

## FINANCE COMMITTEE

Tuesday, 12 September 2017

Minutes of the meeting of the Finance Committee held at Guildhall, EC2 on Tuesday, 12 September 2017 at 1.45 pm

### Present

#### Members:

Jeremy Mayhew (Chairman)	Deputy Wendy Hyde
Deputy Jamie Ingham Clark (Deputy Chairman)	Gregory Lawrence
Randall Anderson	Oliver Lodge
Alderman Nick Anstee	Paul Martinelli
Deputy Roger Chadwick	Deputy Robert Merrett
Karina Dostalova	Deputy Henry Pollard
Alderman Peter Estlin	Alderman Matthew Richardson
Caroline Haines	James de Sausmarez
Deputy Tom Hoffman	Ian Seaton
Michael Hudson	Deputy James Thomson

#### Officers:

Peter Lisle	-	Assistant Town Clerk
Peter Kane	-	Chamberlain
Caroline Al-Beyerty	-	Chamberlain's Department
Christopher Bell	-	Chamberlain's Department
Carla-Maria Heath	-	Chamberlain's Department
John James	-	Chamberlain's Department
Richard Jeffrey	-	Comptroller and City Solicitor's Department
Paul Wilkinson	-	City Surveyor
Paul Double	-	City Remembrancer

#### 1. APOLOGIES

Apologies for absence were received from Nick Bensted-Smith, Chris Boden, Mark Bostock, Alderman Timothy Hailes, Chris Hayward, Deputy Clare James, Tim Levene, William Pimlott, Ian Seaton, Deputy Philip Woodhouse, Sir Mark Boleat and Deputy Catherine McGuinness.

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

There were no declarations of interest.

#### 3. MINUTES OF THE PREVIOUS MEETING

**RESOLVED** – That the public minutes and non-public summary of the meeting held on 25 July 2017 be approved.

4. **OUTSTANDING ACTIONS FROM PREVIOUS MEETINGS**

The Committee received a report of the Town Clerk which set out outstanding actions from previous meetings of the Committee. Members agreed that the following items could be removed as they had been actioned or were being followed up by the sub committees:

- Central London Forward CESI Programme
- 2016/17 City Fund and Pension Fund and Bridge House Estates Financial Statements

**RESOLVED** – That the Committee notes the report.

5. **REPORT OF THE WORK OF THE SUB-COMMITTEES**

The Committee considered a report of the Town Clerk which advised Members of the key discussions which had taken place during recent meetings of the Committee's Sub-Committees, as follows:

- Finance Grants Oversight and Performance Sub-Committee held on 25<sup>th</sup> July; and
- Information Technology Sub-Committee held on 14th July.

**RESOLVED** – That the report be noted

6. **DRAFT PUBLIC MINUTES OF SUB-COMMITTEES**

The Committee received the draft public minutes and non-public summary of the following Sub-Committee meetings:

- Finance Grants Oversight and Performance Sub-Committee held on 25<sup>th</sup> July 2017; and
- Information Technology Sub-Committee held on 14<sup>th</sup> July 2017.

**RESOLVED: –**

- a) **Draft public minutes of the Finance Grants Oversight and Performance Sub Committee held on 25 July 2017**

**RESOLVED** – That the public minutes and non-public summary of the Finance Grants Sub-Committee meeting held on 25<sup>th</sup> July be noted.

- b) **Draft public minutes of the Information Technology Sub-Committee held on 14 July 2017**

**RESOLVED** – That the public minutes and non-public summary of the Information Systems Sub-Committee meeting held on 14<sup>th</sup> July 2017 be noted.

7. **CHAMBERLAIN'S DEPARTMENT RISK MANAGEMENT - MONTHLY REPORT**

Members received a report of the Chamberlain which provided updates regarding the top risks within the Departmental Risk Register

**RESOLVED** – That the report be noted.

8. **IT DIVISION - MEMBER UPDATE**

Members received a report of the Chamberlain which provided an update on the work of the IT Division and the key areas of progress since April 2017. Members noted an error in that appendix B was not included alongside the report - this was a drafting error, appendix B was part of an earlier iteration of the report that was subsequently abandoned.

**RESOLVED-** That the report, with the above amendment, be noted.

9. **REVENUE OUTTURN 2016/17 - FINANCE COMMITTEE OPERATIONAL SERVICES**

Members received a report of the Chamberlain which compared the revenue outturn for the operational services overseen by the Committee in 2016/17 with the budget for the year.

In response to a question about carry forwards, the Chairman advised that he challenged these where appropriate. Members were reminded that carry forwards were approved at service committees and the decisions reported to Resource Allocation Sub Committee. Members also noted that any requests to changes in the limits on carry forwards would require an amendment to the Financial Regulations Scheme of Delegation and any such requests should be referred to the Town Clerk.

**RESOLVED-** That it be noted the revenue outturn for 2016/17 and local risk budgets totalling £620,000 to be carried forward to 2017/18 and a central risk carry forward of £819,000 as set out in Appendix 2.

10. **CAPITAL AND SUPPLEMENTARY REVENUE PROJECTS - 2016/17 OUTTURN AND PRUDENTIAL INDICATORS**

Members received a report by the Chamberlain on details of the 2016/17 outturn for capital and supplementary revenue projects (SRPs) together with the Prudential Indicators for the City Fund.

**RESOLVED-** That the report be noted.

11. **CENTRAL CONTINGENCIES**

The Committee received a report of the Chamberlain which provided Members with information regarding the current balance of the Finance Committee Contingency Funds for the current year.

**RESOLVED** – That the report be noted.

## 12. **PILOT SCHEME FOR BUSINESS RATES DEVOLUTION IN LONDON**

The Committee considered a joint report of the Chamberlain and the Remembrancer in respect of a pilot scheme for business rates devolution in London.

Members noted that London Councils was seeking an 'in principle' view from its constituent authorities and the report was also due to be considered by the Policy and Resources Committee on 21 September 2017.

During the debate and questions on this item, the following points were highlighted:

- Members asked for assurance that any proposals for a longer term commitment come back to them for decision, with an analysis of the benefits and risks.
- Whether a 2 year pilot scheme would be preferable; i.e. allowing an evaluation after 1 year?
- Members were reassured that no penalties would be incurred after the initial pilot, consistent with the 'no detriment' clause
- Members noted that this pilot would apply to growth only and there were no implications on the method of base allocation across different parts of the country.
- The City of London Corporation stood to gain between £10-20m in 2018/19 if the pilot proceeds

In concluding, the Chairman asked for a note of the above debate to be included in the Finance Committee's Resolution to the Policy and Resources Committee.

RESOLVED, that – the Finance Committee endorse the following recommendation to the Policy and Resources Committee:

The Policy and Resources Committee authorise the Chairman (or her representative), at the next meeting of the London Councils Congress of Leaders, to:

1. express 'in principle' support for the rates retention pilot scheme set out in London Councils' Draft Prospectus, on condition that the final arrangements include sufficient protection for the position of the City Corporation, so that revenue attributable to the City Premium, the City Offset and the City's formula allocation are unaffected and remain under the City's sole control;
2. support a method of distribution of any financial dividend from the scheme which either gives relatively high weight to the retention of revenue growth where it is generated, or gives equal weight to that factor alongside those of population, need, and collective investment.

13. **BUSINESS RATES REVALUATION SUPPORT - DISCRETIONARY RATE RELIEF SCHEME**

Members considered a report of the Chamberlain on a proposed scheme for the City Corporation's distribution of its share of the discretionary fund announced in the government's spring budget to City businesses.

**RESOLVED**, that:

- That consultation takes place on the proposed scheme;
- Authority be delegated to the Chamberlain as the Section 151 Officer to approve the final scheme following the consultation.

14. **FINANCIAL SUPPORT WITH MAJOR WORKS FOR LEASEHOLDERS**

Members considered a report of the Director of Community and Children's Services on financial support with major works for leaseholders.

Members noted that Option 21c had been approved by the Community and Children's Services Committee last week.

The Assistant Director (Community and Children's Services) explained how this type of interest free scheme was very common and the proposal before Members was to change the upper and lower limits. Members asked for clarity about interest rates. Although the rates for the mandatory schemes are prescribed by the Housing Act, the City of London Corporation has some flexibility over the rates for discretionary loans. Members noted that whilst the option before them, at 21c in the report, would have a marginal impact on the HRA, it also recognised the new demands on Leaseholders as part of the Five Year Major Works Programme and reflected a sensible balance between the City's competing duties and powers. Members also noted the merits on keeping the scheme as simple as possible to avoid unnecessary administration costs.

Members noted that the works to Great Arthur House would be finished at the end of the year and were sympathetic to the difficulties experienced by tenants during this project.

**RESOLVED**, that Members considered and approved option 21c as outlined in paragraph 23

15. **THE IMPACT OF THE RESPONSIBLE PROCUREMENT STRATEGY AFTER 12 MONTHS**

Members were asked to note a report from the Chamberlain on the impact of the Responsible Procurement Strategy after 12 months. The Chamberlain explained that as the Strategy has cost implications it was an issue for Finance Committee to scrutinise, members suggested that Officers should look at standing orders to see whether this report should come back for further review after two years.

**RESOLVED**, that: the report be noted.

16. **SUPPLIER HEALTH & SAFETY APPRAISALS**

Members considered a report of the Chamberlain on the Supplier Health and Safety Appraisals.

Members noted that this report was before the Committee as there would be cost implications for some suppliers. However, there was a general agreement that, as this decision sought an incremental and not a fundamental change in policy, officers should consider an amendment to their Scheme of Delegation, to avoid the need for taking this and similar reports to Committee.

**RESOLVED**, that: Members approved Safety Schemes in Procurement accreditation as a mandatory requirement for suppliers delivering goods, works and service contracts that have Health and Safety implications.

17. **ACCOUNTING TREATMENT FOR CITY OF LONDON CORPORATION'S SOCIAL INVESTMENT FUND**

The Committee considered a report of the Chamberlain on the accounting treatment for City of London Corporation's Social Investment Fund.

**RESOLVED**, that:

- the designation of the net value of distributed income, alongside gains and losses on divestment/maturity and the returned underlying capital, to the SI Fund be approved.
- the transfer of the cumulative impact of all distributed income to date from inception of the fund from the BHE General Unrestricted Fund and designated against the SI Fund, being a £0.55m adjustment.
- the reinvestment of any additional balances, that are designated to the SI Fund in line with its' previously agreed purposes.

18. **DECISIONS TAKEN UNDER DELEGATED AUTHORITY AND URGENCY PROCEDURES**

The Committee received a report of the Town Clerk which provided information of the action taken by the Town Clerk since the last meeting of the Committee, in consultation with the Chairman and Deputy Chairman, in accordance with Standing Orders 41(a) and 41(b). The decision related to the granting of a donation to the sum of £25,000 to the British Red Cross' South Asia Floods appeal.

**RESOLVED** – That the report be noted.

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

There were no questions.

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

The following items of urgent business were raised –

- The Chairman agreed to the admission of an item of urgent business in respect of granting a donation to the sum of £25,000 to the British Red

Cross' Emergency Appeal in the aftermath of Hurricane Irma to be drawn from the City Cash Contingency Fund for National & International Disasters. This was considered and approved by members.

- That the October Finance Committee be cancelled, the next meeting of the Committee will take place on 21<sup>st</sup> November.

21. **EXCLUSION OF THE PUBLIC**

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

<b>Item No.</b>	<b>Paragraphs in Schedule 12A</b>
16-24, 26, 27	3
25	1 and 3

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

The non-public minutes of the meeting held on 25<sup>th</sup> July were approved as an accurate record

23. **OUTSTANDING ACTIONS FROM NON-PUBLIC MINUTES OF PREVIOUS MEETINGS**

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

24. **REPORT OF THE WORK OF THE SUB-COMMITTEES - NON-PUBLIC ISSUES**

The Committee noted a report of the Town Clerk which advised Members of the key discussions which had taken place during non-public session at recent meetings of the Committee's Sub-Committees, as follows:

- Finance Grants Oversight and Performance Sub-Committee held on 25<sup>th</sup> July; and
- Information Technology Sub-Committee held on 14<sup>th</sup> July.

25. **DRAFT NON-PUBLIC MINUTES OF SUB-COMMITTEES**

The Committee noted the draft non-public minutes of the following Sub-Committee meetings:

- Finance Grants Oversight and Performance Sub-Committee held on 25<sup>th</sup> July; and
- Information Technology Sub-Committee held on 14<sup>th</sup> July.

a) **Draft non-public minutes of the Information Technology Sub-Committee held on 14 July 2017**

The non-public minutes of the Information Technology Sub-Committee meeting held on 14<sup>th</sup> July 2017 were noted.

b) **Draft non-public minutes of the Finance Grants Sub-Committee held on 25 July 2017**

The non-public minutes of the Finance Grants Sub-Committee meeting held on 25 July 2017 were noted.

26. **PURCHASE OF THE FREEHOLD OF 20 & 21 ALDERMANBURY (CITY'S ESTATE) - CHARTERED INSURANCE INSTITUTE**

The Committee considered a report of the City Surveyor in respect of the Chartered Insurance Institute's (CII) approach to the City of London Corporation in April 2017 to open discussions regarding the potential 'off market' disposal of their buildings at 20 and 21 Aldermanbury. Members noted that the Chairmen of the Policy and Resources and Finance Committees had been briefed and toured the buildings.

During the debate and questions, the following points were highlighted:

- a) The Remembrancer was in attendance and advised Members that the building presented an opportunity for the City of London Corporation to acquire an interesting hospitality space with a capacity of 2,000; i.e. larger than any currently available at Guildhall.
- b) Whilst accepting that the 1960s era 'add-on' building was not as attractive, the City Surveyor suggested that this could be developed in the future, to form part of a wider redevelopment of 65/65A Basinghall Street.
- c) Some Members had reservations about who might purchase the building, if the City Corporation did not, and noted that it could be many years before the property became available again.
- d) Given that the City of London Corporation owned the land, then it might be sensible, from a security perspective, if the City Corporation owned the property as part of the Guildhall Estate, and in effect completed the "Island Site".
- e) Members were mindful of pressures on other City Corporation capital projects and the City Surveyor advised that it would be funded by releasing another asset. Members also noted that, should the property prove to be unsustainable, it could be returned to the market.
- f) In response to a challenge about the governance arrangements surrounding the decision making process, the Town Clerk advised that by presenting the report to both the Finance Committee and the Policy and Resources Committee, this would capture a large number of Members, and ensure thorough scrutiny, before being approved under urgency by the Property Investment Board and the Court of Common Council. Members noted that the Chairmen of both the Finance and Policy and Resources Committees supported this approach.
- g) The City Surveyor reminded Members that the deadline for the purchase had been extended twice and it was therefore highly unlikely that it could be extended for a further period. Members noted that, if completion did not take place by 26th September 2017, then the property could return to the market. The Town Clerk considered this a suitably robust argument for justifying an urgent decision, by Property Investment Board and the

Court of Common Council, particularly as it would receive scrutiny by two grand committees.

In summing up, the Chairman asked Members to be mindful that this was not a straightforward property transaction as it had many far reaching policy implications; i.e. hospitality, security and the use of resources in a different way. Members also suggested that, if possible, the matter be raised at the Court of Common Council later this week, setting out the context of the Finance Committee's debate today.

The Chairman decided to put the recommendations to Members via a show of hands and there was a clear majority in support of the recommendations.

**RESOLVED**, that:

- i. Approve a budget of £22.2 million (inc. £1.2 million purchaser's costs) for the purchase of 20 & 21 Aldermanbury to be met from the sale of City's Cash equities, pending the sale of investment property assets;
- ii. Note that the proposed funding strategy is to dispose of City property investment asset(s), with a view to minimising the loss of income, and that a further report will be submitted by the City Surveyor to the relevant Committee(s) in due course detailing the specific disposals proposed;
- iii. Approve the instruction of the Comptroller & City Solicitor to complete the necessary documentation and to complete the purchase of the freehold interest;
- iv. Delegate authority to the Town Clerk, in consultation with the Chairman and Deputy Chairman of Finance and Policy & Resource Committees, to agree any minor variations and amendments to the terms of the acquisition;
- v. Delegate authority to the Chamberlain to consider the option to tax the property at an appropriate time to protect the City's VAT position;
- vi. Should the acquisition proceed, approve an adjustment to the City Surveyor's local risk budget of up to £770,000 per annum from 2018/19 to cover the site running costs, to be met from City's Cash reserves. The precise sums to be drawn down be delegated to the Chamberlain who will take account of any service charge, rental or net events income that may also be generated; and
- vii. Note that further reports will be submitted to the relevant Committee(s) in due course detailing the proposed reconfiguration and refurbishment options for the property.

27. **KEY MESSAGING FOR LONDON: 2017 AND BEYOND**

The committee considered a report from the Director of Communications on a project designed to understand which messages about London resonate with key international audiences to persuade them that London is one of the best cities in the world to invest in.

**RESOLVED:** To part in the messaging project at a cost of £50,000 funded from the Committee's Policy Initiatives Fund for 2017/18 under the promoting the City category and charged to City's Cash.

28. **APPLICATION FOR DISCRETIONARY RATE RELIEF**

Members received a report from the Chamberlain proposing a scheme for the City Corporation's distribution of its share of the Government's discretionary business rate relief fund to City businesses.

29. **PROVISION FOR BAD DEBTS**

Members received a report from the Chamberlain

**RESOLVED,** that the report be noted

30. **DEBTOR BALANCES AND WRITE OFF REPORT 2016-17: CITY OF LONDON POLICE**

Members considered a report of the Commissioner, City of London Police. During the debate and questions on this item, particularly in respect of the Food Standards Agency (FSA) write off, the following points were highlighted:

- The Commissioner's representative advised that accountability governance practices might have been remiss 3-4 years ago and a new management structure was now in place.
- Members stressed that officers should be mindful of the number and level of write offs and would not wish to see a repeat of this situation.
- The City Solicitor advised that he had not been consulted as to whether costs would be recoverable from the FSA. Members agreed that this part of the recommendation be deferred.

**RESOLVED,** that:

1. The debt amounting to £91,074 in respect of costs arising under secondment agreements to the Mayor's Office for Policing and Crime be written off.

2. A decision to write off the debt amounting to £237,966 in respect of costs arising under the arrangement entered into with the Food Standards Agency be deferred pending the advice of the Comptroller and City Solicitor and a further report to the Finance Committee setting out the circumstances leading to the write off; the absence of a written contract and lessons learnt.

31. **FORMER TENANTS RENT ETC. ARREARS WRITE OFFS - CITY FUND AND CITY'S ESTATE**

Members considered a report from the Comptroller and City Solicitor and the City Surveyor on a proposal to write off outstanding debt totalling £104,063.10, comprising a net total of £97,282.52 plus recoverable VAT of £5,368.63 and non-recoverable VAT of £1,411.95.

The City Surveyor accepted that case 2 should have been resolved sooner and advised Members that new, robust procedures were now in place. Members asked for lessons learnt to be included in future reports, where appropriate.

**RESOLVED:** Committee agreed the write-off of debt for cases 1 and 2

32. **REPORT ON WAIVERS AT £50K AND OVER GRANTED SINCE THE LAST FINANCE COMMITTEE**

The Committee noted a report of the Chamberlain which updated Members on non-urgent waivers over £50,000 which had been approved by the relevant Spending Committee, in accord with the Waiver Approval Process set out within the Corporation's Procurement Code.

33. **MINOR WORKS MEASURED TERM CONTRACTS - TENDER UPDATE**

Members received a report from the Chamberlain. Members noted that following a change to the Scheme of Delegation, this was the last time this report would need to come before the Committee.

**RESOLVED,** that the report be noted

34. **LOSS OF EUROPEAN SOCIAL FUND (ESF) FUNDING FOR CENTRAL LONDON FORWARD PROGRAMME, FINANCE CONTINGENCY FUND BID**

The committee considered a report from the Chamberlain on the loss of ESF Funding for Central London Forward Programme. Members welcomed this report as the outcome was just a third of that expected.

**RESOLVED:** Payment of £75k to Central London Forward from the Finance Committee Contingency Fund (City Fund) to mitigate the loss of ESF grant award.

35. **ADMITTED BODY STATUS FOR THE AWARDED SUPPLIER FOR THE LOCAL AREA NETWORK (LAN) SERVICES CONTRACT**

Members considered a joint report of the Chamberlain and the Comptroller and City Solicitor

**RESOLVED** - Members approved Freedom Communications (UK) Ltd to offer continued membership of the LGPS for up to four transferring staff by taking up Admitted Body status subject to:

- i) the receipt of a satisfactory pension bond or, failing this;
- ii) such other arrangements to be agreed by the Town Clerk in consultation with the Chairman and Deputy Chairman of the Finance Committee.

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

The Committee noted a report of the Town Clerk detailing a non-public decision taken under delegated authority procedures since the last meeting:

The Chairman informed the Members of a report approved under delegated authority to be submitted to the Court of Common Council on 14<sup>th</sup> September. This related to the provision of the Local Area Network (LAN) contract to Freedom Communications for the City of London Police and City of London for four years, with the further option (after review by members) of a two year extension.

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

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

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

The Committee considered an item of urgent business relating to VAT.

Following a query from a Member about recoverable VAT, the Commercial Director agreed to bring a report to the November meeting of the Committee.

**The meeting ended at 3.45 pm**

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Chairman

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