budgeted at £141.9m, whereas the latest budget totals £148.1m, an increase of £6.3m.

The main reasons for this increase are:

- £3.2m of agreed budget carry-forwards from 2015/16. This comprises a number of items including cyclical works on various investment properties, additional funding for the Operational Property Implementation Reserve (to further asset realisation objectives) and further provision for the One Safe City project;
- £1.3m investment in Information Technology (IT) to ensure we have modernised, robust and reliable IT systems and services;
- £0.5m for Barbican Centre equipment, previously funded from the its capital cap which has now been replaced by the Cyclical Works programme (CWP);
- £1.8m additional support for the Police, largely relating to IT and slippage on the Action Fraud Scheme repayment (see para 21 below);
- £0.8m reduction in costs funded from the On Street Parking Reserve;
- £0.3m agreed adjustment for planned service based review savings;
- £0.3m for contribution pay awards.

partly offset by

- £1.3m additional rental income from Markets;
- £0.4m refund on business rates.

Property Investments Funded from Revenue Reserves

12. The purchase of an investment property (133 Whitechapel High Street), during the year, was funded from reserves.

City Police Action Fraud

13. 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 which could not be met from Police reserves. All the costs were originally envisaged to fall in 2016/17 but due, to slippage on the project, £5.2m of this budget was carried forward to 2016/17. Repayments will now fall into later financial years.

Cyclical Works Programme and Capital Expenditure Financed from Revenue

14. The increase from £4.0m to £8.9m largely relates to expenditure on the Police accommodation project.

Interest on Balances

15. The latest budget for 2016/17 anticipates an increase of £1.5m in interest earnings to £4.0m. This reflects a more beneficial cash flow, particularly from larger business rate receipts and capital transactions. The assumed average interest rate for the year is unchanged at 0.5%.

Investment Estate Rent Income

16. Rent income from investment properties is forecast to be £44.5m, an increase of £2.2m compared to the original budget. Significant variances include additional rent arising from the purchase of a new property at 133-137 Whitechapel High Street and a substantial increase in rent following a rent review at Baynard House

Government Formula Grants

17. The increase from £80.5m to £88.7m mainly relates to the City's share of growth in national non domestic rates which feeds through to income in 2016/17 and 2017/18.

Transfer from Reserves

18. The £32.5m 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 13).

Revenue Budget 2017/18

Net Expenditure on Services

19. Net expenditure on City Fund services in 2017/18 is £163.1m, an increase of £21.2m on the Original Budget for 2016/17. The main reason for the increases are:
- £10.5m funding in 2017/18 for the Museum of London relocation project, based on the latest profiled project spend
 - £1.8m investment in Information Technology (IT), excluding City Police, to ensure we have modernised, robust and reliable IT systems and services
 - £5.3m additional funding for the City Police, covering additional IT costs, the shortfall in Home Office grant, additional employer's pension contribution and revenue funding of capital schemes. There is also additional expenditure funded by the increased headroom on business rate premium.
 - £1.9m as a result of the 3.5% increase in the rate for employer's pension contribution
 - £0.6m allowance for pay and prices

- £0.8m for the apprentices scheme, including £0.5m provision for the levy
- £0.5m for additional security works on City Fund operational buildings
- £0.4m provision for marketing and other costs connected with the Cultural Hub
- £0.4m provision for additional expenditure on adult social care, and £0.4m for additional expenditure for the rough sleeper initiative. Funds to be drawn down, subject to a report to Policy & Resources Committee
- £0.5m for Barbican Centre equipment

partly offset by:

- £2.4m for the next tranche of service based review savings/increased income
- £0.7m additional rental income from Markets

Property Investments Funded from Revenue Reserves

20. The planned expenditure principally comprises £5m works for the Cultural Hub 'Look and Feel' Strategy (for which a further report to Policy Committee will be submitted) and £1.5m of works for Exhibition Hall 1.

Cyclical Works Programme and Capital Expenditure Financed from Revenue

21. The increase in budget for 2017/18 relates mainly to feasibility costs for the Centre for Music, further expenditure on the Police accommodation project and the latest phasings of the cyclical works and additional works programmes. It also includes an additional £2m provision for some substantial refurbishment projects.

Drawdown Retained Business Rates

22. The City has benefitted from an increase in business rates, arising from growth in business occupation which, under the Government scheme, can be retained by the City. An element of these retained rates, from previous years, has been drawn down to fund some items of expenditure and, in particular, for the Museum of London relocation project.
23. The recent revaluation exercise of business properties has led to an average 30% increase the rateable values of businesses in the square mile. However, the exercise will not see any 'windfall' for the City Corporation, as additional income from revaluations is not retained locally.

Interest on Balances

24. Income is anticipated to increase from £2.5m in the 2016/17 original budget to £3.0m in 2016/17. This reflects a more beneficial cash flow, particularly business rate receipts, capital transactions and higher reserves. The assumed average interest rate for the year remains at 0.5%.

Investment Estate Rent Income

25. The latest rental forecasts for 2017/18 assume an increase of £2.7m to £45m, compared to the original budget for 2016/17. Significant variances include

additional rent arising from the purchase of a new property at 133-137 Whitechapel High Street and a substantial increase in rent following a rent review at Baynard House

Core Government Grants

26. Overall, there is an estimated increase of £9.6m in core Government grants but, as indicated below, the position is somewhat complex.

Table 4: Analysis of Core Government Grants					
		2016/17	2017/18	Reduction (Increase) on 2016/17	
		Original £m	Original £m	£m	%
1	Police	52.1	51.4	0.7	1.3%
2	Non-Police	10.6	8.8	1.8	17.0%
3	Total before Rates Retention Scheme and grants Rolled In	62.7	60.2	2.5	4.0%
4	Baseline	15.3	15.6	(0.3)	(2.0%)
5	Growth	2.5	14.3	(11.8)	(472.0%)
6	Total before Grants Rolled In	80.5	90.1	(9.6)	(11.9%)
7	Grants Rolled In	(0.4)	(0.4)	0.0	NA
8	Total Core Government Grants	80.1	89.7	(9.6)	(12.0%)

27. Lines 1 to 3 are the basic formula grants which have, in total, reduced by £2.5m.
28. Lines 4 to 7 reflect the impact of the Rates Retention Scheme for which the outturn does not generally feed through until subsequent years.

Council Tax

29. There is an estimated decrease of £0.8m in 2017/18 compared to 2016/17, due to the recognition of surpluses from previous years. The underlying income base of £6m remains unchanged. 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.

Business Rates Premium

30. The City premium is affected by the revaluation as the yield will increase in line with rateable values.

Transfer from Reserves

31. The net £6.7m planned transfer from reserves is to fund the property works detailed above (para 21)

CITY'S CASH

Overall Budget Position

32. The budgets have been prepared in accordance with the budget policy, set out in Appendix 1 and the net positions for 2016/17 and 2017/18 are summarised by Committee in the table below. Reserves are available to meet the estimated deficit in the current year and in 2017/18.

City's Cash Summary by Committee	2016/17 Original £m	2016/17 Latest £m	2017/18 Original £m
<i>Net Expenditure (Income)</i>			
Culture, Heritage & Libraries	0.0	0.0	0.0
Education Board	1.0	1.0	1.3
Finance ⁽¹⁾⁽²⁾	(9.4)	6.5	3.3
G. P. Committee of Aldermen	3.2	3.5	3.4
Guildhall School of Music and Drama	10.1	10.2	12.1
Markets	1.0	0.0	1.0
Open Spaces :-		0.0	0.0
Open Spaces Directorate	0.0	0.2	0.0
Epping Forest and Commons	7.7	7.0	8.4
Hampstead, Queen's Pk, Highgate Wd	7.7	6.8	8.3
Bunhill Fields	0.5	0.3	0.3
West Ham Park	1.2	1.1	1.2
Policy and Resources	11.7	14.1	14.8
Property Investment Board	(42.9)	(46.1)	(45.0)
Schools :-			
City of London School ⁽³⁾	1.4	1.4	1.5
City of London Freeman's School ⁽³⁾	1.8	1.7	1.7
City of London School for Girls ⁽³⁾	0.6	0.6	0.6
Deficit (Surplus) from (to) reserves	(4.4)	8.3	12.9

1. For Finance Committee, the significant variations between the 2016/17 original budget (£9.4m credit) and the 2016/17 latest (£6.5m debit) mainly comprise expected slippage £2.6m in disposal receipts largely for Queens Bridge House, £1.8m deferred income accounting adjustment in accordance UKGAAP, £8.9m for agreed supplementary revenue projects and a £1.1m carry-forward relating to the Cultural Hub
2. For Finance Committee, the significant variations between the 2016/17 original budget (£9.4m credit) and the 2017/18 original budget (£3.3m debit) principally comprises £1.4m provision for employer's pension contribution increase, £1.8m deferred income accounting adjustment in accordance UKGAAP, £7.8m for agreed supplementary revenue projects and £0.5m for provision for extra security works
3. Shows City support rather than net expenditure by the schools.

33. 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 2016/17 and 2017/18					
		2016/17 Original £m	2016/17 Latest £m	2017/18 Original £m	Para. No.
1	Net expenditure on services	64.9	71.6	73.5	37,42
2	Cyclical Works Programme	4.6	11.4	14.2	38,43
3	Estate rent income	(50.4)	(53.8)	(53.0)	39,44
4	Non-property investment income (net)	(19.5)	(19.5)	(19.5)	40
5	Interest on balances	(0.3)	(0.3)	(0.3)	
6	Operating Deficit (Surplus)	(0.7)	9.4	14.9	
7	Profit on asset sales	(3.7)	(1.1)	(2.0)	41,45
8	Deficit (Surplus) from (to) reserves	(4.4)	8.3	12.9	

34. The City's Cash deficit in the current year is anticipated to be £8.3m, compared to a surplus of £4.4m in the original budget. This movement largely relates to incorporation of agreed budget carry forwards, additional cyclical works, lower disposal receipts due to slippage, provision for the 'Promoting the City' Initiative, and an accounting adjustment for deferred income. This is, in part, offset by additional rental income.
35. For 2017/18, the City's Cash deficit increases are due to some additional costs such as an increased employers' pension contribution, but also due to increased investment in repairs and maintenance projects and for the 'Promoting the City' initiative. Some of these costs are offset by additional rental income.
36. With regard to subsequent years, the medium term financial forecast has a reducing deficit in 2018/19 and 2019/20 and returns to surplus in 2020/21.

Revenue Budget 2016/17

Net Expenditure on Services

37. Net expenditure on City's Cash services for 2016/17 was originally budgeted at £64.9m. The latest budget of £71.6m is an increase of £6.7m which is primarily due to:
- £3.4m of agreed budget carry forwards from 2015/16 this included provision for Corporate FM staff pending reorganisation, additional funding for the Operational Property Implementation Reserve (to further asset realisation objectives) and unspent City's Cash contingencies.
 - £1.5m for the "Promoting the City" initiative
 - £1.8m deferred income accounting adjustment of £1.8m, as a result of adoption of the new UKGAAP accounting standard (FRS102).

Cyclical Works Programme

38. The increase from £4.6m to £11.4m includes expenditure on Museum of London relocation project, Crossrail Art, and slippage on works at the Guildhall School of Music & Drama, in part offset by a reduction in the additional works programme due to rephasing of projects.

Investment Estate Rent Income

39. Rent income from investment properties is forecast to be £53.8m which is an increase of £3.4m on the original budget. The positive variance is mainly due to a new lease with increased rents at 220-226 Tottenham Court Road, new lettings at 53 New Broad St following refurbishment, and rent from a newly acquired property at 37/39 Creechurch Lane.

Non-Property Investment Income

40. 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 2016/17 and 2017/18, after the deduction of management fees, remains at the £19.5m assumed in the 2016/17 original budget.

Profit on Asset Sales

41. The profit on the sale of assets is anticipated to reduce from £3.7m to £1.1m due to slippage in anticipated disposal receipts, mainly relating to Queensbridge House.

Revenue Budget 2017/18

Net Expenditure on Services

42. Net expenditure on City's Cash services for 2017/18 is budgeted at £73.5m, an increase of £8.6m compared to the original budget for 2016/17. The main reasons for the increased requirement are:
- £1.4m provision for the increase in employers' pension contribution
 - £1.8m deferred income accounting adjustment, as a result of adoption of the new UKGAAP accounting standard (FRS102)
 - £2.5m for the "Promoting the City" initiative
 - £0.8m investment in IT to ensure we have a robust and reliable IT system.
 - £0.8m extra staffing for apprentice posts and for additional City Surveyor's staff, working on the expanded cyclical works programme and investment properties
 - £0.5m for additional security works on the City's operational properties
 - £0.4m allowance for pay and prices
 - £0.9m increase in the depreciation charge for capital schemes, relating to IT and Hampstead Heath ponds.
 - £0.4m for additional business rates at Hamilton House
 - £0.4m for equipment at the Guildhall School of Music & Drama.
- partly offset by*
- £1.2m of savings/increased income relating to the Service Based Review,

Cyclical Works Programme

43. The £9.6m increase in budget to £14.2m mainly relates to health and safety works to the Smithfield market site, to facilitate the Museum of London relocation and external repairs to the Magistrates' Court at 1 Queen Victoria Street.

Investment Estate Rent income

44. Rent income from investment properties is forecast to be £53.0m, which is an increase of £2.6m on the 2016/17 original budget. There is a general improvement in the forecast, due to a new lease with increased rents at 220-226 Tottenham Court Road; new lettings at 53 New Broad St and 85 Gresham Street; and rent from a newly acquired property at 37/39 Creechurch Lane. This has been, in part, offset by a reduction in rent due to a lease expiry at 209/212 Tottenham

Profit on Asset Sales

45. The estimate of £2.0m for profits on asset sales relates to the disposal of surplus operational assets, rights of light compensation, and investment property overage receipts.

BRIDGE HOUSE ESTATES

Overall Budget Position

46. The budgets have been prepared in accordance with the budget policy set out in Appendix 1, the requirements for 2016/17 and 2017/18 are summarised in the table below.

Bridge House Estates Summary by Committee <i>Net Expenditure (Income)</i>	2016/17 Original £m	2016/17 Latest £m	2017/18 Original £m
The City Bridge Trust	21.4	23.0	22.6
Culture, Heritage and Libraries	(0.3)	(0.5)	(0.9)
Finance	(10.5)	(3.9)	(10.3)
Planning and Transportation	3.9	4.4	4.1
Property Investment Board	(14.4)	(15.6)	(15.8)
Deficit (Surplus) from (to) reserves	0.1	7.4	(0.3)

47. 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 7, respectively); and
 - the budgets for charitable grants (line 9).

Bridge House Estates Requirements 2016/17 and 2017/18					
		2016/17 Original £m	2016/17 Latest £m	2017/18 Original £m	Para. No.
1	Net expenditure on services	9.8	11.3	10.4	50,56
2	Cyclical Works Programme	0.5	7.0	1.9	51,57
3	Bridges repairs, maintenance and major works fund contribution	1.1	1.6	1.1	52,53
4	Estate rent income	(19.0)	(20.2)	(20.4)	54,58
5	Non-property investment income (net)	(12.2)	(12.2)	(12.2)	55
6	Interest on balances	(0.1)	(0.1)	(0.1)	
7	Profit on asset sales	0.0	0.0	(2.0)	59
8	Revenue surplus	(19.9)	(12.6)	(23.3)	
9	Charitable grants	20.0	20.0	21.0	60
10	Deficit (Surplus) from (to) reserves	0.1	7.4	(0.3)	

48. For the current year, the deficit is estimated to increase from £0.1m to £7.4m mainly due to expenditure on cyclical works relating to Tower Bridge bascules.
49. For 2017/18, the fund is expected to break-even in broad terms. A return to surpluses is forecast for 2018/19, 2019/20 and 2020/21 - despite the three-year increase to the City Bridge Trust grants budget being extended to the end of the planning period.

Revenue Budget 2016/17

Net Expenditure on Services

50. The increase from £9.8m to £11.3m in 2016/17 is largely due to the inclusion of the unspent grant budget for City Bridge Trust of £1.5m in 2015/16 approved to be brought forward to 2016/17 fund additional grant giving in the year. This was in accordance with the City's budget carry-forward arrangements;

Cyclical Works Programme

51. The latest estimate includes an additional £6.5m for cyclical works mainly relates to the Tower Bridge bascules redecking and waterproofing project.

Bridges Repairs, Maintenance and Major Works Fund

52. 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.
53. 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 £1.6m for 2016/17– an increase of £0.5m. The assessed contribution returns to £1.1m for 2017/18. 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

54. Rent income from investment properties is forecast to be £20.2m, which is an increase of £1.2m on the original budget, arising from a number of properties, but principally from 24-25 New Bond Street.

Non-Property Investment Income

55. 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 amount to be drawn down in 2016/17 and 2017/18, after the deduction of management fees, remains at the £12.2m assumed in the 2016/17 original budget.

Revenue Budget 2017/18

Net Expenditure on Services

56. The estimate for 2017/18 of £10.4m is an increase of £0.6m on the original budget for 2016/17. This increase primarily relates to increases in employer's national insurance contributions, apprentice costs and an increase in costs for "strategic initiatives" under City Bridge Trust

Cyclical Works Programme

57. The estimate of £1.9m is an increase of £1.4m in the original budget for 2016/17 and relates to additional void costs associated with the redevelopment of 181 Queen Victoria Street and also funding for enhanced river camera provision.

Investment Estate Rent Income

58. The increase in rental income, from £19m to £20.4m, arises from a number of properties, but notably from improved rents at 24-25 New Bond Street.

Profit on Asset Sales

59. This relates to the £2m overage payment, due from the developer as part of the Bridge Master Phase 1 project

Charitable Grants

60. The reason for the increase of £1m to £21m is the full effect of the agreed three year increase in the grants budget. The original budget 2016/17 already contains an agreed increase of £3m; this further £1m increase takes the additional funding to the £4m agreed for 2017/18. The forecasts assume this additional funding will now continue to the end of the planning period in 2020/21.

GUILDHALL ADMINISTRATION

61. 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	2016/17 Original £m	2016/17 Latest £m	2017/18 Original £m
Establishment - Town Clerk & C&CS	11.2	11.5	10.9
Finance - Chamberlain	32.5	34.3	34.7
Finance - City Surveyor, Remembrancer and Town Clerk	21.1	20.0	22.3
Total Net Expenditure	64.8	65.8	67.9
Recovery of Costs	(64.8)	(65.8)	(67.9)
Total Guildhall Administration	0	0	0

Revenue Budget 2016/17

62. The overall net budget has increased by £1.0m to £65.8m. The main variations are as follows:

- £1.9m approved uplift in the IT budget
- £1.0m approved budgets brought forward from 2015/16
- £0.2m for contribution pay.

partly offset by

- £1.2m reduction relating to the rephasing of the additional repairs and maintenance works programmes
- £0.6m reduction in insurance premiums, mainly due to revaluations and lower excess payments.

Revenue Budget 2017/18

63. The net expenditure for 2017/18 is £67.9m, an increase of £3.1m from 2016/17. The main variations are as follows:

- £2.7m approved uplift in the IT budget
- £0.3m allowance for pay and prices
- £0.4m agreed by Policy and Resources Committee for the new contract management team
- £0.5m net increased expenditure on the additional works/cyclical works programme
- £0.5m for increased business rates, as a result of revaluation

partly offset by

- £0.9m of savings/increased income relating to the Service Based Review;
- £0.4m reduction in insurance premiums, partly due to revaluations and to lower excess payments.

CAPITAL AND SUPPLEMENTARY REVENUE PROJECT BUDGETS

64. The City Fund, City's Cash and Bridge House Estates capital and supplementary revenue project budgets are now being submitted to the Court of Common Council in March are included in the Summary Budget Book.
65. The "Supplementary Revenue Projects" classification was created to cover costs for some projects which do not comply with the accounting definition of capital expenditure; this is an accounting treatment and does not change the projects themselves, which continue to be controlled in the same way as capital projects. The relevant expenditure and income on such projects is posted to revenue accounts, rather than capitalised at year end.

City Fund Capital and Supplementary Revenue Project Budgets

66. The latest approved City Fund capital and supplementary revenue projects budgets total £282.5m for 2016/17 and £30.4m for 2017/18. The budgets for both years include schemes relating mainly to existing HRA stock improvements and construction of new affordable housing, works to the Central Criminal Court and highways/streetscene schemes, most notably the highway and public realm scheme at Aldgate. The 2017/18 total will increase if further projects are approved later in the year. In addition, the 2016/17 budget reflects the capital contribution of £200m payable towards Crossrail and the purchase of an investment property, which accounts for the significant change across years. 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

67. The latest City's Cash capital and supplementary revenue projects budgets total £53.1m for 2016/17 and £7.4m for 2017/18. The budgets include property investments, the flood mitigation scheme at Hampstead Heath, and the new swimming pool at the Freeman's school.

Bridge House Estates Capital and Supplementary Revenue Project Budgets

68. The latest Bridge House Estates capital and supplementary revenue projects budgets total £29.4m for 2016/17 and £4.0m in 2017/18, mainly related to investment property acquisitions and developments and works at Tower Bridge.

Financing Capital Expenditure

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

Conclusion

70. Therefore, the Court of Common Council is **recommended** to:

- a) note the latest revenue budgets for 2016/17;
- b) agree the 2017/18 revenue budgets, subject to any amendments on the City Fund that may be agreed in relation to the report on 'City Fund – 2017/18 Budget Report and Medium Term Financial Strategy';
- c) agree the capital budgets; and
- d) 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 21st day of February 2017.

SIGNED on behalf of the Committee.

Jeremy Mayhew
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.

Report – Policy and Resources Committee

Proposed Amendments to Standing Orders in relation to disposal of property assets

To be presented on Thursday, 9th March 2017

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

SUMMARY

In July 2016, the Finance Committee conducted a review of the operations of its Sub-Committees. One of the proposals emerging from that review was that the Corporate Asset Sub-Committee (CASC) be responsible for decisions regarding the disposal of properties which had been declared as surplus to the Corporation's operational requirements (and which were not suitable as investment property assets).

The proposal is that, when properties are declared as surplus to the City Corporation's operational requirements, the City Surveyor's Investment Property Group would be given the opportunity to determine whether it would wish for the properties in question to be retained as investment property assets. Properties would only be passed to CASC if they are not appropriate as investment property assets.

Properties which are not suitable as investment property assets would typically be those which are located outside of the City, often in areas around the Corporation's open spaces, or are of a type of property which is not suitable (such as former staff dwellings and public conveniences). For properties such as this, CASC would be the Committee responsible for decisions which may arise regarding ongoing management considerations. Therefore, it would be appropriate for decisions regarding the disposal of the properties to also be made by CASC.

This proposal has the support of both the Property Investment Board (PIB) and the Investment Committee.

In order to enact this proposal, an amendment is required to the Standing Orders which govern the disposal of property assets (Standing Orders 56 and 57) to provide authority to CASC for these transactions. Proposed wording for the amended Standing Orders is set out in Appendix 1.

RECOMMENDATION

The Court of Common Council is recommended to approve the amendment of Standing Orders 56 and 57 as set out in Appendix 1.

MAIN REPORT

Background

1. In July 2016, the Finance Committee considered proposals to review the operation of its Sub-Committees, one of which is CASC. The primary role of CASC is to ensure the effective and sustainable management of all operational property assets to help to deliver strategic priorities and service needs. This role includes ensuring that the City Corporation is making the most efficient use of its operational properties and, where properties are surplus to operational requirements, declaring these as surplus to the organisation's requirements.

Current Position

2. Currently, when a property is designated as surplus to operational requirements across the organisation, it is passed to the PIB for disposal. Typically, properties that are declared as surplus to operational requirements are located in areas which are not suitable for investment property (outside of the City, often in areas around the Corporation's open spaces) or are of a type of property which is not suitable as investment property (such as former staff dwellings).
3. In many cases these properties are ultimately not sold outright, but are leased out to commercial or non-commercial tenants, which can mean that the City Surveyor has to manage the property and occupier.
4. Due to the location and type of tenants, ongoing management of such properties more appropriately fits within the remit of the Corporate Property Group (which reports to CASC) than within the Investment Property Group's investment strategies for each fund (which reports to the PIB). Therefore, it would be appropriate for decisions regarding the disposal of the properties to be the responsibility of the Committee which will also be responsible for decisions which may arise regarding ongoing management considerations.
5. Recent examples of operational properties which were declared as surplus to requirements, for which it would be more appropriate for CASC to be responsible for decisions regarding disposal, are the Rabbits Road Bridge plot at the City of London Cemetery, and the Sylvacote cottage and Avenue cottage at the City of London Freeman's School.
6. Therefore, the Finance Committee agreed to propose to PIB and the Investment Committee that it would be more appropriate for CASC to be the Committee responsible for disposing of properties determined to be surplus to City Corporation's operational requirements, where those properties are not suitable to be retained as investment property assets.
7. When properties are declared as surplus to operational requirements, the City Surveyor's Investment Property Group will be given the opportunity to determine whether it would consider the properties in question to be appropriate for retention as investment property assets. In the event that any properties are suitable as investment property assets, these properties would continue to be the responsibility of PIB.

8. That resolution was considered by PIB at its meeting on 16 November 2016 and PIB was supportive of the proposals. PIB requested and received assurance that CASC would receive appropriate advice to consider these matters.
9. The matter was also considered by the Investment Committee at its meeting on 18 January 2017 and that Committee supported the proposal.

Proposals

10. In order to enact this proposal, amendments are required to the Standing Orders which govern disposals of properties (Standing Orders 56 and 57) to authorise the Finance Committee (through the Corporate Asset Sub-Committee) to be responsible for the disposal of assets which are not suitable as investment property assets.
11. It is proposed that the Standing Orders be amended to delineate between Investment Property Assets and Non-Investment Property Assets. It is proposed that decisions regarding disposal of Non-Investment Property Assets be delegated to the Finance Committee (which would further delegate this duty to the Corporate Asset Sub-Committee).
12. There are no proposals to change the approvals required under Standing Orders in relation to Investment Property Assets.
13. The proposed amended text of Standing Orders 56 and 57 are set out in Appendix 1. These proposals were supported by the Policy and Resources Committee on 15 February 2017.

Conclusion

14. As set out within the report, due to the nature of the properties in question, it would be appropriate for CASC to take responsibility for the disposal of surplus properties where there are no other operational requirements for such space and where the properties are not suitable as investment property assets. The Court of Common Council is therefore recommended to approve the amendment of Standing Orders 56 and 57 to enable CASC to dispose of such properties, as set out at Appendix 1.

Appendices

- Appendix 1 – Proposed amended text of Standing Orders 56 and 57

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

DATED this 16th day of February 2017.

SIGNED on behalf of the Committee.

Mark Boleat
Chairman, Policy and Resources Committee

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Standing Orders governing property transactions – proposed amendments

(additions are italicised and underlined)

56. Freehold Disposals

1. Disposals of freeholds subject to 2000 year leases and of former freehold highway land shall be subject to the approval of the Property Investment Board (investment property assets) or the Finance Committee (for non-investment property assets).
2. All other freehold disposals shall require the following approvals:-

Anticipated Receipt	Approval By	
	<u>Investment Property Asset</u>	<u>Non-Investment Property Asset</u>
Less than £500,000	Property Investment Board	<u>Finance Committee*</u>
£500,000 to less than £5,000,000	Property Investment Board and Finance Committee	<u>Finance Committee</u>
£5,000,000 and above	Property Investment Board, Finance Committee and Court of Common Council	<u>Corporate Asset Sub-Committee, Finance Committee and Court of Common Council</u>

*Or a Sub-Committee of the Finance Committee, if so delegated

57. Leasehold Disposals/Surrenders

1. All lettings shall be subject to the following:-

- a. lettings for a period of 25 years or less, including lease renewals and the grant of easements, wayleaves and similar arrangements as well as all rent reviews, shall be solely subject to the approval of the Committee having control of such property or any properly authorised Officer:-
- b. the grant of any lease at less than full rack rental value for a period of 175 years or less (including optional extensions of term) shall require the approval of the Property Investment Board (investment property assets) or the Finance Committee (for non-investment property assets), any premium being subject to the approval of the following Committees:-

Anticipated Premium Receipt (1)	Approval By	
	<u>Investment Property Asset</u>	<u>Non-Investment Property Asset</u>
Less than £1,000,000	Property Investment Board	<u>Finance Committee</u> *
£1,000,000 to less than £5,000,000	Property Investment Board and Finance Committee	<u>Finance Committee</u>
£5,000,000 and above	Property Investment Board, Finance Committee and Court of Common Council	<u>Corporate Asset Sub-Committee, Finance Committee and Court of Common Council</u>

*Or a Sub-Committee of the Finance Committee, if so delegated

(1) For the purpose of these Standing Orders 'receipt' means receipt by the City of London Corporation.

Report – Policy and Resources Committee

Report of Urgent Action Taken: London Councils Grants Scheme 2017/18 Levy

To be presented on Thursday 9th March 2017

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

SUMMARY

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.

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 2017.

We therefore report that on 6 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 19 January 2017 the Committee considered and approved the total amount of expenditure to be incurred in 2017/18 (i.e. £8.668m. £7.668m of which would come from the constituent councils of the Scheme) as well as the City Corporation's subscription to it (i.e. £7,744).
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 2017.

3. On 31 January 2017 London Councils confirmed that over two-thirds of constituent councils had agreed the expenditure to be incurred for 2017/18. As the Court of Common Council was not due to meet within this period its approval to issue the levies before the statutory deadline was sought under the urgency procedures.
4. Approval was subsequently given to the levy £7.668m applying to constituent councils for 2017/18 as set out in the appendix to this report.

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

DATED this 6th day of February, 2017.

SIGNED on behalf of the Committee.

Mark Boleat
Chairman, Policy and Resources Committee

Appendix 1

Borough Subscriptions 2017/18

ONS Mid-2014 Estimate of Population ('000)	%	2016/17 Base Borough Contribution (£)		ONS Mid-2015 Estimate of Population ('000)	%	2017/18 Base Borough Contribution (£)	Base Difference from 2016/17 (£)
Inner London							
234.85	2.71%	247,537	Camden	241.06	2.78%	213,113	-34,424
8.07	0.09%	8,506	City of London	8.76	0.10%	7,744	-762
268.68	3.10%	283,195	Greenwich	274.80	3.17%	242,941	-40,253
263.15	3.03%	277,366	Hackney	269.01	3.10%	237,823	-39,543
178.37	2.06%	188,006	Hammersmith	179.41	2.07%	158,610	-29,396
221.03	2.55%	232,971	Islington	227.69	2.63%	201,293	-31,677
156.19	1.80%	164,628	Kensington	157.71	1.82%	139,426	-25,202
318.22	3.67%	335,411	Lambeth	324.43	3.74%	286,818	-48,593
291.93	3.37%	307,701	Lewisham	297.33	3.43%	262,859	-44,841
302.54	3.49%	318,884	Southwark	308.90	3.56%	273,088	-45,796
284.02	3.27%	299,363	Tower Hamlets	295.24	3.40%	261,012	-38,352
312.15	3.60%	329,013	Wandsworth	314.54	3.63%	278,074	-50,939
233.29	2.69%	245,893	Westminster	242.30	2.79%	214,209	-31,684
3,072.49	35.42%	3,238,473		3,141.18	36.21%	2,777,011	-461,461
Outer London							
198.29	2.29%	209,002	Barking	201.98	2.33%	178,564	-30,438
374.92	4.32%	395,174	Barnet	379.69	4.38%	335,671	-59,503
239.87	2.77%	252,828	Bexley	242.14	2.79%	214,068	-38,760
320.76	3.70%	338,088	Brent	324.01	3.74%	286,446	-51,642
321.28	3.70%	338,636	Bromley	324.86	3.75%	287,198	-51,438
376.04	4.34%	396,354	Croydon	379.03	4.37%	335,088	-61,267
342.12	3.94%	360,602	Ealing	343.06	3.96%	303,288	-57,314
324.57	3.74%	342,104	Enfield	328.43	3.79%	290,354	-51,750
267.54	3.08%	281,993	Haringey	272.86	3.15%	241,226	-40,767
246.01	2.84%	259,300	Harrow	247.13	2.85%	218,479	-40,821
245.97	2.84%	259,258	Havering	249.09	2.87%	220,212	-39,046
292.69	3.37%	308,502	Hillingdon	297.74	3.43%	263,222	-45,280
265.57	3.06%	279,917	Hounslow	268.77	3.10%	237,610	-42,306
169.96	1.96%	179,142	Kingston	173.53	2.00%	153,412	-25,730
203.52	2.35%	214,515	Merton	204.57	2.36%	180,853	-33,661
324.32	3.74%	341,840	Newham	332.82	3.84%	294,235	-47,606
293.06	3.38%	308,892	Redbridge	296.79	3.42%	262,382	-46,510
193.59	2.23%	204,048	Richmond	194.73	2.25%	172,154	-31,894
198.13	2.28%	208,833	Sutton	200.15	2.31%	176,946	-31,888
268.02	3.09%	282,499	Waltham Forest	271.17	3.13%	239,732	-42,767
5,466.23	63.02%	5,761,527		5,532.55	63.79%	4,891,141	-870,387
8,538.72	98.44%	9,000,000	Totals	8,673.73	100.00%	7,668,152	-1,331,848

9,000,000

7,668,152

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Report – Hospitality Working Party of the Policy and Resources Committee

Applications for the Use of Guildhall

To be presented on Thursday 9th March 2017

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

In accordance with the arrangements approved by the Court on 21 June 2001 for the approval of applications for the use of Guildhall, we now inform the Court of the following applications which have been agreed to:-

<u>Name</u>	<u>Date</u>	<u>Function</u>
Silverstone Circuits Ltd	Saturday 25 March 2017	Dinner
Army Benevolent Fund	Thursday 6 April 2017	Lunch
BPP University	Wednesday 3 May 2017 Friday 14 July 2017 Thursday 23 November 2017	Graduation
The London Platinum and Palladium Market	Tuesday 16 May 2017	Reception
Global Capital	Wednesday 17 May	Dinner
Stroke Association	Wednesday 23 May 2017	Lecture
Relish Events	Tuesday 20 June 2017	Reception
Centre for Policy Studies	Monday 26 June 2017 Tuesday 27 June 2017	Lecture
The Worshipful Company of Carmen	Wednesday 12 July 2017	Cart Marking and Luncheon
Story Events	Saturday 15 July	Graduation
UK Theatre	Sunday 15 October 2017 Sunday 14 October 2018	Lunch
Four Colman Getty	Tuesday 17 October 2017	Dinner

Baltic Air Charter Association	Wednesday 18 October 2017 Wednesday 10 October 2018	Awards Lunch
Hasilwood Management Services Ltd	Thursday 31 October 2017	Lunch
Recruitment International	Thursday 2 November 2017	Dinner
Guildhall School of Music & Drama	Friday 3 November 2017 Friday 2 November 2018	Graduation
Save the Children	Tuesday 16 November 2017	Dinner
Coventry University London Campus	Friday 24 November 2017	Graduation
Financial Services Forum	Thursday 30 November 2017	Dinner
Staff Christmas Lunches	Monday 18 December 2017 Tuesday 19 December 2017 Wednesday 20 December 2017	Lunch
Chance Organisation	Thursday 15 March 2018	Dinner
City Property Association	Thursday 22 March 2018	Lunch
CSI Washington DC	Tuesday 1 May 2018	Reception
AE3 Media	Friday 8 June 2018	Lunch
The Worshipful Company of Butchers	Friday 15 June 2018	Dinner
Chartered Institute of Internal Auditors	Wednesday 28 June 2018	Dinner
City of London School for Girls	Friday 5 October 2018	Prize Giving
The Sugar Association of London	Thursday 11 October 2018	Dinner
The Honourable Company of Air Pilots	Thursday 25 October 2018	Dinner
International Wine and Awards Spirit Competition	Wednesday 15 November 2017	Ceremony

London Councils
Summit

Saturday 18 November 2017

Conference

DATED this 16th February 2017

SIGNED on behalf of the Working Party.

Michael Welbank, MBE
Chief Commoner and Chairman, Hospitality Working Party

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Report – Hospitality Working Party of the Policy and Resources Committee

Applications for Hospitality

To be presented on Thursday 9th March 2017

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

(i) Reception to mark the 60th Anniversary of the rededication of St Lawrence Jewry Church

St Lawrence Jewry Church was originally built in the twelfth century. The medieval church was destroyed in the Great Fire of London and was rebuilt by Christopher Wren between 1670 and 1677. The Church then suffered extensive damage during the Blitz in December 1940 and, after the war, the City of London Corporation agreed to fund its restoration. The Church was restored to Wren's original design, and it was transferred from a parish to a guild church; becoming the City of London's official church. St Lawrence Jewry was rededicated in July 1957.

This year is the 60th since the rededication and an approach has been made for the City Corporation to host an early evening reception following a service, planned for Wednesday 19 July, to mark the anniversary. Guests would include representatives from the City Clergy, the Guild Church Council, Friends of St Lawrence Jewry, Livery Companies associated with the Church, interfaith representatives and Members with relevant interest.

It is therefore **recommended** that hospitality be granted for an early evening reception following the 60th anniversary service to mark the rededication of St Lawrence Jewry and that 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 Committee event.

(ii) Armed Forces Flag Day 2017

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. Armed Forces Flag 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 Thursday 22 June, followed by light refreshments in the Old Library.

This event will provide an opportunity for the City to show its support for the Armed Forces and raise awareness of the contribution made to our country by those who are currently serving or have previously served in the Forces.

Guests will include serving and retired military personnel, cadets, Masters and Clerks of Livery Companies, school children from the City's schools, and members of the general public. The Court of Common Council will take place on the same day.

It is therefore **recommended** that hospitality be granted for a flag-raising ceremony to mark Armed Forces Day, followed by light refreshments, and that 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.

(iii) Reception to mark the centenary of the Royal Air Force (RAF)

The RAF celebrates its centenary on 1 April 2018 and, to celebrate this, the "RAF100" programme has been planned. This will comprise a six-month programme of events across the UK starting in April 2018 with a focus on commemorating the RAF's achievements, raising its profile and promoting a better understanding of its role. There will be a service at Westminster Abbey and a parade on the Mall with a flypast.

Following discussions with those planning the centenary programme, it is proposed that the City Corporation hosts an early evening reception on 19 April in the Great Hall and Old Library. The reception would mark the start of a weekend of RAF focused events at Guildhall, including an aircraft display in the Guildhall Yard.

The guest list is expected to include a Member of the Royal Family, the Chief of the Air Staff, serving members of the RAF, RAF reserves, cadets and adult instructors, representatives from City Schools, Livery Companies with connections to the RAF and representatives from the City's Privileged regiments.

It is therefore **recommended** that hospitality be granted for an early evening reception to mark the centenary of the Royal Air Force and that 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.

DATED this 16th February 2017

SIGNED on behalf of the Working Party.

Michael Welbank, MBE
Chief Commoner and Chairman, Hospitality Working Party

Report – Port Health & Environmental Services Committee

Update to the Scheme of Delegations: Marriage Licensing

To be presented on Thursday, 9th March 2017

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

SUMMARY

Under the Marriage Act 1949, the Court of Common Council has authority to grant licences to premises for the solemnisation of marriages. This function has previously been delegated to the Town Clerk. However, all other aspects of registration (births, deaths, marriages) are delegated to the Director of Community and Children's Services.

It is therefore proposed to update the Scheme of Delegations such that responsibility for marriage premises licensing is also delegated to the Director of Community and Children's Services, rather than the Town Clerk. This will regularise all marriage registration and licensing functions into a single Department.

In addition, the current reference in the Scheme referring to the delegation being under Section 29 of the Local Government Act is incorrect and should refer to the Registration Service Act 1953. Accordingly, it is also proposed to update the Scheme of Delegations to correct this reference.

Should the Court approve these proposals, paragraph 28 of the delegations to the Director of Children's and Community Services would be amended to read*:

"To act as the Proper Officer for the London City Registration District (Registration of Births, Deaths, Marriages, etc.) pursuant to ~~Section 29 of the Local Government Act 1972,~~ the Registration Service Act 1953 and to approve premises under the Marriages and Civil Partnerships (Approved Premises) Regulations 2005."

*NB - (additions highlighted with italics and underlined, deletions struck through).

RECOMMENDATION

The Court of Common Council is **recommended** to approve amendments to the Scheme of Delegations such that:-

- authority to grant licences to premises for the solemnisation of marriages moves from the Town Clerk to the Director of Children's and Community Services; and
- the wording within the Scheme be updated to refer to the correct legislation.

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

DATED this 24th day of January 2017.

SIGNED on behalf of the Committee.

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

Report – Port Health & Environmental Services

Animal Reception Centre – Heathrow Airport: Annual Review of Charges

To be presented on Thursday, 9th March 2017

*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 2017/18. 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 24th day of January 2017

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 Section 42 and 43 of the Markets and Fair 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 12 May 2016 (and sealed on 16 May 2016) shall be repealed and the following Schedule shall be substituted for the Schedule to the Principal Byelaws.

SCHEDULE

PART I

It is our intention to encourage payment of fees by direct debit as this reduces the cost of processing payments. Therefore, between 1 April 2017 and 31 March 2018, customers who pay by direct debit will continue to be charged at 2016/17 rates (shown in brackets). Those who pay by other means will be charged the new rates.

Minimum charge for any one consignment £173 (£168)

ANIMALS CHARGE PER CONSIGNMENT

- | | | |
|--------------------|--------------------------------|--|
| 1. Mammals | £173 (£168) for up to 24 hours | £54 (£53) per day or part thereof after 24 hours |
| 2. Reptiles | £173 (£168) for up to 24 hours | £206 (£200) 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 | £206 (£200) minimum per consignment | £61 (£59) per day or part thereof after 24 hours |
| 3. Birds | £61 (£59) per box per day | £173 (£168) 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 £38 (£37) per box per day, or part thereof.

Pet birds £41 (£40) per bird for up to 24 hours.

Bird Quarantine £340 - £1170 (£330-£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 £1.85 (£1.80) per box £31 (£30) minimum charge
Invertebrates/Semen/
Fish and Bird Eggs**

5. Cats, Dogs and Ferrets 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 £41 (£40) per animal in addition to the collection charge of £80 (£77) (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. £173 (£168) and, where the consignment consists of more than one animal, a handling fee of £41 (£40) per animal thereafter.

PETS checked at aircraft (Assistance Dogs) £206 (£200) plus 1 hour collection charge £160 (£154) = £366 (£354) and, where the consignment consists of more than one animal, a checking fee of £41 (£40) per animal thereafter.

A surcharge of £618 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 £18.50 (£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 2
CHARGES FOR ANCILLIARY SERVICES

1. Destruction including disposal of livestock or goods - £37 (£36) per kilogram.
2. Cleansing and disinfecting aircraft, animal holding facilities, vehicles, loose boxes etc. - £320 (£310) per hour (including disposal of special waste).
3. Identification of species for DEFRA/HM Revenue and Customs/Border Agency - £154 (£150) per hour. Assisting on off airport operations - £80 (£77) per hour/£515 (£500) per day.
4. Re-crating or repair to crates - quotations on request.
5. Collection and delivery of animals and birds to and from the Animal Reception Centre by an Animal Reception Centre member of staff - £160 (£154) per hour or £80 (£77) per consignment if no extra waiting time.
6. Long term rates for government agencies and non-government agencies i.e. RSPCA, to be negotiated.
7. Modification of containers to International Air Travel Association (IATA) standards:-

 Space Bars/Battens - £46 (£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).
8. Use of Large Animal Facility (per pallet) £330 (£320)
9. Special handling i.e. re-oxygenation of fish/re-packaging reptiles £80 per hour plus cost of materials

Dated day of 2017

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.

Report – Establishment Committee

Draft Pay Policy Statement 2017/18

To be presented on Thursday, 9th April 2017

*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 five years. The statement has now been updated for 2017/18 and has been considered and approved by the Establishment Committee on 14 February 2017 and the Policy and Resources Committee under urgency on 22 February 2017.

RECOMMENDATION

It is **recommended** that the Court considers and agrees the draft Pay Policy Statement for 2017/18 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 31 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 2017/18 is attached to this report for Members' consideration.
5. In addition to updating the statement for the 2016 pay award there are a number of other changes to note in the statement. 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 and the statement is dated as being written in January 2017.
6. Regulations have now (on 24 January) been laid before Parliament putting into law from 1 February the power of the Government to issue further regulations making restrictions on exit pay packages, which suggests that this may be moving higher up the Government agenda. 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). However, until the actual Regulations prescribing this have been issued it is not possible to make firm policy commitments on it.
7. Members should note that the Localism Act enables the Pay Policy Statement to be amended at any time when statute or internal policy requires it, and so any required revisions to the Statement will be put to Members when or if the requirement for them is clear.

Conclusion

8. It is **recommended** that the Court agrees the draft Pay Policy Statement for 2017/18, 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 14th day of February 2017.

SIGNED on behalf of the Committee.

The Reverend Stephen Decatur Haines, Deputy
Chairman, Establishment Committee

CITY OF LONDON CORPORATION

PAY POLICY STATEMENT 2017/18

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 2017/18.
2. We are required to set out our approach to a range of issues, particularly those relating to remuneration for the most senior staff 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. The Localism Act applies to the City of London only in its capacity as a local authority. In general, and in keeping with the spirit of openness, this statement does not try to distinguish between information which applies to the City as a local authority and that which applies to it in any of its other capacities. However, insofar as the Act specifically excludes police authorities from its remit, this statement does not include information about Police Officers. 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 1.5% 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 July 2016 and was effective from 1 July 2016. A 1.5% 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 2017, no directly employed member of staff was paid below the London Living Wage (Apprentices being paid in proportion to this). Casual staff and agency workers have also been paid the London Living Wage since 2014. However, it was agreed during the latter part of 2016 to extend this policy to Apprentices and those on work experience from April 2017.

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. New posts and any existing posts that change their levels of responsibility etc. continue to be evaluated and ranked under the scheme. 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. In 2016 the bottom two incremental points of this Grade were removed and an additional point was added to the top of it. The current lowest point on Grade A is now £19,760, including a London Weighting allowance for working in Inner London. The current pay range for Grades A - J is £19,7600 to £94,260 inclusive of Inner London Weighting of £5,580 for non-residential employees.

- Grades A-C are the lowest grades in the City Corporation. They have up to 64 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 of London 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, limitations are placed on the number of eligible staff who progress to the two highest increments on the relevant Grades or receive a Contribution Payment. For the appraisal year ending March 2016, 71% of eligible staff were allowed to move into the two higher contribution increments and 63% 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
- Director of the Economic Development Office
- Private Secretary & Chief of Staff to the Lord Mayor
- Director of HR
- Director of Markets & Consumer Protection
- Director of Open Spaces

15. The Head Teachers of the City of London School, City of London School for Girls and City of London Freeman'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 pay of the post of Remembrancer is 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 3.24% for the appraisal year ending in March 2016. 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.

£80,340 - £111,200	(4)
£107,990 - £145,090	(7)
£153,960 - £183,810	(2)
£206,870 - £239,840	(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 their highest-paid staff 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 £5,580 for those based in inner London and £3,350 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. 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 appointed 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 in the Pension Scheme 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 £479 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 and Establishment Committees and 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.

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 2017/18 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" (including any supplementary Guidance issued); "The Local Government Transparency Code 2015"; and the Accounts and Audit Regulations 2015.

Jan 2017

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of the Local Government Act 1972.

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