



Finance Committee

Date: TUESDAY, 12 SEPTEMBER 2017

Time: 1.45 pm

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

Members:

Jeremy Mayhew (Chairman)	Gregory Lawrence
Deputy Jamie Ingham Clark (Deputy Chairman)	Tim Levene
Randall Anderson	Oliver Lodge
Alderman Nick Anstee	Paul Martinelli
Nicholas Bensted-Smith	Deputy Robert Merrett
Chris Boden	Hugh Morris
Mark Bostock	Deputy Henry Pollard
Deputy Roger Chadwick	William Pimlott
Dominic Christian	Alderman Matthew Richardson
Karina Dostalova	Sheriff & Alderman William Russell
Simon Duckworth	James de Sausmarez
Sheriff & Alderman Peter Estlin	Ian Seaton
Sophie Anne Fernandes	Sir Michael Snyder
Alderman Timothy Hailes	Deputy James Thomson
Caroline Haines	Deputy Philip Woodhouse
Christopher Hayward	Sir Mark Boleat (Ex-Officio Member)
Deputy Tom Hoffman	Deputy Catherine McGuinness (Ex-Officio Member)
Michael Hudson	Andrew McMurtrie (Ex-Officio Member)
Deputy Wendy Hyde	Deputy Alastair Moss (Ex-Officio Member)
Deputy Clare James	

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

John Barradell
Town Clerk and Chief Executive

AGENDA

Part 1 - Public Agenda

1. **APOLOGIES**
2. **MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA**
3. **MINUTES OF THE PREVIOUS MEETING**
To agree the public minutes and non-public summary of the meeting held on 25 July 2017.
For Decision
(Pages 1 - 8)
4. **OUTSTANDING ACTIONS FROM PREVIOUS MEETINGS**
Report of the Town Clerk.
For Information
(Pages 9 - 10)
5. **REPORT OF THE WORK OF THE SUB-COMMITTEES**
Report of the Town Clerk.
For Information
(Pages 11 - 12)
6. **DRAFT PUBLIC MINUTES OF SUB-COMMITTEES**
To note the draft minutes of the following Sub-Committee meetings:
For Information
 - a) Draft public minutes of the Finance Grants Oversight and Performance Sub Committee held on 25 July 2017 (Pages 13 - 16)
 - b) Draft public minutes of the Information Technology Sub-Committee held on 14 July 2017 (Pages 17 - 22)
7. **CHAMBERLAIN'S DEPARTMENT RISK MANAGEMENT - MONTHLY REPORT**
Report of the Chamberlain.
For Information
(Pages 23 - 24)
8. **IT DIVISION - MEMBER UPDATE**
Report of the Chamberlain.
For Information
(Pages 25 - 30)
9. **REVENUE OUTTURN 2016/17 - FINANCE COMMITTEE OPERATIONAL SERVICES**
Report of the Chamberlain.
For Information
(Pages 31 - 36)

10. **CAPITAL AND SUPPLEMENTARY REVENUE PROJECTS - 2016/17 OUTTURN AND PRUDENTIAL INDICATORS**
Report of the Chamberlain.
For Information
(Pages 37 - 44)
11. **CENTRAL CONTINGENCIES**
Report of the Chamberlain.
For Information
(Pages 45 - 50)
12. **PILOT SCHEME FOR BUSINESS RATES DEVOLUTION IN LONDON**
Joint report of the Chamberlain and Remembrancer.
For Decision
(Pages 51 - 70)
13. **BUSINESS RATES REVALUATION SUPPORT - DISCRETIONARY RATE RELIEF SCHEME**
Report of the Chamberlain.
For Decision
(Pages 71 - 74)
14. **THE IMPACT OF THE RESPONSIBLE PROCUREMENT STRATEGY AFTER 12 MONTHS**
Report of the Chamberlain.
For Information
(Pages 75 - 88)
15. **SUPPLIER HEALTH & SAFETY APPRAISALS**
Report of the Chamberlain.
For Decision
(Pages 89 - 92)
16. **ACCOUNTING TREATMENT FOR CITY OF LONDON CORPORATION'S SOCIAL INVESTMENT FUND**
Report of the Chamberlain.
For Decision
(Pages 93 - 96)
17. **FINANCIAL SUPPORT WITH MAJOR WORKS FOR LEASEHOLDERS**
Report of the Director of Community and Children's Services.
For Decision
(Pages 97 - 108)
18. **DECISIONS TAKEN UNDER DELEGATED AUTHORITY AND URGENCY PROCEDURES**
Report of the Town Clerk.
For Information
(Pages 109 - 110)

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

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

21. **EXCLUSION OF THE PUBLIC**

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

For Decision

Part 2 - Non-Public Agenda

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

To agree the non-public minutes of the meeting held on 25 July 2017.

For Decision

(Pages 111 - 118)

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

Report of the Town Clerk.

For Information

(Pages 119 - 120)

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

Report of the Town Clerk.

For Information

(Pages 121 - 122)

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

To note the draft non-public minutes of the following Sub-Committee meetings:

For Information

a) Draft non-public minutes of the Finance Grants Sub-Committee held on 25 July 2017 (Pages 123 - 124)

b) Draft non-public minutes of the Information Technology Sub-Committee held on 14 July 2017 (Pages 125 - 130)

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

Report of the City Surveyor.

For Decision

(Pages 131 - 148)

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

Report of the Remembrancer.

For Information

(Pages 149 - 154)

28. **APPLICATION FOR DISCRETIONARY RATE RELIEF**

Report of the Chamberlain.

For Decision

(Pages 155 - 166)

29. **PROVISION FOR BAD DEBTS**
Report of the Chamberlain.
For Decision
(Pages 167 - 176)
30. **DEBTOR BALANCES AND WRITE OFF REPORT 2016-17: CITY OF LONDON POLICE**
Report of the Commissioner, City of London Police.
For Decision
(Pages 177 - 180)
31. **FORMER TENANTS RENT ETC. ARREARS WRITE OFFS - CITY FUND AND CITY'S ESTATE**
Joint report of the Comptroller and City Solicitor and the City Surveyor.
For Decision
(Pages 181 - 188)
32. **REPORT ON WAIVERS AT £50K AND OVER GRANTED SINCE THE LAST FINANCE COMMITTEE**
Report of the Chamberlain.
For Information
(Pages 189 - 194)
33. **MINOR WORKS MEASURED TERM CONTRACTS - TENDER UPDATE**
Report of the Chamberlain and City Surveyor, on behalf of the Facilities Services Category Board.
For Information
(Pages 195 - 198)
34. **LOSS OF EUROPEAN SOCIAL FUND (ESF) FUNDING FOR CENTRAL LONDON FORWARD PROGRAMME, FINANCE CONTINGENCY FUND BID**
Report of the Chamberlain.
For Decision
(Pages 199 - 208)
35. **ADMITTED BODY STATUS FOR THE AWARDED SUPPLIER FOR THE LOCAL AREA NETWORK (LAN) SERVICES CONTRACT**
Report of the Chamberlain and Comptroller and City Solicitor.
For Decision
(Pages 209 - 212)
36. **NON-PUBLIC DECISIONS TAKEN UNDER DELEGATED AUTHORITY AND URGENCY PROCEDURES**
Report of the Town Clerk.
For Information
(Pages 213 - 214)

37. **NON-PUBLIC QUESTIONS ON MATTERS 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**

FINANCE COMMITTEE

Tuesday, 25 July 2017

Minutes of the meeting of the Finance Committee held at Committee Room - 2nd Floor West Wing, Guildhall on Tuesday, 25 July 2017 at 1.45 pm

Present

Members:

Jeremy Mayhew (Chairman)	Tim Levene
Deputy Jamie Ingham Clark (Deputy Chairman)	Paul Martinelli
Randall Anderson	Deputy Robert Merrett
Chris Boden	Deputy Henry Pollard
Mark Bostock	William Pimlott
Deputy Roger Chadwick	Alderman Matthew Richardson
Dominic Christian	Sheriff & Alderman William Russell
Karina Dostalova	James de Sausmarez
Sheriff & Alderman Peter Estlin	Ian Seaton
Sophie Anne Fernandes	Deputy Philip Woodhouse
Alderman Timothy Hailes	Sir Mark Boleat (Ex-Officio Member)
Caroline Haines	Deputy Catherine McGuinness (Ex-Officio Member)
Michael Hudson	Andrew McMurtrie (Ex-Officio Member)
Deputy Clare James	Deputy Alastair Moss (Ex-Officio Member)
Gregory Lawrence	

In Attendance

Officers:

Peter Lisle	-	Assistant Town Clerk
Bob Roberts	-	Director of Communications
Peter Kane	-	Chamberlain
Caroline Al-Beyerty	-	Chamberlain's Department
Christopher Bell	-	Chamberlain's Department
Philip Gregory	-	Chamberlain's Department
Paul Wilkinson	-	City Surveyor
Sean Green	-	Chamberlain's Department

1. APOLOGIES

Apologies for absence were received from Nick Anstee, Nick Benstead Smith, Simon Duckworth, Chris Haywood, Tom Hoffman, Wendy Hyde, Oliver Lodge, Hugh Morris, Sir Michael Snyder and James Thompson.

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

Dominic Christian declared a non-pecuniary interest in respect of item 25 - Purchase of the Freehold of 20 & 21 Aldermanbury (City's Estate) - Chartered Insurance Institute, as he is a recent President of the Institute of Insurance of London. Mr Christian would therefore refrain from commenting or participating in any discussion or future vote on this item.

3. **MINUTES OF THE PREVIOUS MEETING**

RESOLVED – That the public minutes and non-public summary of the meeting held on 6th June 2017 be approved.

4. **OUTSTANDING ACTIONS FROM PREVIOUS MEETINGS**

The Committee considered 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:

- Charities Pool Register
- Provisional Outturn (positive variances)
- Members' IT issues
- Electoral Services Team Budget
- Disaster Relief Donations
- Members' Financial Loss Allowance Scheme
- Christmas Donations

RESOLVED – That the report be noted.

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.

Members noted that the IT Sub Committee had also met on 14th July 2017 and the Chairman (of the IT Sub Committee) advised that Members had considered the new General Data Protection Regulations and a new protocol for the website. Members noted that the next meeting of the Finance Committee would receive the full set of minutes from this meeting.

RESOLVED – That the report be noted.

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

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

- Corporate Asset Sub-Committee held on 18 July 2017.
- Information Technology Sub-Committee held on 26 May 2017.

7. **2016/17 CITY FUND AND PENSION FUND AND BRIDGE HOUSE ESTATES FINANCIAL STATEMENTS**

Members considered a report of the Chamberlain and the External Auditors in respect of the 2016/17 City Fund, Pension Fund, and Bridge House Estates Financial Statements. The Chairman had agreed to accept an urgent item of Business in respect of the Bridge House Estates Statement of Accounts 2016/17, as they had been prepared 2/3 months ahead of schedule. The documents had been emailed and tabled for Members, along with the draft minute from the Audit and Risk Management Committee, which had met the previous day. This draft minute summarised the discussion and recommended that the Finance Committee approve the 2016/17 City Fund, Pension Fund, and Bridge House Estates accounts.

In addition to the questions raised at the Audit and Risk Management Committee, Members noted that the Actuarial update on market valuations could be provided before the next pension fund valuation. The Chamberlain offered to re-circulate the Actuarial report which had been presented to the Investment Committee.

The Chairman commended officers and auditors on the early and accurate production of both set of accounts.

RESOLVED, that :

1. The comments and recommendations of the Audit and Risk Management Committee in respect of BDO's reports on the City Fund and Pension Fund be noted and the City Fund and Pension Fund Financial Statements for the year ended 31 March 2017 be approved.

2. Authority be delegated to the Town Clerk, in consultation with the Chairman and Deputy Chairman of the Finance Committee, to approve any material changes to the financial statements required before the signing of the audit opinion by BDO - which is expected to be by the end of August or early September. *(NB. Any material changes will be circulated to Members of the Audit and Risk Management and Finance Committees)*

3. The comments and recommendations of the Audit and Risk Management Committee in respect of Moore Stephens reports on Bridge House Estates be noted and the Bridge House Estates Financial Statements for the year ended 31 March 2017 be approved.

2. Authority be delegated to the Town Clerk, in consultation with the Chairman and Deputy Chairman of the Finance Committee, to approve any material changes to the financial statements required before the signing of the audit opinion by Moore Stephens - which is expected to be in mid- September. *(NB. Any material changes will be circulated to Members of the Audit and Risk Management and Finance Committees)*

8. **CHAMBERLAIN'S RISK REGISTER - FIRST QUARTER UPDATE**

The Committee received a report of the Chamberlain which provided updates regarding the top risks within the Departmental Risk Register. Members noted an error in that Corporate Risk 16 Information Security should be Red and not Amber, as set out in the report.

RESOLVED – That the report, with the above amendment, be noted.

9. **BUDGET MONITORING - QUARTERLY UPDATE**

The Committee received a report of the Chamberlain which provided the quarterly budget update.

RESOLVED – That the report be noted.

10. **CHAMBERLAIN'S BUSINESS PLAN – QUARTERLY UPDATE**

The Committee received a report of the Chamberlain which provided the quarterly business plan update.

RESOLVED – That the report be noted.

11. **CITY PROCUREMENT - QUARTERLY UPDATE**

The Committee received a report of the Chamberlain which provided the quarterly update on City procurement.

RESOLVED – That the report be noted.

12. **CENTRAL CONTINGENCIES**

The Committee received a report of the Chamberlain which provided an update on central contingencies.

RESOLVED – That the report be noted.

13. **CITY RE LTD - PERFORMANCE MONITORING**

The Committee received a report of the Chamberlain which provided a performance update on City Re Ltd.

RESOLVED – That the report be noted.

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

The committee received a report of the Town Clerk in respect of a decision taken under urgency, in accordance with Standing Order 41(a), since the last meeting of the Committee.

Beech Street Property Uses – request for additional funding to explore options for the School and Cultural Hub in more detail.

Action taken:

(i) up to £50k was approved from the Finance Committee City's Cash contingency, to allow the City of London School for Girls to explore the options identified, including Exhibition Hall 2, in greater detail; and

(ii) up to £50k was approved from the Finance Committee City Fund contingency, to enable the Barbican Centre, on behalf of the Cultural Hub, to explore the potential use of Exhibition Hall 2 in greater detail, to align with aims and objectives of the Cultural Hub.

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

There were no questions.

16. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT

The Chairman agreed to the admission of an item of urgent business in respect of the 2016/17 Bridge House Estates, which was considered and approved at Agenda Item 7.

17. EXCLUSION OF THE PUBLIC

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

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

18. NON-PUBLIC MINUTES OF THE PREVIOUS MEETING

The non-public minutes of the meeting held on 6 June 2017 were approved as an accurate record

19. 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.

20. REPORT OF THE WORK OF THE SUB-COMMITTEES - NON-PUBLIC ISSUES

The Committee received a report of the Town Clerk which advised Members of the key discussions which had taken place during the non-public sessions of recent meetings of the Committee's Sub-Committees.

21. DRAFT NON-PUBLIC MINUTES OF SUB-COMMITTEES

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

- Corporate Asset Sub-Committee held on 18 July 2017
- Information Technology Sub-Committee held on 26 May 2017

22. **PROVISION OF A UNIFORM MANAGED SERVICE FOR THE CITY OF LONDON POLICE**

Members considered and approved a report of the Commissioner, City of London Police.

23. **ACTION AND KNOW FRAUD CENTRE - CONTRACT SERVICE BUDGET**

Members considered and approved a report of the Commissioner, City of London Police.

24. **CITY OF LONDON FREEMENS SCHOOL MAIN HOUSE (PHASE 2) - GATEWAY 4 - DETAILED OPTIONS APPRAISAL**

The committee considered and approved a report of the City Surveyor and Headmaster, City of London Freeman's School.

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

Members considered and approved a report of the City Surveyor.

26. **BRIDGE HOUSE ESTATES -21 LIME STREET - PURCHASE OF FREEHOLD DEVELOPMENT SITE - CONFIRMATION OF FINAL PRICE**

Members considered and approved a report of the City Surveyor.

27. **RISK REGISTER FOR BRIDGE HOUSE ESTATES**

Members considered and approved a report of the Chamberlain

28. **LONDON LOCAL GOVERNMENT PENSION SCHEME CIV LTD**

Members considered and approved a report of the Chamberlain

29. **WAIVERS ANNUAL REPORT 2016/17**

Members considered and approved a report of the Chamberlain.

30. **REPORT ON WAIVERS AT £50,000 AND OVER GRANTED SINCE THE LAST MEETING OF THE FINANCE COMMITTEE**

Members received a report of the Chamberlain.

RESOLVED, that the report be noted

31. **PROCUREMENT COMPLIANCE REVIEWS ANNUAL REPORT**

Members received a report of the Chamberlain

RESOLVED, that the report be noted

32. **PROVISION OF MANAGED PRINT AND DIGITAL SERVICES CONTRACT - PROCUREMENT - STAGES 1 & 2**

Members considered and approved a report of the Chamberlain.

33. **CORPORATE CATERING SERVICES PROCUREMENT - STAGE 1**
Members considered and approved a report of the Chamberlain.
34. **NON-PUBLIC DECISIONS TAKEN UNDER DELEGATED AUTHORITY AND URGENCY PROCEDURES**
The Committee noted a report of the Town Clerk detailing a non-public decision, taken under delegated authority, since the last meeting.
35. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
There were no non-public questions relating to the work of the Committee.
36. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**
There were no items of urgent business.

The meeting ended at 3.10 pm

Chairman

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Finance Committee – Outstanding Actions

Item	Date	Item and Action	Officer responsible	To be completed/ progressed to next stage	Progress Update
1	6 June 2017, item 14	<p><u>Departments being charged for their use of the Comptroller's Department's services</u></p> <p>The Chairman asked for a report to the Committee during Autumn 2017, setting out proposals for an internal charging mechanism for legal services, for implementation in 2018/19, and potentially for other centrally provided services.</p>	Chamberlain and Comptroller and City Solicitor	Autumn 2017	Work is underway to explore possible internal charging mechanisms for central services, using legal services as the pilot area. Findings to be reported to November's Finance Committee.
2	6 th June 2017, Item 11	<p><u>Agilisys' Apprenticeship Roles</u></p> <p>The Chamberlain explained that around 50% of this target had been reached. The Committee agreed that a report on this matter should be submitted to the IT Sub-Committee.</p>	Chamberlain	IT Sub Committee next meets on 18 September 2017.	
3	2 May 2017, Item 16	<p><u>Central London Forward CESI Programme</u></p> <p>Members asked for further information regarding the risk in relation to the loss of ESF Funding for the Central London Forward CESI Programme.</p>	Chamberlain	July 2017	At the time of publishing the agenda, this issue is still being discussed with the Greater London Authority. A report is expected to be submitted to the Committee's September 2017 meeting.
4	31 Jan 2017, Item 12	<p><u>Corporate Purchase Cards</u></p> <p>A report to be provided in one year's time to provide an update on progress with reducing the number of rarely-used Purchase Cards and in reducing the use of purchase cards for expenses.</p>	Chamberlain	January 2018	A report will be provided in January 2018.

Item	Date	Item and Action	Officer responsible	To be completed/ progressed to next stage	Progress Update
5	31 January 2017	<u>2016/17 City Fund and Pension Fund and Bridge House Estates Financial Statements</u> Members noted that the Actuarial update on market valuations could be provided before the next pension fund valuation.	Chamberlain & Town Clerk		Actuarial report circulated with the minutes of the meeting of 25.7.17

Agenda Item 5

Committee: Finance Committee	Date: 12 September 2017
Subject: Report of the work of the Sub-Committees	Public
Report of: Town Clerk	For Information
Report author: John Cater, Town Clerk's Department	

Summary

On 19 July 2016, the Finance Committee agreed that, in addition to draft minutes of Sub-Committee meetings, short reports be provided to advise the Committee of the main issues considered by the Sub-Committees at recent meetings. This report sets out the main issues considered by the following Sub Committees since 25 July 2017:

Information Technology Sub Committee Meeting – 14 July 2017

General Data Protection Regulations. Sub Committee members were briefed on forthcoming General Data protection Regulations (GDPR) that would come into effect from May 2018. Members noted that the GDPR would introduce an element of risk for the City of London Corporation, as non-compliance involved a potential fine of 4% of the organisation's turnover. The IT Director agreed to provide a further report to the Sub Committee, with input from the Comptroller & City Solicitor, which set out the implications of GDPR for the City of London Corporation in greater detail.

Finance Grants Oversight and Performance Sub Committee – 25 July 2017

The Sub Committee received a an update on the Central Grants Programme (CGP), including the outcomes of the first CGP grant round delivered in 2016/17, an update on the Director's workshops for grantees, an overview of current grant deadlines and an update on the implementation of the monitoring and evaluation systems for the CGP. Members asked for a full analysis to be presented to the Finance Grants Oversight and Performance Sub Committee, Resource Allocation Sub Committee and Finance Committee the autumn.

Recommendations

The Committee is asked to note the report.

Main Report

John Cater

Senior Committee Services Officer, Town Clerk's Department

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FINANCE GRANTS OVERSIGHT AND PERFORMANCE SUB COMMITTEE

Tuesday, 25 July 2017

Minutes of the meeting of the Finance Grants Oversight and Performance Sub Committee held at Guildhall

Present

Members:

Simon Duckworth (Chairman)	Jeremy Mayhew
Deputy Philip Woodhouse (Deputy Chairman)	Sheriff & Alderman William Russell
Deputy Jamie Ingham Clark	

In Attendance

Officers:

David Farnsworth	- Director of the City Bridge Trust, Town Clerk's Department
Scott Nixon	- Head of Protects, Town Clerk's Department
Julie Mayer	- Committee and Member Services, Town Clerk's Department
Anne Pietsch	- Chief Legal Assistant, Comptroller & City Solicitor's Department
Karen Atkinson	- Head of Charity & Social Finance, Chamberlain's Department

1. **APOLOGIES**

Apologies were received from Nicholas Bensted-Smith, Oliver Lodge and Randall Anderson.

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

There were no declarations.

3. **MINUTES**

The public minutes and non-public summary of the meeting held on 21 February 2017 were approved.

Matters arising

The GAP analysis was waiting on further funding rounds.

4. **CENTRAL GRANTS PROGRAMME - UPDATE REPORT**

The Sub Committee received a report of the Director of the City Bridge Trust which provided an update on the Central Grants Programme (CGP), including the outcomes of the first CGP grant round delivered in 2016/17, an update on the Director's workshops for grantees, an overview of current grant deadlines and an update on the implementation of the monitoring and evaluation systems for the CGP.

The Director tabled an update to the table included in the report which showed the progress of the first CGP grant round, including percentages. Members asked for a full analysis, to be presented to the Finance Grants Oversight and Performance Sub Committee, Resource Allocation Sub Committee and Finance Committee in October, to include the quantum of funding sought.

Members noted that the first of the on-line monitoring forms were being returned and asked if they could be kept as brief as possible and presented to Members in a standard format.

RESOLVED, that the report be noted.

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

There were no questions.

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

There were no items.

7. **EXCLUSION OF THE PUBLIC**

RESOLVED, That – under Section 100A (4) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Part 1 of Schedule 12(A) of the Local Government Act.

Item no
9-12

Para no
3

8. **NON-PUBLIC MINUTES**

The non-public minutes of the meeting held on 21 February 2017 were approved.

9. **CENTRAL GRANTS PROGRAMME, OPTIONS FOR ON-GOING DELIVERY APPROACH**

The Sub Committee considered and approved a report of the Director of the City Bridge Trust.

10. **BENEFITS AND GRANTS IN KIND**

The Sub Committee considered and approved a report of the Director of the City Bridge Trust.

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

There were no questions.

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

There were no items

The meeting ended at 4.00 pm

Chairman

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INFORMATION TECHNOLOGY SUB (FINANCE) COMMITTEE

Friday, 14 July 2017

Minutes of the meeting of the Information Technology Sub (Finance) Committee held at Guildhall, EC2 on Friday, 14 July 2017 at 1.45 pm

Present

Members:

Deputy Jamie Ingham Clark (Chairman)
Hugh Morris (Deputy Chairman)
Randall Anderson
Deputy Keith Bottomley
John Chapman
Jeremy Mayhew
Deputy Robert Merrett
Sylvia Moys
James Tumbridge

Officers:

Alistair MacLellan	-	Town Clerk's Department
Bob Roberts	-	Director of Communications
Melissa Richardson	-	Town Clerk's Department
Peter Kane	-	Chamberlain
Sean Green	-	IT Director
Matt Gosden	-	Deputy IT Director
Kevin Mulcahy	-	Chamberlain's Department
Jane Reynolds	-	Comptroller & City Solicitor's Department
Alison Hurley	-	City Surveyor's Department
Steve Bage	-	City Surveyor's Department

Attending:

Adrian Davey	-	Cirrus Futures
Goy Roper	-	Socitm Advisory (Item 18 only)
John Tyreman	-	Socitm Advisory (Item 18 only)

1. APOLOGIES

Apologies were received from Rehana Ameer and Tim Levene.

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

There were no declarations.

3. MINUTES

The minutes of the meeting held on 26 May 2017 were approved as a correct record.

4. **OUTSTANDING ACTIONS**

The Sub-Committee considered a joint report of the Town Clerk and the Chamberlain which provided updates of outstanding actions from previous meetings.

RECEIVED

5. **IT DIVISION UPDATE**

Members considered an update report of the Chamberlain regarding the IT Division and the following points were made.

- The IT Director noted that the requirement to provide IT VIP support to the Town Clerk in his capacity as head of the Grenfell Tower task force had entailed a temporary freeze on IT services such as remote support. This freeze had now been lifted.
- In response to a comment from a Member, the IT Director noted that the procurement process would have ensured any sills installed during the IT transformation programme were Disability Discrimination Act (DDA) 2005-compliant.
- Members noted their thanks to the IT VIP Team for its response to recent events including the London and Manchester terror attacks, and the Grenfell Tower fire.

RECEIVED

6. **COUNCIL TAX & BUSINESS RATES**

Members considered a Gateway 7 project report of the Chamberlain regarding Council Tax & Business Rates.

RESOLVED, that the project be closed.

7. **GDPR BRIEFING**

Members considered a report of the Chamberlain regarding the forthcoming General Data Protection Regulations (GDPR) that would come into effect from May 2018, and the following points were made.

- The IT Director noted that there was now an element of risk around ensuring compliance with GDPR, noting that there was a potential fine of 4% of turnover in the event of the GDPR being breached.
- A Member welcomed the report but requested that any further iteration was given input by the Comptroller & City Solicitor's Department.
- In response to a question from a Member, the Town Clerk agreed to establish whether the Sub Committee was due to receive a resolution from the Local Government Pensions Board or Police Pensions Board.

- In response to a comment from a Member, the IT Director agreed to prepare a paper setting out the implications of the GDPR for relevant City Committees and Boards, including the independent schools.
- A Member commented that she had recently attended the International Data Privacy Conference, and it was her impression that the new UK Information Commissioner would likely bring new rigor to auditing evidence of compliance.

RECEIVED

8. WEBSITE UPDATE AND ACTION PLAN INCLUDING MEMORANDUM OF UNDERSTANDING BETWEEN THE IT DIVISION AND COMMUNICATIONS DIVISION

Members considered a joint report of the Director of Communications and the IT Director regarding the City of London Corporation website, and a memorandum of understanding between the IT Division and the Communications Division. The following points were made.

- The Director of Communications acknowledged that there was room for improvement in terms of the City of London Corporation website, and noted that the enclosed MOU was intended to give Members assurance that the issue was being addressed.
- The IT Director noted that his forthcoming GDPR paper would include a section on ensuring the City of London Corporation website was compliant.
- In response to a comment from the Chairman, the Director of Communications confirmed that internal procedures had been put in place to govern the establishment of new City of London e-platforms and standalone websites.

RECEIVED

9. OPEN MEDIATED WIFI PROVISION FOR GUILDHALL EVENTS

Members considered a report of the Chamberlain regarding open mediated wi-fi provision for Guildhall events.

RECEIVED

10. WORK PROGRAMME

Members considered a report of the Chamberlain regarding the future work programme of the Sub Committee.

RECEIVED

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

Length of Reports

In response to a question from a Member, the Chamberlain agreed that there was scope to ensure future reports before the Sub Committee were more concise.

Business Rates Software

In response to a question from a Member, the Chamberlain confirmed that the City of London Corporation's business rate software was up to date.

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

There were no items of urgent business.

13. **EXCLUSION OF THE PUBLIC**

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

14. **NON PUBLIC MINUTES**

The non-public minutes of the meeting held on 26 May 2017 were approved as a correct record.

15. **NON PUBLIC OUTSTANDING ACTIONS**

A joint report of the Town Clerk and the Chamberlain on non-public outstanding actions was received.

RECEIVED

16. **IT TRANSFORMATION PROGRAMME - UPDATE REPORT**

Members considered an update report of the Chamberlain regarding the IT Transformation Programme.

RECEIVED

17. **IT MOBILITY STRATEGY**

Members considered a report of the Chamberlain regarding the IT Mobility Strategy.

18. **SOCITM ASSURANCE COVERING REPORT**

Members agreed to vary the order of items on the agenda so that Item 22 – SOCITM Assurance Covering Report was considered next.

Members considered a report of the Chamberlain on SOCITM Assurance.

RECEIVED

19. **NEW IT TARGET OPERATING MODEL**
Members considered a report of the Chamberlain on the new IT Target Operating Model.
20. **CUSTOMER RELATIONSHIP MANAGEMENT (CRM)**
Members considered a report of the Chamberlain regarding Customer Relationship Management (CRM).
21. **AGILISYS CONTRACT NEGOTIATIONS MEMBERS WORKSHOP**
Members considered a report of the Chamberlain regarding the Agilisys Contract negotiations Members' Workshop.

RECEIVED

22. **IT DIVISION RISK UPDATE**
Members considered an update report of the Chamberlain regarding IT Division Risk.

RECEIVED

23. **DEEP DIVE: CR16 INFORMATION SECURITY**
Members considered a report of the Chamberlain regarding a deep dive on CR16 – Information Security.

RECEIVED

24. **CITY OF LONDON PSN CERTIFICATION VERBAL UPDATE**
The IT Director was heard regarding the City of London PSN Certification Update.

25. **IT SERVICE AND PERFORMANCE**
Members considered a report of the Chamberlain on IT Service and Performance.

RECEIVED

26. **SUPERFAST BROADBAND RESOURCE**
Members considered a joint report of the Chamberlain and the Director of Built Environment regarding Superfast Broadband Resource.

27. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE SUB COMMITTEE**
There were no non-public questions.

28. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE SUB COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**
There was no other non-public business.

The meeting ended at 3.54 pm

Chairman

Contact Officer: Alistair MacLellan / alistair.maclellan@cityoflondon.gov.uk

Committee(s)	Dated:
Finance Committee – For Information	12/09/2017
Subject: Chamberlain’s Department Risk Management – Monthly Report	Public
Report of: Chamberlain	For Information
Report author: Hayley Hajduczek, Chamberlain’s Department	

Summary

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

There are currently no RED risks on the departmental risk register and two RED risks on the Corporate Risk Register within the responsibility of Chamberlain’s Department:

- **CR16 – Information Security**
- **CR19 – IT Service Provision**

The Senior Leadership Team continues to monitor closely the progress being made to mitigate these risks. The IT Transformation Project continues to progress well, this will deliver sustainable performance improvements by the end of 2017.

Recommendation(s)

Members are asked to note the report.

Main Report

Background

1. The Risk Management Framework of the City of London Corporation requires each Chief Officer to report regularly to Committee the key risks faced in their department. Finance Committee has determined that it will receive the Chamberlain’s risk register on a quarterly basis with update reports on RED rated risks at the intervening Committee meetings.

Current Position

2. This report provides an update on the current RED risks that exist in relation to the operations of the Chamberlain’s department and, therefore, Finance Committee.
3. There are currently two RED risks on the Corporate Risk Register for which the Chamberlain’s Department are responsible and no RED risks on the departmental Risk Register:

CR16 – Information Security (Current Risk: Red – no change)

The IT team continue to work on improvements to Information Security. The Security Incident Reporting System has now gone live allowing Officers to log any potential risks with the IT Team. Purchase and installation of Metacompliance Audit, Awareness and Accountability System has been carried out. Dedicated technical resource to support the security programme started at the end of July and a recruitment campaign for dedicated staff is scheduled in next reporting period.

CR19 – IT Service Provision (Current Risk: Red – no change)

The team continues to focus on the stabilisation of the IT service. Remedial work continues to improve the stability of service. The team are working through the procurement process to replace unsupportable networking hardware, following which, work will move to full delivery of a new network for the City Corporation and City of London Police. The risk is expected to reduce to Amber by December 2017 followed by steady progress to Green in the following months.

4. Other Material Changes since the Previous Review

CR11 – Corporate Contract Management (Current Risk: Green – reached target level)

The toolkit was launched on 4th July and training will be rolled out to officers within departments throughout 2017. This risk has now reached target level and as result this will now be closed.

CHB014 – Loss of ESF Funding for Central London Forward CESI Program (Current Risk: Green – reached target level)

A report has been submitted to this committee regarding this risk requesting for the loss of funding to be met from the Finance Committee Contingency Fund, if this request is granted this risk will be closed.

Conclusion

5. Members are asked to note the actions taken by Chamberlain’s Department to manage the IT provision and Information Security risks.

Appendices

- None

Background Papers

Monthly Reports to Finance Committee: Finance Committee Risk
Report to Finance Committee 25 July 2017: Finance Committee Risk – Quarterly Report.

Hayley Hajduczek

Chamberlain’s Department

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Agenda Item 8

Committee(s)	Date(s):
Finance Committee – For Information	12 th September 2017
Subject: IT Division – Member Update	Public
Report of: The Chamberlain	For Information
Report author: Sean Green, IT Director	

Summary

This report updates Members on the work of the IT Division and the key areas of progress since April 2017.

Member are asked to:

- a) Note the progress report on key strategic improvement projects and performance:
 - i. Important Strategy documents reviewed and agreed by senior officers and Member committees. These include the IT Strategy and Design Principles for the City of London Corporation and City of London Police and the CRM Framework for the City of London Corporation. The IT Transformation Programme is delivering against an agreed plan for implementing Network and Desktop Transformation including the roll out of Office 365 across all City of London Corporation teams and Members. (See Appendix A – IT Transformation Roadmap)
 - ii. Progress with the development of a new Operating Model for the IT `Division to reflect the changes required as a result of new IT Strategy and Transformed IT Services. The work completed during this period included a review with SOCITM an external consultancy and the design and development of a functional view of the IT organisation for both the Corporation and City of London Police.
 - iii. Progress with the negotiation of an extension of the Agilisys contract for the City of London Corporation and the City of London Police. Requirements for changes and improvements with the existing Agilisys contract were gathered from Officers and Members through team meetings and workshops. Meetings have begun with Agilisys to discuss the requirements and changes considering alongside this the commercial impact of the IT Transformation programme. Recommendations for the two year contract extension will be brought to Members in November.
 - iv. Current 2017/2018 Q1 service performance achieved for both City of London Corporation and the City of London Police. There were just 4 P1 incidents across both COL and COLP in the last 3 months: this is a significant improvement on the same period in 2016 when there 15 P1 incidents between April and June. All IT system availability targets were met. (See Appendix B for details of the P1 and P2 incidents)
 - v. In July 2017, there was 1 P1 incident and 3 P2 incidents for the City of London Police. There were 3 P2 incidents for the City of London Police and City of London Corporation.

Main Report

Background

1. The IT Division provides services to the City of London Corporation, City of London Police and London Councils. 5 main functions are provided from the in-house IT team: i) Strategic Business Relationship Management, ii) Business Performance Management, iii) IT Applications and VIP Support, iv) Projects and Programmes Management and v) Digital and CRM management. The report updates on progress on IT Transformation as agreed with the sign off of the IT Strategy for the City of London Corporation and City of London Police and current performance of delivery against the service delivery KPI's set in the Chamberlain's Business Plan in April 2017.

IT Strategy Key Themes and Transformation Programme Progress

2. The IT Strategy Design Principles for the Corporation and City of London Police were agreed earlier this year by Officer and Member committees. The IT Strategy for the Corporation was also agreed for the Corporation. The City of London Police IT Strategy was endorsed by the IT Sub-Committee and Finance Committee. It is expected to be presented to the Police Committee in September for sign off and agreement.
3. The agreed IT Strategy has four key themes which the IT Division are in year 1 of delivering against, these are: i) Buy applications rather than build in house, ii) Fewer but more effective applications and systems, iii) Removing and reducing complexity in our IT estate, iv) Building security into all our systems and solutions from start to finish. Key transformation projects are summarised in Appendix A (IT Transformation Roadmap).
4. The IT Division will also be leading on the development of Customer Relationship Management System for the Corporation. Two CRM products will be used in the Corporation i) Microsoft Dynamics 365 for strategic relationship management and ii) a CRM Contact Centre system for citizen contacts in the new joint Corporation and City of London Police Contact Centre and other higher volume customer contact teams.

New IT Operating Model

5. The implementation of the IT Strategy will have implications for the current Organisational Model and how we operate going forward. The new IT Target Operating Model has been designed on the basis of what is known today of the business strategy for both the Corporation and the City of London Police and follows industry best practice in support of a multi-sourcing services based supply model. It is based on the following design principles:
 - Simplicity – fit for purpose and understandable
 - Flexibility – adaptable as we move to the cloud
 - Reliability – operationally consistent
 - Economic – commercial and financially sound
 - Acceptability – the right structure for CoL / CoLP

During September and October work will continue on the Organisational implications of the new operating model including a skills review within the IT team to ensure the right resources and capabilities are in place to support the next phases of delivery of the IT Strategy and Transformation programme for the City of London Corporation and City of London Police.

Agilisys Contract Extension

6. Agilisys have been contracted to focus on the delivery of consistent and reliable IT service and in doing so support every aspect of its operations. A two year extension of the contract was agreed with Members in October 2016. Final recommendations on the contract extension will be presented to the IT Sub-Committee on the 23rd November 2017.

The Key Principles supporting the negotiations that have been agreed with Senior Officers and Members are:

- Ensuring that the IT Service continues to deliver value for money for the Corporation and the City of London Police
- Ensuring no degradation of service as we get closer to the end of the contract
- Negotiating new services and removal of existing services with no commercial penalties for the Corporation
- Enabling the use of multiple suppliers with the appropriate service integration and KPI management over the course of the two year extension

Meetings are on-going with Agilisys until October to agree:

- Changes in responsibilities
- Clarity on contract wording
- Enhancements and changes to the existing contracted services
- An enhanced set of Key Performance Indicators and Management Information monitoring reports

Service Performance

7. The service performance for both the City of London Corporation and City of London Police was good for the period April to June 2017 (See Table 1 below)

Table 1 – IT Service Performance – April to June 2017

IT Service Performance (new KPI) <i>(to be reviewed as part of the Agilisys contract extension)</i>	Fixing Issues		Application Availability			
	P1 incidents fixed within 2hrs (98%)	P2 incidents fixed within 6hrs (98%)	Application availability (99%)	Telephony Availability (99.5%)	Datacentre LAN Availability (99.9%)	Corporate Network Availability (99.5%)
	COL 4 75%	COL 4 100%	COL 99.96%	COL 99.76%	COL 99.96%	COL 99.79%
	COLP 0 100%	COLP 0 100%	COLP 100%	COLP 99.95%	COLP 100%	COLP 100%

- There were 4 P1 incidents across both COL and COLP in the last 3 months: this is a significant improvement on the same period in 2016 when there 15 P1 incidents between April and June.
- Only 1 incident failed SLA in 3 months; this was in COL, for the Office 365 migration which resulted in failures when sending email to external addresses. This was a due to a licence constraint applied incorrectly and without our knowledge to the City of London Corporation Microsoft enterprise tenancy. This constraint has now been removed.
- All other incidents for Agilisys were resolved within SLA.
- All IT system availability targets were met.

Service Performance – July 2017

8. The service performance for both the City of London Corporation and City of London Police was good for the period July 2017. There was 1 P1 incident in City of London Police due to a power failure and 2 P1 incidents in City of London Corporation due to: i) the Good application was unavailable because of a fault in the supplier's data centre and ii) Internet services were slow because of an issue enabling Windows 7 computer users to access Office365.

There were 3 P2 incidents for City of London Police and the City of London Corporation.

Appendices

- Appendix A – IT Transformation Roadmap

Sean Green

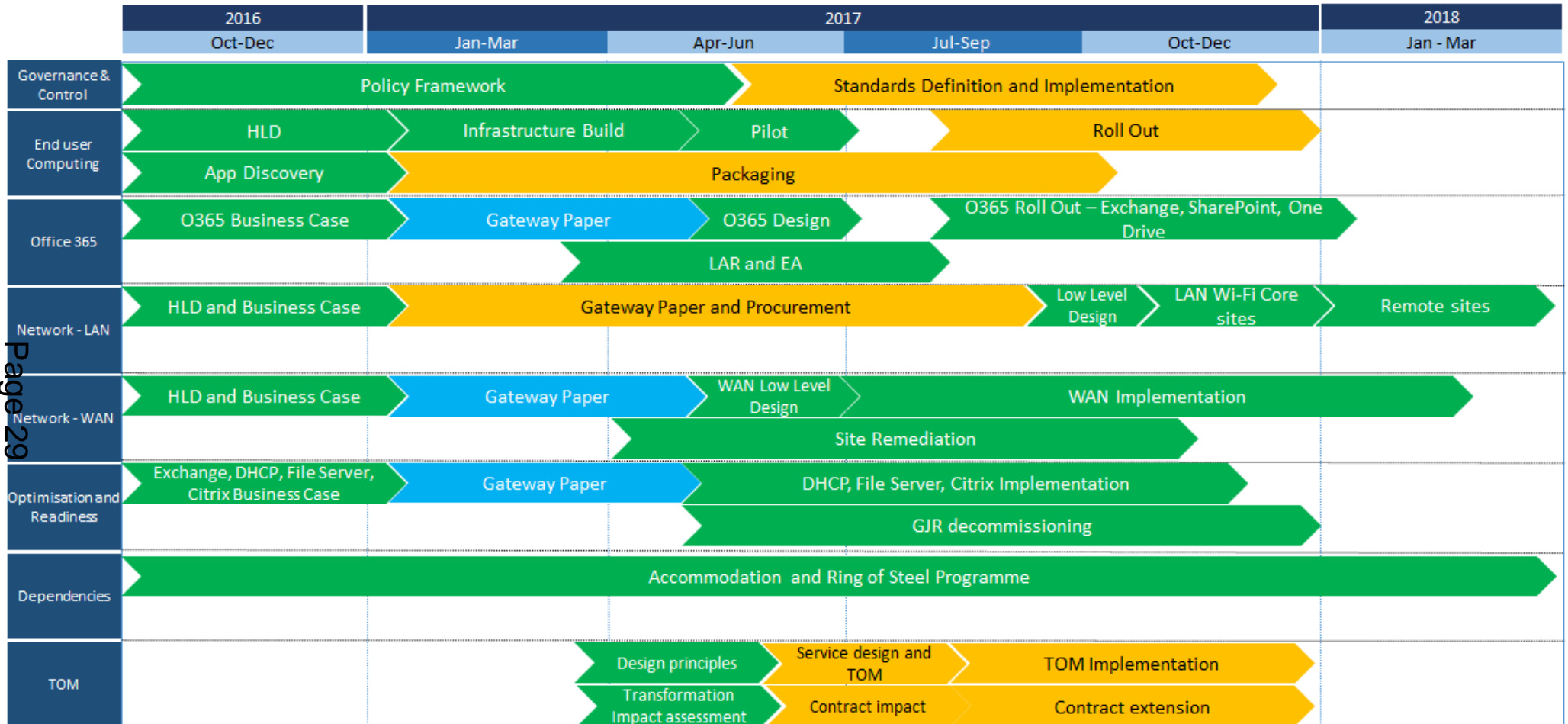
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Appendix A – IT Transformation Roadmap

IT Transformation – Plan on a Page August

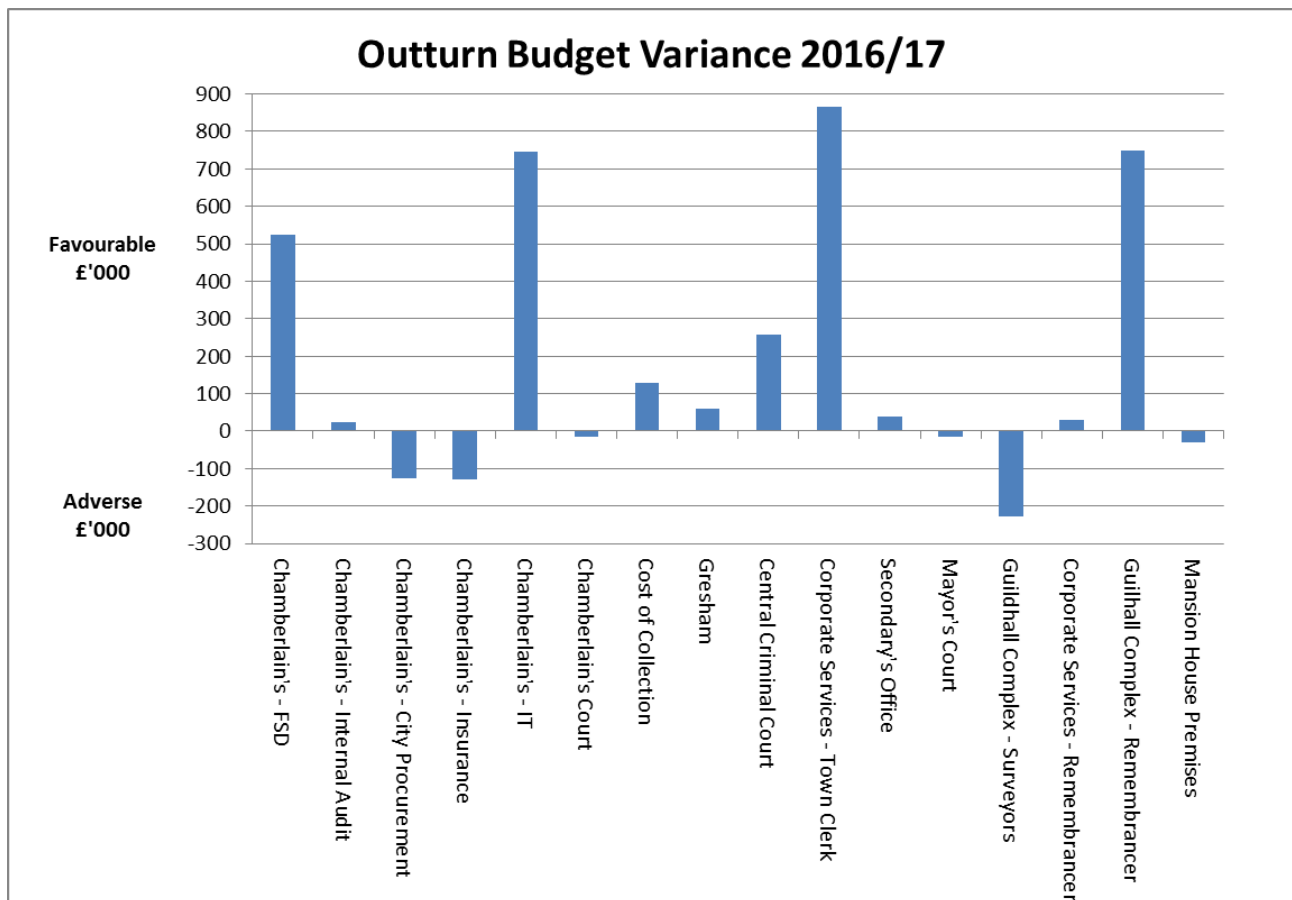


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Committee	Dated:
Finance Committee	12 September 2017
Subject: Revenue Outturn 2016/17 – Finance Committee Operational Services	Public
Report of: The Chamberlain	For Information
Report author: Philip Gregory, Deputy Financial Services Director, Chamberlain’s Department	

Summary

The report compares the revenue outturn for the operational services overseen by your Committee in 2016/17 with the budget for the year. It also details the carry forward requests which have now been approved. It does not cover the overall outturn for the City which is reported separately with the financial statements. Total net expenditure on the operational services overseen by the Committee was £54.422m, whereas the total budget was £57.308m, representing a favourable variance of £2.886m, as summarised in the chart below.



The overall favourable position against the budget of £2.886m comprises variations on a number of services, the main ones being reduced requirements for Corporate Services (Town Clerk), Chamberlain's IT, Chamberlain's FSD, Cost of Collection and increased income in Guildhall Complex (Remembrancer), Central Criminal Court and Gresham partly offset by increased requirements in Guildhall Complex (Surveyors), Insurance and City Procurement.

Members should note that as this report relates to the old year, the 2016/17 information remains in the old reporting format. Improvements are being made to Committee budget management information for 2017/18.

Recommendation

Members are asked to:

- Note 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.

Main Report

Revenue Outturn for 2016/17

1. The 2016/17 actual net expenditure for the operational services overseen by your Committee totalled £54.422m, a favourable variance of £2.886m compared to the budget of £57.308m. Appendix 1 provides analysis between Chief Officer's local risk budgets, central risk budgets and support services.
2. The most significant variations were:-
 - Corporate Services – Town Clerks: £867,000 decrease – relates to an £819k underspend on the Cultural Hub, this central risk underspend has been carried forward in full to 2017/18. In addition to this, £145k was carried forward from 2015/16 to 2016/17 for the Cultural Hub Property & Programme Director of which £111k was spent resulting in an underspend of £34k.
 - Guildhall Complex – Remembrancer: £750,000 more net income than budgeted – primarily due to income from letting rooms in the Guildhall Complex being higher than anticipated in the budget. The level of the income budget will be reviewed in the 2018/19 estimate cycle, together with the related costs of letting these rooms.
 - Chamberlain's IT: £745,000 decrease – this principally relates to a timing delay in the improvement work, including increased network capacity, which is currently underway as part of Transformation. Additionally there were some budgeted roles that remained vacant. £484,000 was carried

forward to 2017/18 to cover these costs as the Transformation project progresses.

- Chamberlain's - FSD £524,000 decrease – relates to an underspend in fees and services of £100,000, an underspend on the employee budget of £111,000 due to a number of vacant posts during the year and an underspend on transformation projects which has been carried forward to 2017/18.
- Central Criminal Court £259,000 decrease – primarily relates to higher than budgeted recovery of costs from Her Majesty's Courts and Tribunals Services.
- Cost of Collection £128,000 decrease :
 - employee budget was underspent by £15,000 due to a staff vacancy
 - expenditure on computing costs was £90,000 less than budgeted for due to a major project costing less than originally anticipated;
 - the cost of Council Tax Reduction Scheme Discount granted was less than budgeted for resulting in £63,000 less expenditure than planned. This relates to a lower number of claimants than expected compared to previous years; and
 - a reduction of £34,000 in government grants received.
- Gresham £61,000 increase in income – primarily due to additional head rent of £63,000 from the City's 50% share of income from the Royal Exchange and 89/91 Gresham Street.

These positive variances are partly offset by;

- Guildhall Complex – Surveyors £227,000 increase - principally relates to extra staffing costs (additional rostering and overtime) as a result of the heightened security levels, plus additional costs in relation to the Police usage of the Guildhall Justice Rooms(which was recovered via a higher central support recharge) and of 65a Basinghall Street, partly offset by a savings on energy arising from an approved tariff negotiated for Citigen and the implementation of a number of energy saving initiatives throughout the year.

The City Surveyor was able to meet the increase in requirements from budgetary savings under other committees.

- Chamberlain's – Insurance £130,000 increase :
 - income for the dividend from the City's Reinsurance Captive Company was £477,000 less than budgeted;
 - expenditure on premises and transport insurance premiums was higher than budgeted by £38,000;
 - the number and value of claims settled during the year within the policy excesses met by the City Corporation were £343,000 less than budget;

- the employee budget was underspent by £20,000 due to a vacancy; and
- expenditure on training was £13,000 less than budgeted.
- Chamberlain's – City Procurement £126,000 increase:
 - £89,000 for Proc Serv technology which novated across to the City Corporation from Accenture as part of the early termination agreement. Having established over the last two years that the software is value for money, it is recommended that the system is retained and appropriately funded as part of budget setting for 2018/19;and
 - a one-off unexpected cost pressure of £37,000 for the BACS security upgrade.

Local Risk Carry Forward to 2017/18

3. Chief Officers can request underspends of up to 10% or £500,000 (£1m for the City Surveyor) of their local risk budgets, whichever is the lesser, to be carried forward so long as the underspends are not clearly fortuitous and the resources are required for a planned purpose. These thresholds apply to Chief Officer's total local risk budgets and many Chief Officers manage services overseen by a number of committees. Consequently, the outturn on services overseen by one committee may not represent the total position for a Chief Officer. Requests for carry forwards are considered by the Chamberlain in consultation with the Chairman and Deputy Chairman of the Resource Allocation Sub Committee.
4. The Chamberlain, The City Surveyor and Town Clerk requested to carry forward local risk budgets of £550,000, £44,000 and £26,000 respectively. The Town Clerk requested to carry forward central risk budgets of £819,000. Details of the proposed use of the carry forwards are set out in Appendix 2.
5. These proposals were agreed, and the amounts have been added to the Chamberlain, The City Surveyor and Town Clerk's budgets for 2017/18.

Appendices

- Appendix 1 – Comparison of 2016/17 Revenue Outturn with Budget
- Appendix 2 – Agreed Carry Forwards to 2017/18

Philip Gregory

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Appendix 1

Comparison of 2016/17 Revenue Outturn with Budget			
	Budget	Revenue Outturn	Variations Increase/ (Decrease)
	£000	£000	£000
By Chief Officer			
Local Risk			
The Chamberlain	22,630	21,477	(1,153)
The Town Clerk	1,509	1,428	(81)
The City Surveyor	9,240	9,356	116
The Remembrancer	(338)	(1,095)	(757)
The Private Secretary to the Lord Mayor	1,199	1,178	(21)
Total Local Risk	34,240	32,344	(1,896)
Central Risk			
The Chamberlain	10,781	10,641	(140)
The Town Clerk	2,195	1,131	(1,064)
The City Surveyor	4,138	4,239	101
The Remembrancer	182	145	(37)
The Private Secretary to the Lord Mayor	58	58	0
Director of Community & Children's Services	81	95	14
Total Central Risk	17,435	16,309	(1,126)
Support Services & Capital Charges	5,633	5,769	136
Committee Totals	57,308	54,422	(2,886)
By Division of Service			
Chamberlain's - FSD	8,662	8,138	(524)
Chamberlain's - Internal Audit	810	786	(24)
Chamberlain's – City Procurement	2,750	2,876	126
Chamberlain's – Insurance	12,110	12,240	130
Chamberlain's – IT	10,430	9,685	(745)
Chamberlain's Court	157	172	15
Cost of Collection	861	733	(128)
Gresham	176	115	(61)
Central Criminal Court	4,548	4,289	(259)
Corporate Services – Town Clerk	1,589	722	(867)
Secondary's Office	471	433	(38)
Mayor's Court	121	135	14
Guildhall Complex - Surveyors	13,277	13,504	227
Corporate Services – Remembrancer	327	296	(31)
Guildhall Complex –Remembrancer	(452)	(1,202)	(750)
Mansion House Premises	1,471	1,500	29
Division of Service Totals	57,308	54,422	(2,886)

Figures in brackets indicate income or in hand balances, increase in income or decreases in expenditure.

Appendix 2

Agreed Local Risk Carry Forwards by Chief Officer	£000
<u>The Chamberlain (City Fund)</u>	
Funding required to enable the City Surveyor, Chamberlain and Comptroller and City Solicitor to employ additional staff needed for a limited period to assist with further reducing the Commercial and Operational Rent arrears and to establish a new baseline for operational property which can then be maintained.	52
Funding for upgrades and security patching which are critical to maintain the performance of the Capita Revenues System and enable efficient income collection.	14
<u>The Chamberlain (Guildhall Admin)</u>	
Funding to support the delivery of IT Transformation Programme – LAN Refresh.	484
Total Chamberlain	550
<u>The City Surveyor (Guildhall Admin)</u>	
Funding to investigate the cause of a leak and review the water feature structure and water proofing for the Guildhall fountain in the central courtyard (outside St Lawrence Jewry Church) .	20
Funding to develop an energy metering strategy for the Guildhall to enable targeted energy savings works	24
Total City Surveyor	44
<u>The Town Clerk (City's Cash)</u>	
Funding required for Shrieval Equipment and Accommodation Updating.	10
Funding for the conversion of Library into Judicial Overnight accommodation.	16
Total Town Clerk	26
Agreed Central Risk Carry Forwards	£000
<u>The Town Clerk</u>	
Cultural Hub	819

Committee(s):	Date(s):
Finance Committee	12 September 2017
Subject: Capital and Supplementary Revenue Projects – 2016/17 Outturn and Prudential Indicators	Public
Report of: The Chamberlain Report author: Caroline Al-Beyerty – Deputy Chamberlain	For Information
Summary	
<p>This report provides details of the 2016/17 outturn for capital and supplementary revenue projects (SRPs) together with the Prudential Indicators for the City Fund.</p> <p>Actual capital and SRP expenditure in 2016/17 amounted to £350m, a net £32m less than the forecast of £382m. This reduction was due to the re-phasing of £38.6m of expenditure to later years, partially offset by a net increase of £6.4m as a result of an unplanned investment property purchase opportunity.</p> <p>The CIPFA Prudential Code provides the statutory framework for ensuring that capital expenditure is affordable, prudent and sustainable and requires the calculation of certain prudential indicators in respect of City Fund capital activities. The 2016/17 actual indicators, drawn from the end of year balance sheet, highlight that the City Fund held no external debt as at 31 March 2017.</p> <p>Recommendation(s)</p> <p>Members are asked to note the contents of this report.</p>	

Main Report

1. Five year programmes of Capital and SRP schemes are maintained for financial planning purposes which inform the preparation of the medium term financial forecasts for each of the three main funds. The forecasts include prudent provision for the latest estimated costs of schemes approved via the Corporate Project Procedure, planned property acquisitions and other significant schemes in the pipeline.
2. Chief Officers, in liaison with the Town Clerk's Programme Office, provide regular reports on the progress of individual schemes against milestones.
3. Capital expenditure generally results in an increase in asset values and typically relates to acquisitions and enhancements, whereas supplementary revenue projects are one-off items which do not fulfil the capital criteria e.g. feasibility and option appraisal costs, major cyclical repairs and maintenance.
4. The capital controls which apply to the City Fund restrict the use of capital reserves (derived from the sale of assets) for financing of capital expenditure (or repayment of debt). In this context, grants to third parties for capital purposes,

such as the City Fund contribution to the Crossrail project, qualifies as capital expenditure.

5. A major source of capital finance for the City Fund is derived from the planned freehold or long leasehold disposal of investment properties. However, accounting standards require certain lease premiums received upon the granting of long leases to be treated as deferred income, to be released over the life of the lease. Nevertheless, the cash held can still be used as a source of capital financing, classified as 'internal borrowing' in accordance with the City Fund system of capital controls.
6. The Court of Common Council has delegated to me authority to determine the methods of financing capital and supplementary revenue project expenditures. In making such decisions consideration is taken of the strategic and tactical interests of the three funds.
7. The purpose of this report is to provide details of the 2016/17 actual expenditure against the amounts assumed in the Medium Term Financial Forecasts and to set out the actual Prudential Indicators for the City Fund.

2016/17 Outturn

8. Significant items of Capital and Supplementary Revenue Project expenditure in 2016/17 include the City Fund contribution of £200m to the Crossrail project, investment property acquisitions and refurbishments of £84m and operational project spend amounting to £67m, mainly relating to highways and public realm, HRA dwellings, police accommodation, Tower Bridge, Hampstead Heath Ponds and the schools.
9. The total expenditure incurred in 2016/17 was £349.5m which was £32.2m less than the forecast of £381.7m. A breakdown of expenditure analysed by fund is set out below.

2016/17 Actual Capital and Supplementary Revenue Project Expenditure and Financing

	City Fund	City's Cash	Bridge House Estates	Total	March 2017 Forecast	Variation
	£m	£m	£m	£m	£m	£m
Capital/SRP Expenditure						
Investment	31.6	35.7	16.6	83.9	80.0	3.9
Contribution to Crossrail	200.0	0.0	0.0	200.0	200.0	0.0
Other Operational expenditure	39.6	19.4	6.6	65.6	101.7	-36.1
Total Expenditure	271.2	55.1	23.2	349.5	381.7	-32.2
Funded by:						
External Grants & contributions	18.6	3.7	0.1	22.4	31.4	-9.0
Internal:						
- Capital Reserves and 'Internal Borrowing'	184.8	-	-	184.8	200.0	- 15.2
- Earmarked Revenue Reserves	33.0	39.0	22.7	94.7	85.9	8.8
- Revenue Balances	34.8	12.4	0.4	47.6	64.4	-16.8
Total Funding Requirement	271.2	55.1	23.2	349.5	381.7	-32.2
<i>March 2017 Forecast Figures</i>	<i>296.6</i>	<i>55.5</i>	<i>29.6</i>	<i>381.7</i>		
<i>Variation</i>	<i>-25.4</i>	<i>-0.4</i>	<i>-6.4</i>	<i>-32.2</i>		

10. The following table analyses the variations between forecast and actual expenditures and the resulting impact on financing in 2016/17.

2016/17 Analysis of Variations compared with Forecast

	City Fund	City's Cash	BHE	Total
	£m	£m	£m	£m
Expenditure Variations				
Net rephasing of expenditure to later years	- 24.9	- 7.5	- 6.2	- 38.6
Cost increases/savings (-)	- 0.5	7.1	- 0.2	6.4
Total Reduction in Expenditure	- 25.4	- 0.4	- 6.4	- 32.2
Impact of variations on Financing				
External Contributions	- 9.4	0.2	0.1	- 9.1
Internal Funds	- 16.0	- 0.6	- 6.5	- 23.1
Total Reductions in Financing	- 25.4	- 0.4	- 6.4	- 32.2

The net variation of £32.2m is comprised of deferred expenditure of £38.6m, partially offset by net cost increases of £6.4m.

11. The deferred project expenditure of £38.6m, which is expected to be incurred in subsequent years, relates mainly to:

- investment properties - £7m
- highways and public realm - £7m
- Police (including Accommodation Programme) - £11m
- Corporate IT schemes - £2m

- Housing schemes - £2m
- Freeman's School Masterplan - £2m
- Crossrail Art Contributions - £2m
- Poultry Market Roof - £2m

12. The net cost increase of £6.4m relates to:

- An unplanned property investment opportunity which arose in connection with the Strategic Property Estate - £15m,

partially offset by the following savings:

- A lapsed overage obligation on a strategic estate investment property - £4m
- Lower than anticipated costs of various projects including the Hampstead Heath Ponds etc - £4m in aggregate.

Prudential Indicators

13. The CIPFA Prudential Code¹ provides a framework for ensuring that capital expenditure and financing (in particular borrowing) is affordable, prudent and sustainable, and requires the calculation and monitoring of certain prudential indicators in respect of (only) City Fund capital activities.

14. In addition to setting indicators for the forthcoming year during each budget cycle, the Code requires authorities to calculate certain indicators drawn from the end of year balance sheet. The appendix contains the actual indicators for 2016/17, including commentaries which highlight, in particular, that there was no underlying need to borrow from external sources, although 'internal borrowing' has been undertaken through the use of deferred lease premiums (see paragraph 5 above).

15. The City Fund total expenditure figures used for the indicators vary from the figures in the tables above as the indicators relate only to capital, not supplementary revenue expenditure.

Appendix: 2016/17 Actual Prudential Indicators

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¹ The Prudential Code is a professional code of practice developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) to support capital investment decisions. Local authorities are legally required to have regard to it under the Local Government Act 2003.

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PRUDENTIAL INDICATORS - 2016/17 OUTTURN

The tables below detail the four prudential indicators applicable to 2016/17 which have been derived from the 2016/17 City Fund draft accounts. These 'actual' indicators have been compared to the appropriate 'estimate' indicators. The **original** estimate indicators were prepared in February 2015 at the time of setting the 2015/16 budget and the **revised** estimate indicators were prepared to inform the setting of the 2016/17 budget in February 2016.

1. Actual capital expenditure 2016/17

	HRA	Non-HRA	Total
Estimate of capital expenditure (Original)	£33.628 m	£271.181 m	£304.809 m
Estimate of capital expenditure (Revised)	£9.903 m	£274.130 m	£284.033 m
Actual Capital Expenditure	£8.775 m	£250.705 m	£259.480 m

The variation between the revised and actual indicators is mainly due to capital projects deferred to later years.

2. Actual capital financing requirement 2016/17

	HRA	Non-HRA	Total
Estimate of Capital Financing Requirement (Original)	£2.226 m	£97.341 m	£99.567 m
Estimate of Capital Financing Requirement (Revised)	£0.000 m	£45.892 m	£45.892 m
Actual Capital Financing Requirement	£0.000 m	£40.628 m	£40.628 m

The capital financing requirement is an indicator of the underlying need to borrow, including 'internal borrowing'. In 2016/17 the City Fund financed part of the Crossrail payment of £200m from cash received from the sale of long leases, which is treated as deferred income in accordance with accounting standards, and counts as 'internal borrowing' for the purposes of this indicator. Meanwhile, the zero balance for the HRA reflects the repayment of the debt outstanding to the City Fund from the proceeds of sale of the Barbican Hostel. The method of calculating the HRA and non-HRA elements is prescribed under statute, with the overall figures derived directly from the balance sheet.

3. Actual External Debt as at 31.03.2017

	Borrowing	Other Long Term Liabilities	Total
Actual External Debt	£0	£0	£0

The City Fund currently remains free of external debt.

4. Actual Ratio of Financing Costs to Net Revenue Stream 2016/17

	HRA	Non-HRA	Total
Ratio of Financing Costs to Net Revenue Stream (Original)	0.74	-0.43	-0.31
Ratio of Financing Costs to Net Revenue Stream (Revised)	0.50	-0.14	-0.09
Actual Ratio of Financing Costs to Net Revenue Stream	0.41	-0.17	-0.12

This ratio aims to demonstrate the extent to which the net revenue consequences of borrowing impact on the net revenue stream.

The actual HRA ratio of 0.41 means that financing costs, which include depreciation charges and contributions towards funding of capital expenditure, account for some 41% of the HRA's net revenue stream. The decrease over the estimate reflects a lower contribution to capital than planned.

The City Fund is a net lender in its treasury operations and is in receipt of significant rental income from investment properties and therefore the Non-HRA and Total ratios are negative. The increase over the estimate has arisen mainly as a result of higher than anticipated income from rent and interest.

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Committee: Finance Committee	Dated: 12 September 2017
Subject: Central Contingencies	Public
Report of: Chamberlain	For Information
Report author: Philip Gregory	

Main Report

1. Service Committee budgets are prepared within the resources allocated by the Policy and Resources Committee and, with the exception of the Policy and Resources Committee, such budgets do not include any significant contingencies. The budgets directly overseen by the Finance Committee therefore include central contingencies to meet unforeseen and/or exceptional items that may be identified across the City Corporation's range of activities. Requests for allocations from the contingencies should demonstrate why the costs cannot, or should not, be met from existing provisions.
2. In addition to the central contingencies, the Committee has a specific City's Cash contingency to support humanitarian disaster relief efforts both nationally and internationally which has an available balance of £75,000.
3. The uncommitted balances that are currently available are set out in the table below. At the time of preparing this report there is a request for funding of £75,000 from City Fund contingency with a report included elsewhere on the agenda.

2017/18 Contingencies – Uncommitted Balances at 21 August 2017				
	City's Cash £'000	City Fund £'000	Bridge House Estates £'000	Total £'000
General Contingencies	674	178	22	874
National and International Disasters	75	0	0	75
Uncommitted Balances	749	178	22	949
Requests for contingency allocations	0	75	0	75
Balances pending approval	749	103	22	874

4. The sums which the Committee has previously allocated from the 2017/18 contingencies are listed in Appendix 1.

Recommendation

5. Members are asked to note the contents of this report.

Appendices

- Appendix 1 – Allocations from 2017/18 contingencies

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2017/18 General Contingency – City’s Cash

Date	Description	Responsible Officer	Allocation £	Balance £
	2017/18 Provision			950,000
	2016/17 Provision brought forward to fund allocations agreed in previous years			85,000
	Total Provision			1,035,000
21 Oct 2014	Up to £98,500 in match funding (in partnership with the Mercers' Company) for a biography of Sir Thomas Gresham phased over 5 years	TC	60,000	
17 Feb 2015	Grant funding for The Honourable The Irish Society (£25,000 p.a. for 2014/15 and 2015/16) with payment of the grant conditional upon the purchase of the land for development which was delayed until 2016/17	TC	25,000	
2 May 2017	Funding of £375k towards the City of London Corporation and City of London Police IT project (£70,000 City’s Cash, £290,000 City Fund and £15,000 Bridge House Estates).	CHB	70,000	
6 June 2017	Funding of £140,000 for three additional posts in the Public Law Division of the Comptroller and City Solicitor’s Department (£97,000 City Fund, £36,000 City’s Cash and £7,000 Bridge House Estates).	C&CS	36,000	
6 June 2017	Funding of up to £40,000 towards legal costs to recover a former commercial tenants debt	C&CS	40,000	
25 June 2017 (Urgency)	Funding of up to £50,000 towards the Beech Street project to explore its potential uses	CS/CLSG	50,000	

Appendix 1 2017/18 Contingencies

Date	Description	Responsible Officer	Allocation £	Balance £
1 Aug 2017 (Urgency)	Funding of approximately £80,000 for two additional Personal Assistant posts in Town Clerks	TC	80,000	
	Total allocations agreed to date			361,000
	Balance remaining prior to any requests that may be made to this meeting			674,000

2017/18 General Contingency – City Fund

Date	Description	Responsible Officer	Allocation £	Balance £
	2017/18 Provision			800,000
	2016/17 Provision brought forward to fund allocations agreed in previous years			0
	Total Provision			800,000
17 Feb 2015	Funding of £142,000 towards an appeal regarding Greater London Authority Roads (£84,000 for 2014/15 and £58,000 for 2015/16)	C&CS/CS	15,000	
19 Jan 2016	Additional funding towards the Greater London Authority Roads appeal	C&CS/CS	80,000	
12 Apr 2017 (Urgency)	Funding for the City of London Corporation and City of London Police IT project towards Security Assurance Testing	CHB	90,000	
2 May 2017	Funding of £375k towards the City of London Corporation and City of London Police IT project (£70,000 City's Cash, £290,000 City Fund and £15,000 Bridge House Estates)	CHB	290,000	

Appendix 1 2017/18 Contingencies

Date	Description	Responsible Officer	Allocation £	Balance £
6 June 2017	Funding of £140,000 for three additional posts in the Public Law Division of the Comptroller and City Solicitor's Department (£97,000 City Fund, £36,000 City's Cash and £7,000 Bridge House Estates)	C&CS	97,000	
25 June 2017 (Urgency)	Funding of up to £50,000 towards the Beech Street project to explore its potential uses	CS/CLSG	50,000	
	Total allocations agreed to date			622,000
	Balance remaining prior to any requests that may be made to this meeting			178,000

2017/18 General Contingency – Bridge House Estates

Date	Description	Responsible Officer	Allocation £	Balance £
	2017/18 Provision			50,000
2 May 2017	Funding of £375k towards the City of London Corporation and City of London Police IT project (£70,000 City's Cash, £290,000 City Fund and £15,000 Bridge House Estates).	CHB	15,000	
6 June 2017	Funding of £140,000 for three additional posts in the Public Law Division of the Comptroller and City Solicitor's Department. Split £97,000 City Fund, £36,000 City's Cash and £7,000 Bridge House Estates.	C&CS	7,000	
	Total allocations agreed to date			28,000
	Balance remaining prior to any requests that may be made to this meeting			22,000

2017/18 National & International Disasters Contingency – City’s Cash

Date	Description	Responsible Officer	Allocation £	Balance £
	2017/18 Provision			100,000
24 May 2017	Allocation towards the Red cross and Manchester City Councils ‘We love Manchester Appeal’	TC	25,000	
	Total allocations agreed to date			25,000
	Balance remaining prior to any requests that may be made to this meeting			75,000

Key to Responsible Officers:

CS – City Surveyor

TC – Town Clerk

C&CS – Comptroller and City Solicitor

CHB – Chamberlain

CLSG – Headmistress of the City of London School for Girls

Committee:	Date:
Finance Policy and Resources	12 September 2017 21 September 2017
Subject: Pilot Scheme for Business Rates Devolution in London	Public
Report of: Chamberlain and Remembrancer	For decision
Report author: Caroline Al-Beyerty, Deputy Chamberlain Sam Cook, Assistant Parliamentary Affairs Counsel	

SUMMARY

London Councils is seeking an ‘in principle’ view from its constituent authorities about a possible pilot scheme for business rates devolution in London. Depending on the progress of talks with the Government, it could begin in the 2018–19 financial year. The scheme would involve the Greater London Authority, the London borough councils and the Common Council forming a business rates ‘pool’, which would pay a single joint tariff into the national system. The retained share of business rates would be increased from 67% to 100%, meaning that any growth in rates would be retained within London, rather than a share being fed into the national system as at present. It would be guaranteed, by London Councils and ultimately by the Government, that no authority would lose out financially from taking part in the scheme—meaning that existing individual allocations, including those under the City’s special arrangements, would be preserved.

On current projections for business rates revenue growth, the scheme would unlock significant financial benefits in the next financial year, estimated at £229 million for London as a whole and £10–£20 million for the City Corporation. The precise method of distribution is open for discussion, but it is proposed to take account of the location in which growth is generated, residential population, and formula-assessed need, as well as creating a collective investment fund to support strategic economic development projects in London. It is envisaged that a business rates pool could, if it became permanent, provide a platform for further devolution to London in the future. Participation in the pilot scheme would not, however, commit the City Corporation to any longer-term pooling arrangement.

The scheme is subject to negotiation with the Government, as well the agreement of all London boroughs. In the event of a successful negotiation, a full proposal will be put before Members for a final decision on whether or not to participate.

RECOMMENDATIONS

It is recommended 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—
 - 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;
 - 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.

MAIN REPORT

Background

1. London Councils and the Greater London Authority have long been exploring ways of bringing about further devolution to London government, including fiscal devolution. A significant development occurred in the spring of this year, when a Memorandum of Understanding was agreed with the Government, committing the parties to further discussions in a number of areas. Among these was the devolution of business rates.
2. Prior to the General Election the Government was taking forward a Local Government Finance Bill (previously reported to the Committee) which would have led to the 100% retention of business rates within local government by 2019–20. In anticipation of this, a number of local pilot schemes were set up to test elements of the 100% retention scheme. They included, in London, the devolution of the TfL capital budget.
3. These lines of work converged on the idea of an expanded London pilot incorporating the most significant features of the 100% retention scheme. This would involve London retaining the entirety of any growth in its business rates during the pilot period in exchange for forming a business rates ‘pool’. Once in place, the pool would have the potential to become a vehicle for further devolution to the capital. Discussions took place with officials from the Department for Communities and Local Government with a view to putting a pilot scheme in place for the 2018–19 financial year.
4. The Local Government Finance Bill was left stranded when Parliament dissolved ahead of the Election. It was then omitted from The Queen’s Speech in the new Parliament. The Government has since reaffirmed its

commitment to the principle of greater devolution, but declined to offer any more detail about its policy. This leaves it unclear whether 100% retention is still in prospect, and, if so, what form it might take. In a recent letter to the Mayor of London and the Chair of London Councils, the Chancellor of the Exchequer has, however, reiterated the Government's commitment to the Memorandum of Understanding, and seemingly kept open the possibility of a 100% retention pilot scheme in London.

5. Against this uncertain backdrop, London Councils has taken the view that it should proceed on the basis that a pilot scheme along the lines being discussed prior to the Election remains possible. It has therefore drawn up a Draft Prospectus which will form the basis of the next stage of discussions with the Government. In order to keep alive the possibility of the scheme's taking effect in the coming financial year, London Councils has requested that each of its constituent authorities give an 'in principle' view on the Draft Prospectus at the meeting of the Congress of Leaders on 10th October. The support of the City Corporation and all of the London boroughs will be required if the scheme is to proceed. Accordingly the view of Members is now sought.

Proposals

6. The full Draft Prospectus is reproduced as an Appendix to this report. The main features of the proposed pilot scheme are summarised in the following paragraphs.

Basic elements

7. The pilot scheme proposed in the Draft Prospectus would involve the Greater London Authority, the London borough councils and the Common Council forming a business rates 'pool'. Legally, this means that a single 'tariff' payment into the national system will be worked out for London as a whole, by comparing its aggregate need with its total business rates base. The distribution of retained business rates among the participating councils will then be determined by the pooling agreement rather than by a Government formula as at present.
8. A key principle of the Draft Prospectus is, however, that no authority will be worse off as a result of participating in the pool. This 'no loss' guarantee will first be met through any additional revenue that is retained in London under the scheme, but, as encouragement to take part in the pilot, will be underwritten by the Government in the case that London as a whole suffers a fall in revenue. The effect is that each authority will retain all of its individual allocation under the present system—including, in the case of the Common Council, the special funding made available through the City Premium and the City Offset, as well as the City's formula allocation. Any actual 'pooling' of resources will be confined to the additional money retained in London by virtue of the scheme.
9. This additional money results from the other main feature of the proposed scheme, whereby any growth in business rates revenue above current baselines during the currency of the scheme will be retained locally within

London, rather than a share being fed into the national distribution system as at present. This will be achieved through increasing the retained share of business rates from 67% to 100% (with a corresponding increase to the 'tariff' payment flowing from London to other areas), and abolishing the 'levy' payment which currently serves as an upper limit on the amount of revenue growth which can be locally retained.

10. Additional retained revenue arising from the scheme will first be used to give effect to the 'no loss' guarantee by compensating any authority which has seen a decrease in its rates revenue and thus would otherwise lose out from the move to 100% retention. Assuming (as is currently projected) that there has been sufficient growth in revenue to leave a surplus after this, it will be distributed among the participating authorities.

Distribution of benefit

11. London Councils has identified four principles which should inform the distribution formula for any surplus arising from the pilot scheme. First, as the benefits from the proposed scheme can only be 'unlocked' with the participation of all London authorities, all should receive a share of any benefit resulting from the scheme. Second, the role of individual authorities in generating growth for the benefit of the pool should be recognised and incentivised by allowing a share of the additional revenue to be kept where it is generated. Third, the distribution should recognise different levels of need in London. Fourth, the wider devolution agenda can be served by dedicating a portion of the surplus to collective investment in London's economic development.
12. On the basis of these principles, London Councils has suggested that four notional 'pots' will be used to distribute any surplus. The first pot will be distributed according to where the growth in business rates revenue has occurred. The second will be distributed according to formula-assessed need. The third will be distributed on the basis of residential population. The fourth pot will be a collective investment fund, to fund strategic investments in projects which promote economic development.
13. London Councils has suggested four alternative options whereby different weightings are given to the four pots. These are shown in Appendix A to the Draft Prospectus (appended to this report). London Councils has asked for views on the distribution model at October's meeting of the Congress of Leaders.

Governance

14. The Draft Prospectus makes clear that both the formation of a business rates pool and the framework governing its administration will require unanimous agreement on the part of the constituent authorities of London Councils and the GLA. Moreover, if the pilot scheme were to continue beyond the 2018–19 financial year, each participating authority would have the option to withdraw. The Draft Prospectus does not give any details as to how day-to-day decision-making would operate, although it accepts that minority interests will

need to be protected. This aspect will require more work (and careful scrutiny) as the proposal advances from the 'in principle' stage.

Financial implications

15. As noted above, the Draft Prospectus guarantees that no authority will be worse off as a result of participating in the proposed business rates pool. This will ensure that the Common Council receives at least what it would have received under the current system, including the funding made available to it through its arrangements as a 'special authority' for business rates (*i.e.* the City Premium and the City Offset), as well as the City's formula allocation.
16. This 'no loss' guarantee, underwritten by the Government, is likely to be limited to the duration of the pilot scheme, rather than something which could be carried forward into any longer-term pooling arrangement. However, as noted elsewhere, participation in the pilot scheme would not commit the City Corporation beyond the initial year.
17. The main implication of the scheme is that it will enable the full proceeds of any growth in business rates income to be retained within London. While some of the resulting additional revenue will be subject to redistribution within London and some will be put to collective purposes, a significant share will be retained by the individual authorities in whose areas the growth is generated. Given that substantial growth in business rates revenue is currently forecast for the City, the ability to retain a greater share of this growth is likely to be of direct financial benefit.
18. The size of this benefit will depend both on actual receipts in the relevant years and on the model of distribution adopted in the pilot scheme. London Councils' current modelling estimates that the proposed pilot scheme would unlock an additional £229 million in revenue for London in the 2018–19 financial year. Depending on the distribution model adopted, the City Corporation could expect to receive from around £10 million to around £20 million of this. As the City is an area of high projected growth in revenue, the Corporation benefits from a formula weighted more towards the retention of growth where it is generated and less towards redistribution. Assuming an intermediate scenario where equal weight was given to the four principles, the projected gain would be around £12.4 million. A fuller illustration is given in Appendix A to the Draft Prospectus (appended to this report).

Strategic implications

19. The City Corporation is committed to supporting further devolution in London. Despite the fresh uncertainty surrounding the Government's policy, a business rates pilot currently appears to offer the most promising avenue for progress on this. If it were to go ahead, the proposed pilot scheme would offer the opportunity to demonstrate successful collaboration among London's local government bodies in matters of finance and governance. This could build confidence in London's ability to take on further funding and responsibilities in the future, as well as putting in place some of the structures that will be necessary for devolution to succeed. Furthermore, this approach to devolution would not involve the 'combined authority' model on which the

Government's devolution policy has been based elsewhere in the country. It is not considered to be in the City Corporation's wider interests to see this model introduced in the capital.

20. The formation of a business rates pool would, in theory, mean that the amount of funding available to the Common Council depended on agreement within London government, rather than solely a decision by national Government as at present. It is clear in the current proposal that the current level of funding is guaranteed, including that flowing from the City's special arrangements. If the pool were to develop into a permanent arrangement, however, this dependency on a local agreement could be a potential source of strategic risk. It is considered that such risk is minimised by two main factors. The first is that the City Corporation's participation in a pilot scheme would not commit it to any longer-term arrangement. The second is that the City Corporation will, as a pre-condition of its participation in any longer-term arrangement, be able to insist on suitable consent requirements for any change to the funding model within the pool.

Conclusions

21. The prospects of a successful negotiation with the Government are unclear, in the light of the uncertainty which has arisen since the Election about its policy towards business rates devolution. Nevertheless, a pilot scheme along the lines set out in the Draft Prospectus would unlock potentially considerable financial benefits from projected growth in business rates revenue. It would also provide a platform for further progress on London devolution. It would not expose the City to increased financial risk. Officers are satisfied that the proposals are compatible with the City's unique interests, particularly those relating to its arrangements as a special authority for business rates, and will work to ensure that those interests are effectively safeguarded in the detailed design of the scheme. Accordingly, it is recommended that the City Corporation offer 'in principle' support for the pilot scheme set out in the Draft Prospectus, on condition that the final arrangements include sufficient protection for the position of the City Corporation. This means that revenue attributable to the City Premium, the City Offset and the City's formula allocation must be unaffected and remain under the City's sole control.
22. As to the distribution of the expected surplus, a formula weighted more towards the retention of growth where it is generated would be the most financially advantageous for the City Corporation. Unlocking any financial benefit at all, however, depends on securing consensus throughout London government, and this may require a more balanced approach to the competing considerations. It is also considered that the creation of a collective investment fund for projects to support London's economic development would align with the City Corporation's wider priorities. On balance, it is recommended that the City Corporation be prepared to support either an option which gives relatively high weight to growth-generation (Option B or C in the Draft Prospectus), or one which affords equal weight to each of the four proposed 'pots' (Option A in the Draft Prospectus), according to which appears the more politically viable. Even the latter would, on current projections, still see the City receive the largest individual benefit from the pilot scheme, at some £12.4 million in the next financial year.

23. If Members decide to give 'in principle' support, officers will continue to engage in detailed work on how the scheme would operate, as well as supporting London Councils in its discussions with the Government and the GLA. In the event that negotiations were successful, a full proposal would be put before Members for a final decision on whether or not to participate.

Appendix

- London Business Rates Pilot Pool 2018-19 – Draft Prospectus

Background Papers

- Policy and Resources Committee, 16 February 2017, Item 16, and Finance Committee, 21 February 2017, Item 12: Report of the Chamberlain and Remembrancer on the Local Government Finance Bill;
- Finance Committee, 18 October 2016, Item 16: Delegated actions report on responses to Government consultations on rates retention and fair funding;
- Policy and Resources Committee, 24 September 2015, Item 10: Report of the Town Clerk and the Remembrancer on the London devolution settlement.

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London Business Rates Pilot Pool 2018-19 – Draft Prospectus

Introduction

1. This draft prospectus sets out how it is envisaged that the London Business Rates pilot pool would work in practice, were the 33 Leaders/Mayors and the Mayor of London to agree to form a pool in 2018-19.
2. The Government established pilots in 6 areas of the country in April 2017, including London where the GLA's level of retained business rates increased from 20% to 37%, replacing TfL transport grant and Revenue Support Grant. An expanded London pilot in 2018-19, which would require all 33 London Boroughs and the Mayor of London to agree to pool, would seek at least to replicate the common features of the deals in the other 5 pilot areas: Greater Manchester; Liverpool City Region; West Midlands, West of England and Cornwall.

Founding principles

3. It is proposed that there are two founding principles that would require agreement at the outset by all pooling members.

1) Nobody worse off

4. The first founding principle of the agreement would be that ***no authority participating in the pool can be worse off than they would otherwise be under the 50% scheme.***
5. DCLG civil servants have indicated an expectation that a London pilot pool would be underpinned by the same safety net arrangements and “no detriment” guarantee currently offered to existing pilots in 2017-18. This ensures that the pool, as a whole, cannot be worse off than the participating authorities would have been collectively if they had not entered the pool.
6. Existing Enterprise Zones and “designated areas”, along with other special arrangements, such as the statutory provision to reflect the unique circumstances of the City of London, would be taken into account in calculating the level of resources below which the guarantee would operate. For boroughs in an existing pool¹, DCLG have also indicated that the basis of comparison would include the income due from that pool.
7. The impact of the guarantee would be to ensure that the minimum level of resources available for London, as a whole, could not be lower than it would otherwise be. In order to then ensure that no *individual authority* is worse off, the first call on any additional resources generated by levy savings and additional retained rates income,

¹ Of the 33 London authorities in 2017-18 this includes Barking & Dagenham, Havering and Croydon

would be used to ensure each borough and the GLA receives at least the same amount as it would have without entering the pool.

8. The level of Revenue Support Grant (RSG) for each borough has been set by the 4-year settlement (to 2019-20). For each borough this would be replaced by retaining additional rates (just as the GLA has done this year). In addition Public Health Grant (PHG) and the Improved Better Care Fund (iBCF) would also be replaced by rates, leading to an adjustment of expected baselines and top-ups or tariffs (as appropriate). While the composition of each borough's "core funding" (retained rates plus RSG, Public Health Grant and iBCF) will therefore change, the overall quantum will not. This revised position is then the baseline against which the "no detriment" guarantee is calculated. Each borough – whether its business rate income grows or declines during the operation of the pilot pool – will receive, as a minimum, the same amount of cash it would have received under the existing 50% system.

2) All members share some of the benefit

9. Growing London's economy is a collective endeavour in which all boroughs make some contribution to the success of the whole. In recognition of the complex interconnectedness of London's economy, it is proposed that the second proposed founding principle would be that **all members would receive some share of any net benefits arising from the pilot pool.**
10. The net financial benefit of pooling consists of retaining 100% of growth (rather than 67% across London under the current scheme), and in not paying a levy on that growth (which tariff authorities and tariff pools currently pay). The principle would mean that *any aggregate growth* in the pool overall – because of the increased retention level – would generate additional resources to share, with each pooling member benefit to some extent.
11. In addition, it could be possible to transfer of some Central List properties located in London (for example, the London Underground network) to the London pool, thereby increasing the capacity of the pool to benefit from growth on those properties. This would be explored with government as part of the pool negotiation.

Sharing the benefits of pooling

Objectives

12. Assuming the pool generates some level of additional financial benefit, the question of how to share this will be central to any final pooling agreement. The latest estimated net benefit to participating in the pool is expected to be in the region of £230 million in 2018-19, based on London Councils' modelling using boroughs' own forecasts.
13. Discussions with the Executive and informally with Group Leaders, have identified four objectives that could inform the distribution of such gains:

- **incentivising growth** (by allowing those boroughs where growth occurs to keep some proportion of the additional resources retained as a result of the pool)
 - **recognising the contribution of all boroughs** (through a per capita allocation)
 - **recognising need** (through the needs assessment formula); and
 - **Facilitating collective investment** (through an investment pot designed to promote economic growth and lever additional investment funding from other sources).
14. A “pure” way to **incentivise growth** would be for the London local authorities where growth occurs to retain the full benefit, including any levy savings, after ensuring all authorities had been brought up to the level of funding they would otherwise have received under the current 50% scheme. This option would see the greatest reward go to those whose business rates grow, but would produce no net benefit for the minority of boroughs where no (or negative) growth is expected.
15. A simple **per capita distribution** using the latest population estimates from the ONS², would recognise the requirement to work collectively to grow London’s economy and ensure a share of the benefit for all authorities.
16. While the role of incentivising growth is important, some recognition of **increasing need** and demand for services has also been identified as a priority. Economic and business growth also drives, and is reinforced by, increasing demand for services across the capital. One measure that could be used to distribute any net benefit could therefore be to reflect the Government’s current assessment of need: Settlement Funding Assessment (although this will clearly be subject to change in future following any “Fair Funding” review).
17. Recognising the requirement for **collective investment** to promote further economic growth could be facilitated by retaining resources in a strategic investment pot. Such an approach is also likely to be viewed favourably by Government, as it helps address the original policy objectives behind business rate retention and would require closer working and governance arrangements to be developed between the Mayor and the 33 borough Leaders for the purposes of establishing and operating the pool, and in delivering the desired outcomes.
18. Individually, these principles would drive very different distributions of the direct benefits received by boroughs. The pure “incentives” approach would obviously favour those with the highest growth rates. Distribution according to SFA and population creates a more even spread of resources, but arguably provides less incentive to promote growth, and may therefore not optimise the opportunity for London in the longer term. It is proposed that a distribution mechanism should be a blend of all four of these objectives.

² The 2014-based Sub-National Population Projections for 2018

19. In deciding the balance between the four objectives, and therefore the relevant weighting between the measures listed above, there are countless possible variants. However, following initial discussions with Group Leaders, four potential options are illustrated below:

- A. An even split percentage between the four pots (25:25:25:25).
- B. Reducing the strategic investment pot to 10% of the total, while the “reward”, “needs” and “population” pots are equally weighted (30:30:30:10).
- C. Greater “incentive weighting” with equal weighting for the other three pots (40:20:20:20)
- D. Greater “needs” and “population” weightings (each 30%) with equal remaining weightings of 20% for “incentives” and “investment” pots (20:30:30:20)

20. The potential net benefit for each borough from this model – based on the latest information available on estimated income for 2018-19 – is set out in the charts at Appendix A and summarised in the table below. Under the 100% pilot pool it is estimated that there might be £470m of retained growth: £229m more than under the 50% scheme (after ensuring no borough is worse off as a result of participating).

Table 1 – Distribution options for estimated £229m net benefit of pooling in 2018-19

Option	A	B	C	D
GLA share (£m)	£62	£75	£66	£66
Aggregate borough share (£m)	£110	£131	£117	£117
Investment pot (£m)	£57	£23	£46	£46
TOTAL (£m)	£229	£229	£229	£229
Minimum borough gain (£m)	£1.2	£1.5	£1.1	£1.4
Maximum borough gain (£m)	£12.4	£14.9	£19.6	£10.1

Source: London Councils’ modelling using London Boroughs’ data supplied by borough finance directors or where not available by applying the latest 2017-18 forecasts to 2018-19.

21. Leaders are invited to consider the options in the context of balancing the objectives of incentives and need, and be in a position to indicate a preference for the weighting by the October Leaders’ Committee and Congress meeting.

Investment pot principles

22. If an “investment pot” is created, the final amount of funding available will not be known until after the final audited outturn figures are confirmed for 2018-19 – likely to be in September 2019. A final methodology for allocating resources to specific projects is therefore not necessarily required at the outset of the pooling agreement. However, it will be important to consider the criteria and process for developing and approving proposals, in order to maintain a balance between simplicity of operation, strategic impact and broad appeal.

23. More immediately, it is proposed that the founding pool agreement includes *guiding principles* for the use of such an investment pot, for approval by all members of the pool. As such, it is proposed that investment proposals approved would:
- promote increased economic growth, and increase London's overall business rate income; and
 - Leverage additional investment funding from other sources.
24. It is proposed that these principles would be agreed as part of the founding agreement for the pool – and would therefore require unanimous support. It is then assumed that decisions on the allocation of the pot would be taken by the Congress of Leaders and the Mayor annually in accordance these principles.

Governance

25. Leaders and the Mayor have previously endorsed the view that commitment to the collective management of devolved business rates would require unanimous support, and have identified Congress as the appropriate body formally to recognize those commitments.
26. However, the Congress of Leaders has no power to bind authorities. Local decisions would need to be taken by each authority to agree the terms of the legal agreement which would underpin the arrangements.
27. Participation in a pool in 2018-19 would not bind boroughs or the Mayor indefinitely. As with existing pool arrangements, the founding agreement would need to include notice provisions for authorities to withdraw in subsequent years.
28. Subsequent decisions (e.g. the application of a strategic investment pot) could be subject to the voting principles designed to protect group, sub-regional or Mayoral interests, such as those previously endorsed by Leaders and the Mayor in the London Finance Commission (both 2013 and 2017), and set out in London Government's detailed proposition on 100% business rates in September 2016. This will require the development of formal terms of reference for Congress to underpin collective decision-making in accordance with the decision principles previously agreed. As mentioned in paragraph 22, any such decisions would not be required until the level of available resources is confirmed after all accounts have been audited (i.e. September 2019).
29. Establishing a business rates pool in London will require each authority participating in the pool to agree to do so; and to also agree the terms upon which they will participate jointly with other members, including to appoint a lead authority as accountable body for the pool and to decide how the pool should operate. While the legal framework for the operation of the pool is yet to be determined in consultation with the authorities and the Government, should the London local authorities each resolve to delegate the exercise of their relevant functions to a joint committee, such

as Leaders' Committee, this would require the Leaders' Committee governing agreement to be formally varied which requires the agreement of all 33 authorities for the variation to be effective.

Accounting and reporting arrangements

Lead authority

30. As in other existing pools, a lead authority would be required to act as the accountable body to government and would be responsible for administration of the pooled fund. The same authority – or another – could also hold any properties transferred to London from the Central List, as there is currently no legislative provision for a “regional list”. The role of the lead authority/authorities could receive political oversight from the Leaders and Mayor of London; London Councils and the GLA could provide technical support.
31. The lead authority responsibilities from existing pool agreements typically include:
- Receiving payments from pool members and making payments to central government on behalf of pool members on time.
 - Maintaining a cash account on behalf of the pool and paying interest on any credit balances.
 - Liaising with and completing all formal pool returns to central government.
 - Administering the schedule of payments between pool members in respect of the financial transactions that form part of the pool's resources.
 - Providing the information required by pool members in preparing their annual statement of accounts in relation to the activities and resources of the pool.
 - Leading on reporting to understand the pool's position during and at the end of the financial year.
32. The lead authority would, therefore, be responsible for the net tariff payment to central government as well as the internal tariff and top up payments to the pool authorities. The partner billing authorities would make payments to the lead authority based on an agreed schedule, which could be made on the same schedule of payment dates agreed for tariff and top up payments.
33. It is likely that the resources required to perform this function would be 1 FTE post, which would likely be a senior accountant with considerable experience and understanding of collection fund accounting and the business rates retention scheme.

Reporting

34. In order to perform the functions of the lead authority, each member authority of the pool would need to provide timely information as well as making payments on time to the agreed schedule.

35. Forecast (NNDR1) and outturn (NNDR3) figures will still need to be produced, as per the existing NDR Regulations 2013, in order to enable budget processes to be complete, payments determined that need to be made to the lead authority and to government (by the lead authority) and to the GLA during the course of the year as well as transfers to General Funds.
36. The pool would use NNDR1 returns to establish the schedule of payments to be made to the lead authority and for the calculation of any notional levy savings to be made. However, it would not be until the outturn position is known (the NNDR3 form) that actual reconciliation would be made and the final growth/decline for the pool as a whole, and individual pool members, would be established. This will be in September 2019 after accounts have been audited for the financial year 2018-19.
37. The NDR income figures in the forms determine the growth/decline for that year and it is this figure that would determine the amount to be shared between pool members or between local authorities and central government in the current system.

The treatment of appeals

38. Variances against forecast in the non-domestic rating income are reflected in the forecast surplus or deficit of the collection fund at the start of the following year (information which is collected as part of NNDR1). Appeals provisions impact each year on the calculation of the NNDR income figure: a higher provision in a year, everything else being equal, reduces the NNDR income figure determining growth/decline for that year.
39. A separate pooled collection fund would be required to be established that would sit with the lead authority. A key issue will be the treatment of Collection Fund surpluses and appeals provisions within the pool. The key principle pooling authorities would have to agree is that the benefits (or costs) of actions undertaken by the boroughs prior to entering the pool should remain with the borough so that no borough can be worse off than they would have been under the 50% scheme. So – for example – if a provision established in 2013-14 proves not to be necessary and is released during 2018-19, the borough should receive at least as much as it would have under the existing 50% scheme, plus its share of any additional retained revenues.
40. The pool's collection fund account would have to continue beyond the life of the pool until all appeals relating to the pool period were resolved. Provisions released after the operation of the pilot would be distributed on the basis of the pool's founding agreement – i.e. the borough where the provisions originated would receive at least as much as it would under the 50% retention system, with any additional resources being shared according to the pool's agreed distribution mechanism. There would therefore be no "gaming" benefits to individual boroughs of setting higher (or lower) provisions. The lead authority would be responsible for administering this.
41. Further work will be undertaken to set out how the accounting and reporting requirements would work in practice, which is likely to mean either additional lines on

the existing NNDR form or an additional “London pool” form administered by the lead authority. This will be confirmed as part of the final pooling agreement.

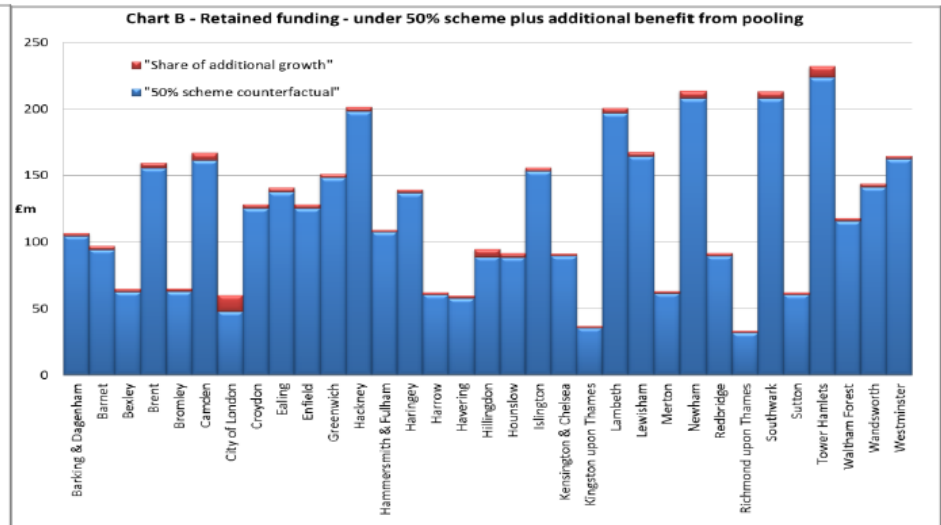
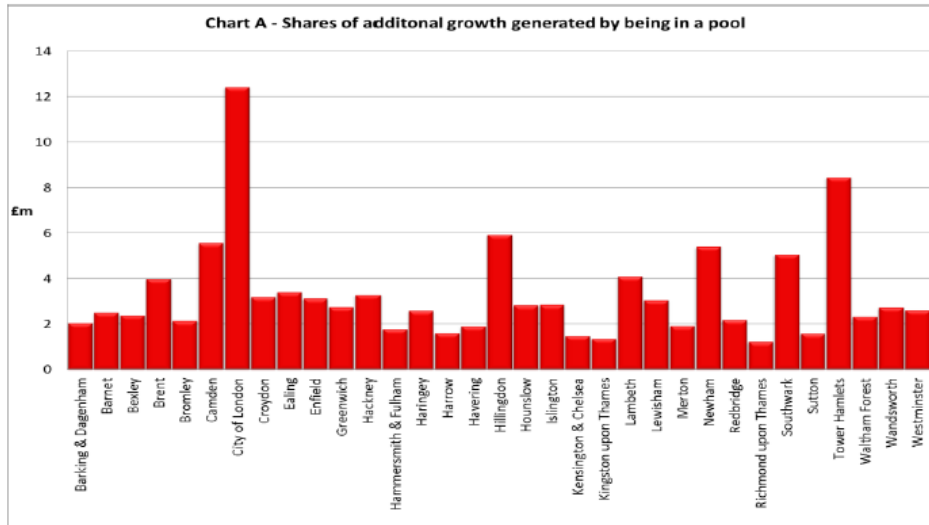
Timetable

42. A 2018-19 pilot would require agreement with Government at or around the Autumn Budget – likely to be in November 2017. This, in turn, would necessitate initial agreement in principle at the meetings of the Leaders’ Committee and Congress of Leaders on 10th October 2017 on the basis that each authority had been consulted and had either previously authorised that decision to proceed with participation in the pilot, or that their authority’s Leader had been given delegated authority to do so.
43. This draft prospectus forms the basis for internal consideration and discussion within each of the 34 prospective pooling authorities over the summer, in order for each Leader and the Mayor to be in a position to consider each authority’s in principle position about the pool and to indicate this at the Congress of Leaders on 10th October, in the event that the Government wishes to pursue a pilot pool in London.
44. A final detailed pooling agreement would then be negotiated with DCLG, with the likely deadline being the time the Local Government Finance Report is published in February 2018. Respecting the tight timeframes for the pilot’s commencement in April 2018 and the likelihood that an agreement would need to be reached with the Government in the Autumn, it is probable that further local decisions required from the 34 prospective pooling authorities relating to the legal framework to be implemented, could follow in the intervening period but all these matters would need to be resolved in a timely manner prior to April 2018 to allow for implementation.

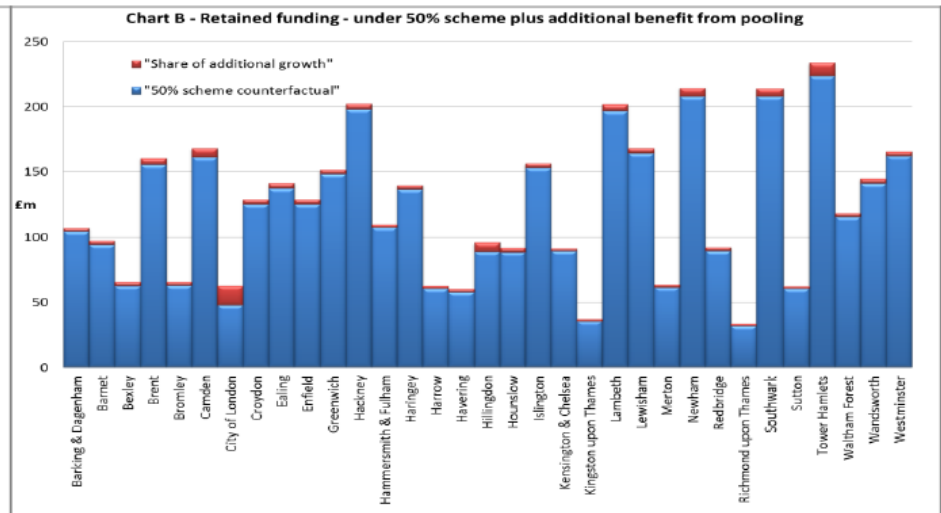
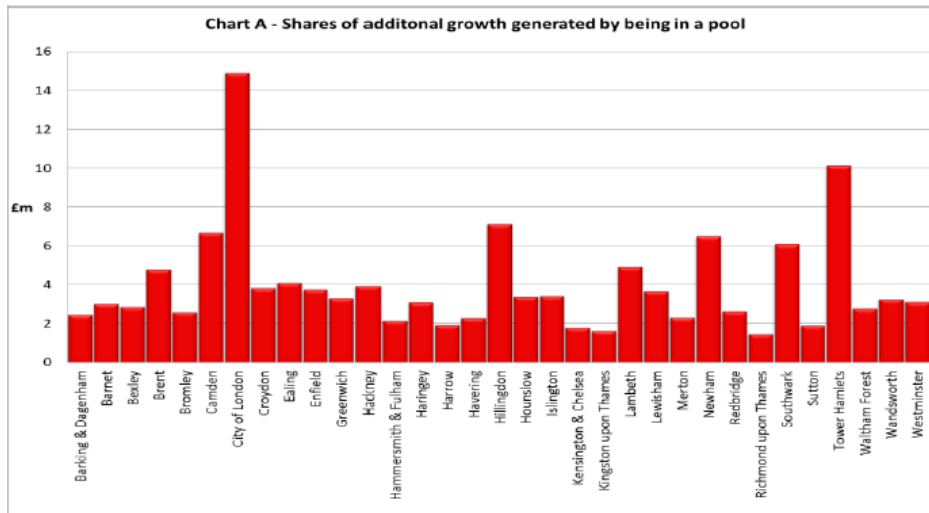
Appendix A – Modelled Options

1. This appendix shows the impact of varying weightings on the overall distribution of any net additional benefit from being in the pool. It assumes the latest growth estimates for 2018-19 across London boroughs (combining where available figures from a recent survey of treasurers and, where not available, the latest published estimates of growth in 2017-18 applied as if in 2018-19). The overall net benefit being distributed is £229m.
2. The charts below show the distribution of growth under four different scenarios for the relative weightings between the four potential distribution “pots” described above - i.e. incentives; needs (SFA); population (ONS 2018 projection) and investment pots.
 - Option A: weights each pot at 25%
 - Option B: Incentives (30%), Needs/Population (30% each) and Investment (10%)
 - Option C: Incentives (40%), Needs/Population (20% each) and Investment (20%)
 - Option D: Incentives (20%), Needs/Population (30% each) and Investment (20%)
3. For each option we have illustrated both the cash gain for each borough (red, left-hand bar charts) and the marginal gain over the retained funding under the existing 50% position (red and blue, right-hand bar charts).

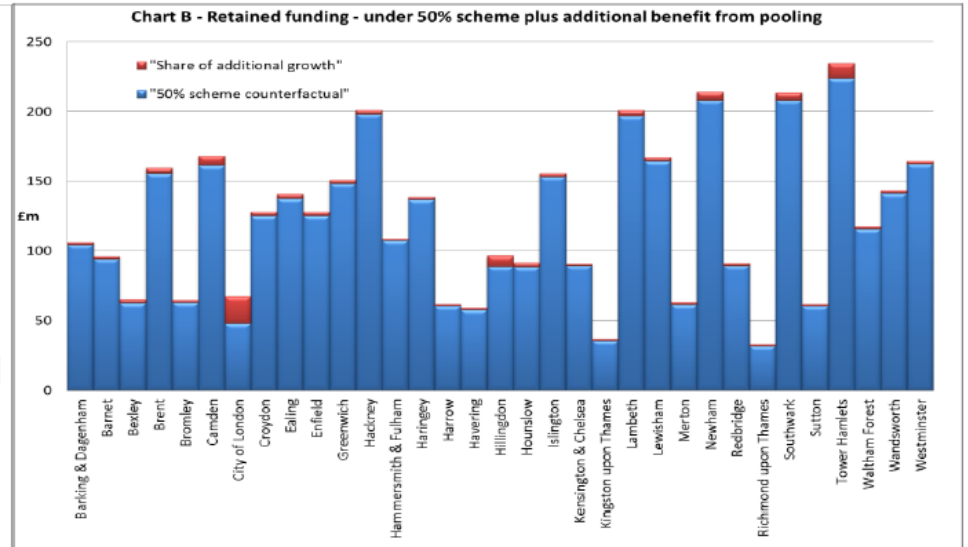
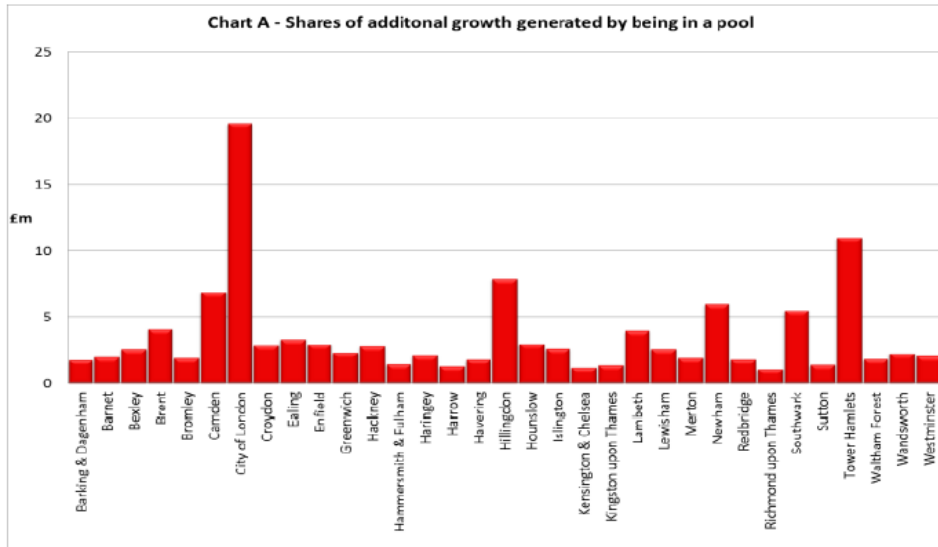
Option A: Equal split between pots – 25%/25%/25%/25%



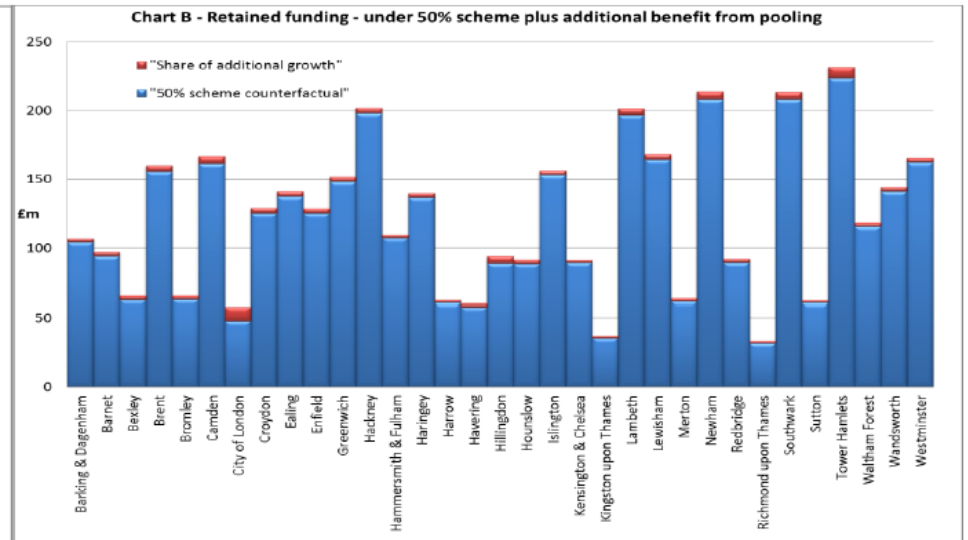
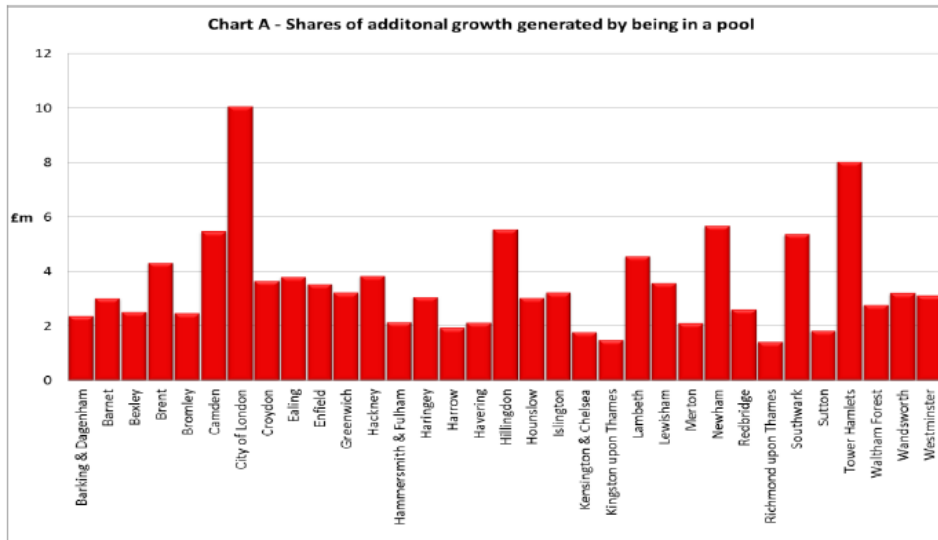
Option B: Reduced “investment pot”: 30%/30%/30%/10%



Option C: Greater “incentive” weighting: 40%/20%/20%/20%



Option D: Greater “Needs/population” weighting: 20%/30%/30%/20%



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Committee(s):	Date(s):
Finance Committee	12 September 2017
Subject: Business Rates Revaluation Support - Discretionary Rate Relief Scheme	Public
Report of: Chamberlain	For Decision
Summary	
<p>In the Spring Budget in March 2017 the Government announced that it would make available a discretionary fund over four years from 2017-18 to support those businesses that face the steepest increase in their rate bills as a result of the 2017 revaluation. The decisions on how to target the fund has been left to local government.</p> <p>This report proposes a scheme for the City Corporation's distribution of its share of the fund to City businesses.</p> <p>Recommendation(s)</p> <p>Members are asked to:</p> <ul style="list-style-type: none"> • Agree that consultation takes place on the proposed scheme; • Delegate authority to the Chamberlain as the Section 151 Officer to approve the final scheme following the consultation 	

Main Report

Background

1. In the Spring Budget the Government announced the establishment of a £300m discretionary fund over four years from 2017-18 to support those businesses that face the steepest increases in their business rates bills as a result of the 2017 revaluation. The intention is that every billing authority in England will be provided with a share of the £300m to support their local businesses. Billing authorities are expected to use their share of the funding to develop their own discretionary relief schemes to deliver targeted support to the most hard-pressed ratepayers. The £300m will cover the four years from 2017-18.

2. The City share of the £300m is set out below.

Amount of discretionary pot awarded (£000s)				
2017-18	2018-19	2019-20	2020-21	Total
5,541	2,691	1,108	158	9,498

3. It was confirmed in August that it will not be possible to transfer the allocation between years and each year will therefore require a separate scheme.
4. The Government expects that billing authorities will deliver the scheme through the use of their discretionary relief powers under section 47 of the Local Government Finance Act 1988, as amended. They will be compensated through a Section 31 grant for the cost to the authority of granting the relief – up to a maximum amount based on the authority’s allocation of the £300m fund.
5. The grant has been calculated and allocated on the basis that the rateable property has a rateable value for 2017-18 that is less than £200,000; and the increase in the rateable property’s 2017-18 bill is more than 12.5% compared to its 2016-17 bill (before reliefs, e.g. transitional relief). To allocate the resource between authorities the Government has assumed that authorities will provide support only to those ratepayers who are facing an increase in their bills following revaluation – and will make this a condition of the grant.
6. As a formality, the Government consulted on the proposals immediately after the budget in March. The City responded to the consultation.
7. As a condition of receiving their allocation of the grant, billing authorities must consult their major precepting authorities, in the City’s case only the Greater London Authority (GLA)
8. It should be noted that relief only applies to national non-domestic rate and not to the City’s premium, the GLA supplement for Crossrail or any Business Improvement District (BID) levy.

Current Position

9. The City, like all billing authorities needs to devise a scheme for awarding the amount of funding allocated. The fund clearly should only be distributed among those facing increases in their rates bills as a result of revaluation but there is a considerable amount of freedom beyond that. A proposed scheme on which to consult is described below in paragraphs 11 to 19.
10. There has been very little reaction from City ratepayers to the Government announcement of support for revaluation and up to mid August only 5 queries have been received in total.

Proposals

11. There is some protection against increases in rate bills through transitional relief. The percentage relief available depends on the new rateable value. Properties have been divided into 3 bands: small, medium and large. There are caps on the increases so that where the increase is above the cap, the

difference is awarded as transitional relief. The caps in 2017-18 are 5% for small properties up to rateable value £28,000; 12.5% for medium properties up to rateable value £100,000; and 42% for large properties over rateable value £100,000. All these caps are increased by an amount for inflation.

12. The Government's intention is to help those facing the largest increases and is basing the grant allocation on properties below £200,000 rateable value facing increases of more than 12.5%. Properties up to rateable value £28,000 have their increases capped at 5% (7.1% with inflation) with any amount above this covered by transitional relief and it seems sensible therefore to exclude them from the discretionary relief. Equally, the Government has not taken properties with rateable values of £200,000 or more into account in the grant allocation. Therefore, although in the City there are some fairly small businesses with such high rateable values, they should also be excluded from a discretionary scheme.
13. The properties facing the largest increases are those with rateable values above £100,000 as their increase is capped at 42% (44.84% with inflation). In the City, as rateable values are generally very high, these include some relatively small ratepayers.
14. It is proposed, therefore, that the discretionary scheme should apply to properties with rateable values between £28,001 and £199,999 where the increase is more than 12.5%
15. The allocation for this financial year is £5.541m and as it will not be possible to transfer grant between years, we should aim to distribute the whole amount within the year.
16. The intention is to help those facing large increases and it is proposed to place the following restrictions on the scheme:
 - Relief will only be available to ratepayers in occupation on 1st April 2017 as relief is intended for those facing increases and a new ratepayer could be expected to know about the rate liability;
 - there will be no relief awarded where the property was empty at 1st April 2017;
 - relief will not be awarded to pubs or wine bars where the rateable value is up to £100,000 as there is a separate government scheme for them;
 - relief will not be awarded to charities, as they receive 80% mandatory relief;
 - relief will be awarded as a one-off amount and not recalculated unless the liability is reduced below the level of the relief. No relief will be awarded to an incoming ratepayer;
 - it will be possible to receive relief on more than one property
17. It is proposed that the amount is divided equally among those eligible: although the % increase may be lower for those properties below £100k, the business impact is likely to be greater. There are likely to be around 3,640 properties eligible and relief of about £1,550 would amount to £5.64m, some £101,000 above the grant. However, it is likely that some of these will not be eligible and once precise calculations are made, it may be possible to award slightly more.

18. It is necessary to consult the Greater London Authority, as preceptor, and it is proposed to share the draft scheme with them and also to contact the Cheapside BID board and place a notice on the City website, summarising the scheme and inviting comments, with comments to be made within 4 weeks of the notice.
19. It is proposed that the determination of the final scheme, following consultation, be delegated to the Chamberlain as the Section 151 officer.
20. State aid provisions will apply to this relief and ratepayers who appear to be eligible will be invited to apply and at the same time sign a state aid declaration.

Implications

21. The relief should be fully funded by government grant but as it is not possible to predict precisely the full cost of the amounts awarded, there may be some cost to be met from the City Fund as the City's share of the national non-domestic rate, i.e 30% of any excess amount awarded.

Conclusion

22. Members are asked to note the requirement to design a scheme for distributing the grant for business rates revaluation support, to agree to consulting on the scheme proposed, and to delegate the final approval of the scheme to the Chamberlain.

Appendices

None

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Committee:	Date:
Finance Committee	12 th September 2017
Subject: Impact of the Responsible Procurement Strategy after 12 months	Public
Report of: The Chamberlain	For information
Report Author(s) Chris Bell, Commercial Director, Chamberlain's Natalie Evans, Responsible Procurement Manager, City Procurement	
Summary	
<p>Since its official launch in July 2016, the Responsible Procurement (RP) Strategy has helped to ensure that the Corporation's approach to contracting reflects our values and ambitions by translating corporate and departmental strategies into requirements and targets for supply chain partners. The RP Strategy is based on the three pillars of social value, environmental sustainability and ethical sourcing.</p> <p>This strategic approach to RP complements existing successful initiatives including the use of the Social Value Panel.</p> <p>The main areas of focus during the first year's implementation of the RP Strategy were determined by the level of corporate risk and other areas of key importance including mitigating air pollution, reducing road danger, supporting local economic regeneration, improving environmental management and protecting human and labour rights throughout the supply chain.</p> <p>Key successes :</p> <p>Social Value: Commitments have been secured from supply chain partners to target a wide range of job ready schemes, apprenticeships and other work-related opportunities towards socially excluded groups and those residing within the 10% most deprived boroughs and the Square Mile.</p> <p>Environmental Sustainability: The Corporation has committed to no longer buying, leasing or hiring diesel vehicles. A range of environmental management approaches are also being used by contractors above legislative requirements including local sourcing, sustainable design, carbon reduction, and ambitious recycling targets.</p> <p>Ethical Sourcing: The first contract has been let with the requirement to produce a supply chain map identifying forced or child labour and conflict mineral hotspots. Contractors not adhering to the Modern Slavery Act 2015 are now deselected.</p> <p>More detailed outcomes are provided in the main report at paragraphs 15-24.</p> <p>Recommendations</p> <ul style="list-style-type: none"> • Members are asked to note the report. 	

Background

1. Responsible Procurement is the 'golden thread' running through the City Procurement Strategy. It recognises the Corporation's responsibility to procure value for money goods, services and works, whilst maximising social value, minimising environmental impacts and ensuring the ethical treatment of people. This report aims to provide an update on the impact of the RP Strategy since it was published in July 2016.

Benefits to the Corporation

2. Being receptive to community needs and behaving in a sustainable and ethical manner mitigates risk, helps to optimise resource use and improves the lives of those involved in the Corporation's supply chains. Committing to being a responsible business not only benefits the Corporation, but also those suppliers that we are helping to influence. It is increasingly recognised as having a positive impact on staff morale and is critical for building trust with customers, suppliers, investors, local communities and the wider public.
3. Having a dedicated resource to manage the responsible procurement aspects of strategies across all departments, in order to harmonise City Procurement's approach to these themes, has enabled the team to make a valuable contribution to the development of the new Corporate Plan in terms of its level of ambition and potential areas of focus.
4. Our organisation is recognised as a leader in the field of Responsible Procurement, demonstrated by the fact that City Procurement is regularly asked to present at events, workshops and focus groups on various related topics. This was recognised as an example of good practice in our recent Responsible Business Survey and review.
5. City Procurement has been recognised for RP implementation in partnership with City Surveyors, being runner-up in the Procura+ Network European Public Procurement Awards 'Tender Procedure of the Year' category for Sustainability and Innovation, and winning the 'Outstanding Procurement Initiative' category at CIPFA's Public Finance Innovation Awards 2017. The team was shortlisted for 'Best Contribution to Responsible Procurement by CIPS in 2016.
6. Our efficiency and savings targets have consistently been met, as requirements for responsible procurement outcomes have been continuously strengthened over the last 12 months. To date, there has been no indication that costs have increased due to its implementation.

Our contribution to Responsible Procurement in London and the UK

7. The Corporation collaborated with Westminster City Council to establish and co-Chair the London Responsible Procurement Network (LRPN) in September 2015. Representatives from twenty-four London boroughs, the GLA family, the NHS and London Universities convene bi-monthly to share knowledge and experience of RP themes including social value, air quality and ethical sourcing. Options for collaboration on approaches to common issues are explored by the group, which also consults with market leaders and SMEs to ensure fair yet ambitious solutions are being uniformly developed across greater London. One area of

particular focus currently is co-developing a common method of assigning proxy values to all RP outcomes.

Implementation of the strategy by key strategic theme

8. Air pollution, road danger and health & safety are all areas covered by the RP strategy, which have been classified on the Corporate Risk Register as 'Red'.

In terms of air pollution, action has been taken with the Transport Coordination Group (TCG) to prohibit the purchase, lease or hire of diesel vehicles unless there is an absolute operational necessity i.e. lack of market availability of alternatives. This action was driven by City Procurement in collaboration with the Environmental Protection team.

9. In order to help the City's roads be safer for vulnerable road users, City Procurement has worked closely with the Road Danger Reduction Team, TfL and LB of Camden to introduce mandatory requirements for contractors using vehicles of 3.5 tonnes or more.
10. To mitigate health and safety risks within our supply chain, City Procurement has introduced a new requirement for contractors to be accredited with one of a number of available 'Safety Schemes in Procurement' (SSIP). This has had support from the Corporation's Health, Safety and Wellbeing Committee and is being presented to Finance Committee on 12th September 2017.
11. Other strategic themes include tackling unemployment, supporting social enterprises, combatting modern slavery and minimising environmental impacts throughout supply chains. These aspects have been dealt with by strengthening contractual requirements as well as using clear, targeted questions within tenders to help us recognise those suppliers with genuine commitment during the supplier evaluation process. A description of how the team as sought to meet each objective can be found in Appendix 1.

Embedding Responsible Procurement across the Corporation

12. A variety of mechanisms have been used to facilitate RP implementation, including the use of stand-alone policies on air pollution and animal welfare, along with rules on e.g. purchase of low environmental impact products and services using criteria set by Defra. A particularly useful tool that has been developed this year is a bank of RP supplier evaluation questions, which can be tailored by Category Managers to specific contracts. This is continuously updated and improved upon as lessons are learned from supplier responses.
13. A number of internal departments and all Category Boards have received RP training and subject matter experts, are routinely consulted on plans that may impact on their areas of work. Soft market testing has been used to gauge the supply market's priorities and willingness to make further progress on particular areas such as the delivery of skilled volunteering, job ready schemes or climate change mitigation initiatives. RP has been fully integrated into the new Corporate Supplier Performance Scorecard, which will facilitate a more systematic approach to ensuring that RP outcomes are delivered on time and to the appropriate standard.

14. Our established Social Value Panel is consulted on all service contracts over OJEU threshold (currently £164,000), adding real value through recommendations that reflect current needs of community, business and environmental groups. Category Managers and stakeholder departments are supported with the translation of social value panel recommendations into contractual requirements.

Results in the first 12 months

15. Using spend figures for contracts that commenced between 1/8/16 and 31/7/17, the data shows that 88% of spend on supplies and services above OJEU and 88% of spend on works contracts over £400,000 has leveraged social value, ethical sourcing and/or environmental outcomes through the active implementation of RP specifications, contract terms and/ or evaluation questions.

16. Since the restrictions on diesel vehicles were introduced, two electric vans and an electric all-terrain vehicle were trialled and have been purchased/ leased by three different departments, replacing diesel models.

17. Twenty-five new apprentices and four interns are being taken on to work on our own contracts in the fields of mechanical and electrical facilities management, waste management, construction, street works and recruitment.

18. A total of 280 short vocational courses, 100 further education site visits, eight university research projects and 60 weeks work experience within these industries are also being offered.

19. Three major contractors are targeting recruitment opportunities towards socially excluded groups, specifically including young ex-offenders, NEETs, military services leavers, lone parents and other long term job seekers. Six contractors are targeting opportunities to those residing in the most deprived boroughs or the Square Mile. Initiatives include targeted advertising, proactive marketing of candidates and reserved training schemes.

20. Six contractors are targeting their spend towards supply chains in local target boroughs and/ or are providing support to social enterprises, microbusinesses or SME businesses through e.g. fair payment initiatives, meet the buyer events, online training materials, supply chain spend targets and regular reporting.

21. Skilled volunteering offers are targeted towards education, employability and community projects. They include offers to join boards of governors, accompanied reading, mentoring, careers advice, CV writing skills, with invitations for four schools to use office space for career development activities.

22. At least four City Bridge Trust grantee charities will be supported through skilled volunteering initiatives, as part of an internal initiative matching up supply chain partners who wish to deliver social value with civil society organisations that help meet our objectives. Alongside this four community organisations and a further four community projects will be supported by our suppliers during their contract term.

23. Appropriate environmental management systems are being implemented within all goods and works contracts, along with all relevant service contracts. Ambitious commitments include 95-98% diversion of waste from landfill, monitoring of embedded carbon and a feasibility study to switch to a full electric fleet of vehicles used on our contract.

24. A summary of outcomes is presented in Appendix 2, with a greater level of detail available upon request. To illustrate the breadth, level of ambition and contract-specific nature of RP implementation, three case studies covering distinct contracts are described in more detail in Appendix 3. Each was brought for consultation to the Social Value Panel, whose recommendations were used alongside City Procurement's own assessments of market maturity, relative risk, spend and leverage to develop a flexible yet rigorous approach to securing added value.

Continued Market Learning Initiative

25. In the field of social value, insurance contracts have long been identified as a very complex industry from which to secure RP outcomes. After coming across this same issue when procuring the latest insurance contracts, City Procurement engaged in a programme to take on a Business Masters Intern to undertake a four week study to identify an effective, mutually beneficial approach to leveraging social value. Going forward, technical evaluation criteria drawn up based on the results of the research will be used as part of future contracts.

Upcoming strategic themes

26. Over the next 12 months, City Procurement will ensure that the areas of focus since July 2016 are fully embedded into relevant documentation, guidance and training. Alongside this, a new set of strategic themes are now being prioritised. Policy areas of focus along with specific objectives include:

- **Protecting people and the local environment** - ensuring health & safety, mitigating land & water pollution and enhancing nature & biodiversity
- **Promoting local economic regeneration** – eroding barriers to working with Social Enterprises (SEs), Voluntary and Community Sector Organisations (VCSOs) and Small and Medium Enterprises (SMEs)
- **Maximising resource efficiency** – applying demand management, waste hierarchy and total cost of ownership principles
- **Minimising GHG emissions** – ensuring energy efficiency
- **Ensuring human and labour rights** – transparent compliance with the UN's International Labour Organisation's Fundamental Conventions
- **Ensuring legal and fair working practices** – striving for fair remuneration up the supply chain along with further actions to eliminate modern slavery, human trafficking and the use of illegal workers in our supply chains

Conclusion

27. The first 12 months of the implementation of the Responsible Procurement strategy has seen many outcomes and the establishment of greater impacts, knowledge and experience both within the Corporation but also in wider London through the LRPN.

28. These early interventions and results need to be continually enhanced by targeted and continuous improvement to all support tools, methodologies using lessons learned from their application to allow flexibility, but at the same time make clear requirements for very specific answers to encourage genuine, robust and measurable outcomes.

29. Further increasing awareness, training of key staff and support from stakeholder departments will be vital to delivering the best results. Discussing and understanding one another's' priorities, constraints and ambitions for each project is key in unlocking the aims on a case by case basis that support the overarching and ambitious objectives of the Corporation in this area.

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Related Papers

Responsible Procurement Strategy, Finance Committee 6th June 2016

Road Danger Reduction Work Programme, Finance Committee 2nd May 2017

Appendices

Appendix 1 – Strategic Implementation

Appendix 2 – Responsible Procurement outcomes - Summary

Appendix 3 – Responsible Procurement Case Studies

Appendix 1

IMPLEMENTATION OF RP BY STRATEGIC THEME

Key	
Good progress	
Some progress/ more work needed	
Severe barriers/ can't go ahead	

Policy	Specific Objective	RAG	Strategic Implementation update
A: Protecting people and the local environment	Mitigating air and noise pollution		Relevant actions from Corporation's Air Quality and Noise Quality Strategies implemented into procurement procedures and decisions. A ban on purchasing/ leasing/ hiring diesel vehicles (unless absolutely operationally necessary) is now included in Corporate Transport Policy, scrutinised by the Transport Coordination Group (TCG) and monitored by the Procurement Operations team. A menu of options now being included within tenders which relevant suppliers must choose from and deliver as part of each contract e.g. trial of an electric vehicle or green driver training with staff used on our contracts.
	Improving road safety		Collaboration with the Road Danger Reduction team & Comptrollers to support integration of Corporate Road Danger Reduction requirement of FORS Bronze or equivalent after 3 months and FORS Silver after 18 months within all relevant contracts involving Heavy Goods Vehicles (HGVs) of 3.5 tonnes and above.
B: Promoting social inclusion, equality and community benefit	Combatting social exclusion through targeted employment		Requirements and supplier evaluation criteria related to this objective are now used in the vast majority of significant tenders. Execution of innovative pilot 'speed broking' event which facilitated introduction between interested bidders and relevant partner organisations. Due to its success this will be replicated in the future.
	Offering time, skills and support to social enterprises and VCSOs		Supplier evaluation criteria used in various tenders to encourage skilled volunteering. Desk based research undertaken on what categories of business CSR drivers are. Database of volunteer opportunities created using City Bridge Trust grantees that need skilled volunteering support at their charities is shared with contractors.

C: Local economic regeneration	Paying the living wage to staff and contractors		Living Wage Accreditation and Policy in place, on website and integrated into tender documents. Awareness raising presentations delivered to encourage local authorities who have not yet become accredited to do so wherever possible. The Corporation are fully compliant with the exception of jointly commissioned residential care services due to the fact that not all boroughs are Living Wage accredited as yet.
D: Sourcing lower impact materials and methods	Buying green products and services		Government Buying Standards (GBS) - low environmental impact criteria developed by Defra - are part of the Procurement Code and are now used in the specification of all relevant tenders. They refer to e.g. energy efficiency standards, levels of mercury in computer monitors, levels of volatile organic compounds (VOCs) in paints etc.
	Sustainable timber		Sustainable timber requirements form part of the above GBS
	Optimising environmental management practices		Government Buying Standards integrated into Procurement Code and referred to in annex to spec of all relevant tenders. Environmental management approaches to waste, air pollution, energy efficiency and sustainable sourcing assessed in the majority of tenders.
H: Ensuring legal and fair working practices	Eliminating modern slavery and human trafficking		Adherence to the requirements of the Modern Slavery Act 2015 is now required as part of SQ - used as pass/ fail criteria (i.e. producing an appropriate Statement on actions taken to eliminate modern slavery from the supply chain. However, due to the fact that this is such a high risk and complex area, this is just a first step. The Corporation has co-chaired meetings at the London level on this subject. We are moving forward collectively with other London boroughs in order to send a consistent message to suppliers e.g. by using a harmonised Ethical Sourcing Code of Conduct - this is still in development. Although not required legally, City Procurement has decided to develop the Corporation's own Statement on Modern Slavery, as set out in the Modern Slavery Act.
	Ensuring supply chain employees are working legally		Discussions on this topic have begun with contract managers responsible for Construction and FM contracts - views are currently mixed on our responsibility. Consultation with wider contract managers of all high risk categories needs to be undertaken. A decision needs to be made as to whether The Corporation staff will follow up on legal worker spot checks, or whether we risk trusting our tier one providers to do so within their own and sub-contractor organisations.

Appendix 2 - Responsible Procurement contract outcomes - Summary

Contract Value (£) £1,091,410 and £935,913	Schools & Housing Design Services - Richard Cloudesley & CoL Primary Academy Islington
The design contractor committed to meeting sustainability aspirations, looking at the feasibility of green roofs, structural options to minimise carbon and clean energy solutions. Ecologists were appointed early in design process. Natural daylight and ventilation was designed in, as was the use of green materials.	
£9,338,348	Corporate Security
To support staff welfare, the contractor implements a lone worker policy, provides added value training e.g. customer care and offers flexible hours to cater for parental duties. It also commits to the employment of new recruits from local target areas.	
£940,000	Recruitment Notice Advertising
The advertising company has an intern programme and committed to onboarding a candidate from one of the City's target boroughs, along with a series of one week work experience placements. They will hold seminars on careers in the industry at the Institute of Practitioners in Advertising or their own premises. To support social inclusion, the contractor has committed to working with the Dept. for Work and Pensions and the SSAFA providing access to mapping tools targeting the long term unemployed and lone parents.	
£198,000	City Ambassadors
The contractors have strong commitments to promoting equality and diversity and provide City Ambassadors with disability awareness, cultural awareness and mental health training. They commit to supporting a clean Square Mile by reporting environmental issues such as commercial waste.	
£12,000,000	Wireless (Concession)
The contractor will assist the City to bridge the digital divide and provide benefits to local communities and will provide Wi-Fi coverage to five locations to support digital inclusion. They will also support City Bridge Trust initiatives including: Age UK Waltham Forest; Castlehaven Community; Fitzrovia Youth in Action; New Choices for Youth; and at least 2 other initiatives to be agreed	
£10,530,590	Spitalfields Waste contract

<p>The waste contractor has committed to taking on apprentices, providing work to offenders via engagement at a prison for young offenders and targeting recruitment towards the 10% most deprived boroughs. In terms of environmental sustainability, the contract stipulated at least 95% diversion of waste from landfill and the contractors have pledged to increase in source segregation to provide better quality recyclates. They are replacing balers to increase density of bales, which in turn improves transport efficiency and are investigating the feasibility of using on-site anaerobic digestion.</p>	
£234,548	Cut flowers IPG
<p>Environmental commitments include all plug plants being potted and grown in a UK nursery for use in CoLC contracts, all green waste is returned to the nursery for composting in a specific green waste area and reused once composted and all growing pots are recycled.</p>	
£9,000,000	Construction works - 181 Queens Street
<p>The Supplier registered with the Corporation's Considerate Contractor scheme and made a commitment to diverting 98% waste from landfill. Local economic regeneration targets/ indicators include: 90% local labour within 40 miles, 70% local spend within 40 miles and 85% project value spend with SMEs. The following work related/educational opportunities were provided: 280 Short Courses, 30 weeks work experience (18+), eight university research projects, eight apprenticeships and 100 further education visits.</p>	
£50,000,000	Highways Street Works
<p>Indicators of contributions to local economic regeneration include: no. local suppliers used (based in areas of deprivation, no. Social Enterprises used, no. City-based suppliers used, no. SMEs used within the City/ areas of deprivation, no. employees living in areas of deprivation and no. apprentices employed. Indicators of robust environmental management: Waste (Statutory) to landfill; waste recycled; water use; fuel use (by type); sustainable timber purchased and energy use. The contractor continues to report regularly on these parameters as part of the contract extension, in addition to enhanced requirements on monitoring embedded carbon and ethical sourcing of natural stone since the implementation of the RP strategy. Apprenticeship testimonials are now sought and specific actions are taken to diversify the demographics of the workforce employed on the contract by using targeted advertising or reserved training schemes.</p>	
£1,680,000	Domiciliary (Home) Care Services

Along with specific KPIs on social inclusion the following requirements, outlined as part of Unison's Ethical Care Charter and recommended by the Social Value Panel, were included in the specification of the contract:

- Paid travel time, travel costs and other necessary expenses
- No exclusive 'zero hours' contracts used
- Eligible workers must receive statutory sick pay and all homecare workers will be covered by an occupational sick pay scheme to ensure that staff do not feel pressurised to work when they are ill in order to protect the welfare of their vulnerable clients.
- Specification determines that commissioning is based on client need rather than no. of minutes or tasks - Workers will have the freedom to provide appropriate care and will be given time to talk to their clients
- No visit will be less than 30 minutes and will be scheduled so that homecare workers are not forced to rush their time with clients or leave their clients early to get to the next one on time.
- Clients will be allocated the same homecare worker(s) wherever possible.
- Providers will have a clear and accountable procedure for following up staff concerns about their clients' wellbeing.
- All homecare workers will be regularly trained to the necessary standard to provide a good service (at no cost to themselves and in work time) · Homecare workers will be given the opportunity to regularly meet co-workers to share best practice and limit their isolation.

Appendix 3: Case Studies on Responsible Procurement Implementation

CCTV Maintenance - Tyco

1. Tyco in delivery of the Corporation's contract use local job centres as well as rehabilitation providers to ensure the widest cohort of jobseekers is targeted. They run employability programmes with schools to promote STEM subjects in addition to providing a wide range of work-related opportunities including work experience days, 12-month placements, return to work programmes, BTEC and full apprenticeships, including those targeted at adults.
2. The contractor applies a rigorous environmental management system with continuous improvement targets, including carbon reduction. CCTV equipment is re-used before it is recycled.
3. In order to mitigate the risk of exploiting human and labour rights within the supply chain, Tyco are required to undertake a supply chain mapping exercise before the first annual contract management meeting, which identifies risk hotspots in terms of minerals likely to be sourced from conflict zones and manufacturers based in countries with higher instances of human or labour rights violations, such as the use of forced or child labour. The Corporation will then work with the contractor to establish appropriate steps to be taken in order to mitigate these risks such as the use of auditing, partnering with expert civil society organisations or working with suppliers further up the supply chain to help strengthen their approach. This requirement is a first for the Corporation and is an unusually advanced step for an entity with a local authority remit to undertake. It will undoubtedly be a learning exercise for both supplier and client, the aspiration is to continue to strengthen our use of such requirements, as knowledge within City Procurement grows and we are better placed to support our high risk suppliers.

Managed Service for Temporary Agency Resource - Hays

1. Our contractor produced a Social Value Plan specifically for our contract. Commitments include a spectrum of targeted work related opportunities such as two apprenticeships, three internships, two work experience placements, five job returns, five job starts specifically for people who face challenges, along with a range of relevant support for schools and their students and for community organisations, including staff volunteering commitments.
2. Targets on spend with social enterprises, charities, SMEs and local businesses have been set, with plans to undertake engagement activities with local suppliers and workers. The contractor commits to reporting on employee diversity and continuing to implement internal policies on ethical procurement, flexible working and staff welfare, and providing tailored professional development and training.
3. As part of their externally audited environmental management system, the contractor has set continuous improvement targets on carbon, electricity and gas reduction, with a commitment to explore sourcing an increased proportion of renewable energy.

Building Repairs and Maintenance - Skanska

1. Our new BRM contractor has established a range of programmes designed to use targeted recruitment to promote social inclusion or balanced representation. Notable examples include targeting young people from challenging backgrounds through the Developing Exceptional Leaders Programme; ex-offenders through the Skanska Young Offender Training and Employment Programme 13 week training course; military services leavers through the Career Transition Partnership; and women as part of the WISE campaign to get one million more women in the STEM workforce.
2. Skanska commits to having 2 apprentices employed at any one time during the contract and their supply chain organisation, for example Senseco Systems, is committed to providing three apprenticeships per year. Candidates will have training plans developed and will be allocated a mentor. The contractor also offers graduate opportunities and eight-week summer placements and would welcome engagement with City of London Academies to encourage young people to seek careers in Facilities Management. Skanska regularly attend career fairs to promote apprenticeship opportunities, present at higher education institutions on new technologies and trends in the industry. They also make active efforts to source locally and engage SMEs at tailored events, with regular reporting on results throughout contract life.
3. Environmental sustainability requirements within our specification are extremely detailed covering application of the waste hierarchy, green procurement including sustainable timber, materials with high recycled content and attainment of government buying standards, along with requirements to support the Corporation with energy and water saving targets.
4. This contract example is a good demonstration of partnership working as useful suggestions to improve our environmental outcomes were made by the new provider during mobilisation phase, based on their industry expertise. Over and above contractual requirements they have committed to making recommendations on which refrigerants to replace first in air conditioning units, according to highest global warming potential (GWP) and have agreed to consider phasing in a full electric fleet of vehicles if the Corporation is able to accommodate parking at our City car parks with electric charging stations.

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Committee:	Date:
Finance Committee	12 September 2017
Policy & Resources Committee	21 September 2017
Subject:	Public
Supplier Health & Safety Appraisals	
Report of:	For Decision
The Chamberlain	
Report author:	
Chris Bell, Commercial Director for City Procurement, Chamberlain's Department	

Summary

City Procurement recently took a recommendation to Health, Safety, and Wellbeing committee that would require City of London suppliers to hold a Safety Schemes in Procurement (SSIP) accreditation when tendering for work which has health and safety (H&S) risks. This was in response to queries from the committee about the H&S credentials of certain suppliers bidding for Corporation contracts. Due to the limited capacity within the corporate H&S teams and a lack of an H&S expertise in City Procurement it was approved as the best option to mitigate risk to the Corporation and insure compliance with H&S legislation.

Due to the current political climate the Health, Safety, and Wellbeing Committee approved this recommendation with immediate effect as an interim measure. City Procurement is now seeking to formally ratify this proposal through the appropriate governance structure including Committee approvals. The report below outlines the options and recommendation for use of SSIP accreditation schemes as a permanent solution. The recommendation was approved at Summit Group in August 2017.

Recommendation

- Members are asked to approve Safety Schemes in Procurement accreditation as a mandatory requirement for suppliers delivering goods, works and service contracts that have Health and Safety implications.

Main Report

Background

1. Health and Safety legislation including the Health and Safety at Work Act 1974 (HSW), the Management of Health and Safety at Work Regulations 1999 (MHSWR), and the Construction Design and Management Regulations (CDM) places a duty on the Corporation for the health and safety of its employees, contractors employees and members of the public.
2. This legislation requires the City to undertake due diligence and appoint contractors that are competent and adequately resourced to complete contracts safely.
3. CDM places full H&S responsibility on the Contracting Authority and in April 2007 the Health and Safety Executive (HSE) published an Approved Code of Practice (CDM Appendix 4). CDM Appendix 4 sets out 'core criteria' in a two stage assessment process:

- Stage One is an assessment of 'Organisational Capability'.
- Stage Two is an assessment of adequate resource and training to fulfil project specific requirements.

Current Position

4. City of London (CoL) relies on in-house knowledge and capacity to undertake both stage one and stage two assessments. City Procurement does not have resource in house to undertake assessments and must rely on the limited capacity within the Corporate H&S team for support.
5. There is no existing H&S Policy which addresses procurement process or contractor behaviour.
6. The Health and Safety Executive (HSE) endorses the Safety Schemes in Procurement Forum (SSiP) which is an umbrella organisation to facilitate mutual recognition between health and safety pre-qualification schemes.
7. SSiP Forum has 23 registered members, 19 certification bodies (OHSAS 18001 certification only) and supporter members. Their online portal would allow CoL to check credentials quickly and easily upon receipt of tender response.

Options

8. City Procurement proposes the following options to members in order to minimise the existing risk:
 - Option One – require suppliers bidding for City of London goods, service and works contracts (excluding deliveries) to be accredited by any scheme recognised by the SSIP Forum.
 - Option Two – Hire a qualified H&S officer to evaluate tenders as a new additional dedicated resource
 - Option Three – Outsource H&S evaluations to a third party

Recommendation

9. City Procurement recommends Option One; SSIP accreditation being mandatory for CoL suppliers.
10. SSIP accreditation would allow for minimal intervention for stage one assessments allowing the current H&S resources to be focused on the more in-depth stage two assessments.
11. SSIP assessments are all judged on core criteria approved by HSE. These core criteria describe what it means for a construction business to comply with basic H&S law. Each SSIP forum member is audited each year to make sure their processes comply.
12. The SSIP Forum was designed to be proportionate and a cost effective option for small-to-medium enterprises to meet CDM responsibilities. The assessment carried out by SSIP members is a desktop scrutiny of documentation, supplemented by telephone calls and e-mails, typically lasting 2-4 hours.
13. The Corporate H&S team have drafted a 'Corporate Control of Contractors Policy' and option one would support this policy.

Conclusion

14. The requirement to be SSIP accredited has been built into the current procurement procedures and communications have been sent to all existing suppliers as part of an awareness campaign. This was due to this measure being agreed as an interim solution.

15. Members are asked to approve the use ofSSIP accreditation as part of selection criteria for all suppliers to CoL for goods, services and works as a permanent measure to mitigate risk.
16. The introduction of this recommendation would allow the CoL to evidence part one of CDM requirements, free up H&S officer time to focus on part two assessments, and take into account the SME community by adopting a low cost industry standard assessment tool.

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Committee:	Dated:
Finance Committee – For decision	12 th September 2017
Subject: Accounting treatment for City of London Corporation’s Social Investment Fund	Public
Report of: The Chamberlain Report author: Karen Atkinson, Head of Charity and Social Investment Finance, Chamberlains Dept.	For Decision

Summary

At its meeting on the 24th May 2012, the Court of Common Council agreed to designate £20m from Bridge House Estates (BHE) general reserves for investments in activities that generated a financial return, alongside an associated social return, creating the Social Investment Fund (SI Fund).

Since inception the SI Fund has committed to 20 investments totalling £12.6m, of which £8.7m is currently invested. £0.55m has been received relating to the SI Fund, up to 31 March 2017, being the distributed income of the investments. This has been accounted for as income in the BHE financial statements, adding to the surplus in the General Unrestricted Fund.

In order to continue to maintain the value of the SI Fund, protecting against any future losses, the net value of distributed income, gains and losses on divestment / maturity and the returned underlying capital should be designated to the SI Fund. Of the above, the net value of distributed income is currently being accounted for within the General Unrestricted Fund of BHE. The SI Fund would reinvest any additional balances designated to the fund in line with its previously agreed purposes.

This paper is not proposing any amendments to the aims of the SI Fund.

Recommendations

Members are asked to:

- approve 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.
- approve 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.
- approve the reinvestment of any additional balances that are designated to the SI Fund in line with its’ previously agreed purposes.

The above recommendations would take effect within the 2017/18 financial year, as a transfer between the funds held within the BHE balance sheet.

Main Report

Background

1. At its meeting on 24 May 2012, the Court agreed to designate £20m from BHE reserves for investments in activities that generated a financial return, alongside an associated social return. The designation for this was the City of London Corporation's Social Investment Fund (the SI Fund).
2. As this fund forms part of the City Corporation's overall investment portfolio, the SI Fund's investments are managed in accordance with the agreed investment strategy and policies under the responsibility of the Investment Committee.
3. The SI Fund's strategy, aligned to the overall investment strategy, was set out in the report by the Policy and Resources Committee presented to the Court of Common Council on the 25 October 2012:
The Fund will be financed from accumulated cash reserves which would otherwise be invested on the money markets. Accordingly, the Fund will seek a return across the portfolio that at least matches the interest earnings that will be foregone.
4. As social investment involved a new approach and requires careful balancing of the financial and social returns, the Investment Committee amended their terms of reference to enable a Social Investment Board (SIB) to be established, enabling the benefit of specific and dedicated scrutiny and decision-taking.
5. The terms of reference for the SIB are as follows:-
 - to approve criteria for Social Investments and to authorise social investments in accordance with such criteria;
 - to approve the appointment of and monitor the performance of independent advisors tasked with undertaking due diligence of investment proposals;
 - all of the above to be consistent with the strategic investment policies determined by the Policy and Resources Committee and the Investment Committee.
6. The SIB also actively monitors and reviews the risk associated with the investments across the portfolio and works to mitigate and limit these.
7. When the SI fund was created the focus was on the purpose of the fund, rather than on the on-going management of the fund. As such there was no explicit guidance on accounting treatment. This paper is not proposing any amendments to the aims and return targets of the SI Fund.

8. The SI Fund is a designated element of the overall investment strategy, with an expected return as part of a balanced portfolio of the charity's investments. In order to continue to maintain the value of the fund, protect against any potential losses and to monitor the target return, the net value of distributed income, gains/losses on divestment /maturity and the returned underlying capital should be recycled throughout the life of the fund and as such designated to the SI Fund for further investment. Of the above accounting transactions, the net value of distributed income is currently being accounted for within the General Unrestricted Fund of BHE. Such in-year revenue transactions will continue to be accounted for within the Income and Expenditure account, with the proposed change simply being a year-end transfer between funds held within the BHE balance sheet.
9. A designation of funds held within the accounts is at the discretion of the City of London Corporation, as the sole trustee of BHE, in accordance with the Statement of Recommended Practice (SORP) Accounting and Reporting by Charities 2015.
10. Since inception, the SI Fund has committed to 20 investments totalling £12.6m, of which £8.7m is currently invested. 2 investments were redeemed in 2016/17. The investments are largely Unlisted Loan and Bond agreements with no active secondary markets.
11. To date, £0.55m income has been received relating to these investments, which has been accounted for in the BHE General Unrestricted Fund.

Financial Year	Distributed Income £'000	Cum. value of Investments £'000	Cum. number of Investments
2012-13	-	300	1
2013-14	5	2.000	5
2014-15	62	6.200	12
2015-16	179	8.200	20
2016-17	300	8.700	18
	546		

12. Indirect costs incurred relating to Social Investments, such as City of London staff time, advisory costs or any costs relating with placing the investments are to continue to be accounted for within the BHE General Unrestricted Fund, in line with the treatment of other financial investments held by the charity.

Proposal

13. It is recommended that all distributed income and direct costs incurred, alongside gains/losses on divestment/maturity and the returned underlying capital, should be designated to the SI Fund.

14. It is recommended that the cumulative impact of all distributed income, net of direct costs, received to date is transferred from the BHE General Unrestricted Fund to the SI Designated Fund, a £0.55m adjustment. This would take place within the 2017/18 financial year, as a transfer between the reserves held within the BHE balance sheet.

Conclusion

15. This report presents a proposal to cover the accounting treatment for all movements attributed to the BHE Social Investment Fund, recommending that the net annual distributed income be designated to this fund within the balance sheet of the charity alongside other fund movements. Should the recommendation be agreed, a further paper will be circulated to the Investment Committee to provide clarification on the accounting treatment for the sake of completeness.

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Committee	Dated:
Community and Children’s Services Committee Finance Committee	08/09/2017 12/09/2017
Subject: Financial Support with Major Works for Leaseholders	Public
Report of: Director of Community and Children’s Services	For Decision
Report author: Bayo Igoh – Head of Estates Mark Jarvis – Head of Finance Karen McHugh – Principal Legal Assistant Nazia Noman – Home Ownership Manager	

Summary

The current Five Year Programme of Major Works to City of London estates is much needed, but will result in large service charge bills for a number of our leaseholders. The highest estimated costs will be for leaseholders in Great Arthur House, on the Golden Lane Estate, where the current project to replace the cladding and windows means that leaseholders will face particularly large bills. The City recognises that it can be difficult for some leaseholders to meet the costs of major works and it is appropriate to review the current range of measures offered.

The City already has provision in place to offer financial support to leaseholders in respect of major repairs bills, including payment by instalments, referrals for financial assistance to government departments and leaseholder loans. Under the terms of their lease, lessees can repay major works bills in instalments, effectively mortgaging their property to the City. In July 2010, the City approved a scheme providing a maximum discretionary loan of £41,000, with an interest-free period of up to three years. In addition, in cases of severe financial hardship, the City will consider buying back the tenant’s property.

At the same time, the City has certain duties to keep a housing revenue account (HRA) and a duty to formulate proposals to secure that the account for each year does not show a debit balance. Where the City’s duty is not compromised by the discretionary loan proposal, the City must still consider its fiduciary position in relation to its council tax payers, tenants and others who benefit from the application of the HRA funds as well as its power to provide discretionary loans to leaseholders, and must reasonably balance the interests of each.

Recommendation

Members are asked to:

- Consider the paper and to decide which of the options set out in paragraphs 21-24 they wish to be implemented.

Main Report

Background

1. Tenants who exercise their Right to Buy (RTB) do so under a leasehold agreement (or 'lease') with the City. The lease sets out, among other things, the costs which can be recovered from the leaseholder in respect of service charges, repairs, major works and improvements. The terms of the lease stipulate that leaseholders are responsible for the cost of works to their home that are the City's responsibility to carry out (e.g. replacement windows), and also for a defined proportion of the costs of works to communal areas of their block or the estate.
2. The City has a legal duty to recover these costs. It also has a duty under the Local Government and Housing Act 1989 (Part VI Housing Finance) (the 1989 Act) to keep a housing revenue account (HRA) and a duty to formulate proposals to secure that the account for each year does not show a debit balance (section 76 of the 1989 Act). The HRA 30 Year Business Plan, which every local authority housing provider is required to produce, is based on the assumption that leaseholders are charged for their proportion of the costs of works. The HRA includes rents and charges in respect of property, subsidy and other contributions and is debited by capital, repairs maintenance and management expenditures and other sums payable by an authority. Failure to collect service charge costs could severely compromise the HRA and its ability to fund the Five Year Major Works Programme and other necessary expenditures from this source. The City is in a fiduciary position in relation to its council tax payers, other tenants (including social tenants) and others who benefit from the application of the HRA funds. Failure to collect service charge costs from private homeowners could mean that, effectively, social tenants and others would be subsidising private homeowners. The City must also have due regard to the hardship to some leaseholders of being faced with high service charge demands.
3. In 1992, legislation was introduced to provide schemes to assist leaseholders of flats with the costs of major works. Under the Act and the Housing (Service Charge Loans) Regulations 1992 (the Regulations), local authorities were required to offer a mandatory loan scheme for RTB purchasers and their successors, effectively to run for a period of ten years from the date of the grant of their lease. The loan could offer assistance above an initial service charge cost of £1,500 in respect of major works, up to a limit of £20,000 (less any amounts already obtained under the right to a loan).
4. In 2008, in recognition of the fact that leaseholders were facing higher bills, the government issued a number of amendments to the Act and Regulations. (under the provisions of Loans for Acquisition or Improvement of Housing under Part XIV of Housing Act 1985 (the Act), sections 450A and 450B), amending the mandatory loan scheme and adding a discretionary power to provide loans to the existing mandatory scheme.

5. The mandatory loan is for 10 years for amounts more than £5000 (the repayable terms are shorter for loans below that sum) and the repayment period is also determined by adding up the amounts of any mandatory and discretionary loan amounts. The interest payable is subject to the statutory provisions relating to local authority mortgage interest rates. An administrative fee of up to £100 can be charged, plus legal cost for valuation, conveyancing, and Land Registry Fees.
6. A local authority is also permitted to offer discretionary loans. These may be offered either where a leaseholder is not entitled to a mandatory loan, or where the cost of the major works exceeds the mandatory loan limit of £20,000. The discretionary loan may be on terms that no interest is paid or interest is paid on only part of the loan (Regulation 6). Either loan must be secured by way of mortgage on the relevant flat (whether or not the flat is adequate security for the loan) (Regulation 7). The lender/local authority may charge administrative expenses and legal fees as it sees fit and may choose to add this amount to the loan. No repayment period is specified (unlike for mandatory loans). The discretionary powers may be used to offer loans on favourable or interest-free terms to leaseholders who meet certain criteria, such as being owner-occupiers.
7. The Housing (Purchase of Equitable Interests) (England) Regulations 2009 enable a local authority landlord, with the agreement of the tenant, to purchase an equitable interest in a flat for the purpose of assisting the tenant to meet some or all of the service charge payments. The cost of the equitable interest purchased ("the purchase price") is met by the landlord reducing or cancelling the service charge payable as corresponds to the amount concerned (regulation 4 of those regulations). The housing authority is entitled to a specific share of the value of the flat when it is sold. Rent is chargeable on the share of the property reverting to the local authority.

Current Position

8. Failure to pay charges for major works is a breach of the lease, and could lead to legal proceedings and, in extreme cases, forfeiture. The City recognises that large bills for major works can cause financial hardship for some leaseholders and, therefore, already offers a range of support measures.
9. Under the terms of a City of London lease, leaseholders have the option to pay for major works over a ten year period, with interest. This allows them to spread the whole cost of large service charge bills. (Major works are defined as refurbishment, renewal or repair works that cost more than 2.5% of the valuation for the property when it was purchased.) This means that every City leaseholder has the ability to borrow the full cost of any major works from the HRA, for a ten year term, with interest.
10. Interest-payable loans are offered under the mandatory scheme to RTB purchasers and their successors for a period of 10 years from the purchase of the lease. The interest is regulated by the Housing Act 1985 and set at the standard national rate (currently 3.13%).

11. In July 2010, following the revised legislation, the Community and Children’s Services Committee and the Finance Committee reviewed the discretionary loans offered to the City’s leaseholders, and agreed new terms. Discretionary loans of up to £41,000 are currently offered with an interest-free period of up to three years.

12. Current payment options for discretionary loans are as follows:

Table 1 – Current payment options		
Loan amount	Interest-free period	Repayment period
£930.00.00 – £1,599.99	1 year	3 years
£1,500.00 – £4,999.99	1 year	5 years
£5,000.00 – £9,999.99	2 years	5 years
£10,000.00 – £41,000.00 (maximum)	3 years	10 years

13. The discretionary loans are only offered to resident lessees who occupy their property as their principal home. To qualify, the leaseholder must have a good credit history. The loans are secured by a mortgage on the property, and there are fees and an administration charge. Because the agreement of any existing mortgagee of the property is required, discretionary loans can take some time to arrange.

14. Following the interest-free period, the interest rate is variable and follows the standard national local authority mortgage rate (currently 3.13%).

15. Two other options were also agreed by Members in 2010. These were equity loans and a buy-back scheme. However, these are only offered as a last-resort measure in cases of extreme hardship, where it can be demonstrated that the leaseholder does not have the means to pay for major works and is at risk of homelessness without such support. These options are also only available to resident lessees. Agreement is subject to an assessment carried out in conjunction with the Town Clerk and Chamberlain, which includes means testing.

16. For buy-back, the purchase price is the lower of the current market price or the original RTB price (net of discount). Under this scheme, the full ownership of the property is returned to the City and the former leaseholder remains as a tenant. This option is only offered to the original RTB purchaser. There has been only one buy-back in the past five years.

Proposed Options

17. The Five Year Programme of Major Works will involve significant costs for some leaseholders, in particular those who own properties in Great Arthur House. It is, therefore, appropriate to review the current discretionary offer to flat owners and consider whether any changes should be made.

18. However, any decision made by your Committee in respect of discretionary measures must have regard to the City's legal duty to ensure that the HRA account for each year does not show a debit balance, and the duty to recover costs from leaseholders, while minimising costs on actionable debt recovery and offering leaseholders in financial hardship a reasonable opportunity to fulfil their obligations under the terms of their lease.
19. The HRA had total balances of £14.6m at 31 March 2017; however, this balance is expected to fall over the next few years in order to fund the Five Year Major Works programme. The HRA presently has no borrowing, but has the capacity to borrow up to a total ceiling of £25m.
20. Funding the major works programme is expected to mean that the HRA will need to return to borrowing up to £11m by the end of 2019/20. Any additional cost to the HRA of funding interest-free loan periods to owner-occupier leaseholders will increase the level of borrowing required. This in turn will mean the headroom to the ceiling of £25m for borrowing to support the aim of 700 new homes will be reduced. This will have an impact on the City's ability to deliver some of these homes.
21. Taking this into account, there are three options for Members to consider:
 - a. Revert to an offer which comprises only the mandatory scheme and which is set out in the standard lease, with no discretionary measures offered.
 - b. Maintain the current discretionary offer of a maximum loan of £41,000, with an interest period of three years, with no new additional measures.
 - c. Increase the maximum threshold for the discretionary scheme to £72,500 (the current estimated cost of the Great Arthur House cladding works) with an interest-free period of three years.
22. Option a: No discretionary loans to owner-occupier leaseholders. This option would mean the withdrawal of the current £41,000 capped discretionary loan offer to leaseholders. Leaseholders could still apply for loans under the terms of their leases, but there would be no interest-free period. This option would mean that no costs in relation to interest foregone would be charged to the HRA, but it would also mean no additional financial support would be available to owner-occupier leaseholders and the risk that immediate demands for payment of large service charges could not be met. Although this is the most favourable scheme for the HRA, officers cannot advise this course of action as it gives only minimal support to leaseholders.
23. Option b: Continue to offer discretionary loans to owner-occupier leaseholders at a maximum level of £41,000 with up to three years of interest-free borrowing, as set out in Table 1 in paragraph 12 above, and the charging of professional and administrative fees. We would propose that these fees be capped at a maximum of £500. It is recommended that the current scheme be amended so that leaseholders are expected to pay the first £5,000 of any service charge demand, with the discretionary loan offer covering any additional amount. The total cost to the HRA in terms of interest foregone

based on a 100% take-up at the maximum borrowing limit by all eligible leaseholders on all City estates would be £530,000. A 75% take-up would charge £398,000 to the HRA. While this option does have an impact on the HRA, in officers' view the impact is not unreasonable. It does not, however, recognise the new demands on leaseholders of the Five Year Major Works Programme and may be insufficient to meet some leaseholder needs.

Option c: Offer discretionary loans to owner-occupier leaseholders at an increased maximum amount of £72,500 with up to three years of interest-free borrowing and charge legal and administrative fees. We would propose that these fees be capped at a maximum of £500. The interest-free periods would be as set out in Table 1, with the maximum amount increased to £72,500 from the existing £41,000. Leaseholders would be expected to pay the first £5,000 of any service charge demand with the loan offer covering any additional amount. The total cost to the HRA in terms of interest foregone based on a 100% take-up at the maximum borrowing limit by all eligible leaseholders on all City estates would be £612,000. A 75% take-up would charge £459,000 to the HRA. While this option does have an increased impact on the HRA, in officers' view the increase is marginal and it does recognise the new demands on leaseholders of the Five Year Major Works Programme. This is the option that officers advise, as it balances the needs of the HRA, and reflects a sensible balance between the City's competing duties and powers.

24. It is important to note that the discretionary loans set out in options b and c are supplementary to the entitlement to loans under the mandatory scheme and the contractual entitlement in the lease. Each eligible leaseholder would still be entitled to a loan with interest on any major works service charge costs, in addition to a loan under the discretionary scheme. As an example, if the full cost of major works to a leaseholder was £80,000 and a discretionary loan was offered up to £41,000, the leaseholder would still be contractually entitled to a loan for the remaining £39,000, but there would be no interest free period on this element. Similarly, if the threshold were to be raised to £72,500 and a discretionary loan was offered for that amount the leaseholder would still be contractually entitled to a loan for the remaining £7,500 but would be no interest free period on this element.
25. Officers cannot recommend a higher level of support for leaseholders, as the cost to the HRA, the impact on the major works programme and the disbenefit to tenants would be too great.
26. The extension of equity loans or equity purchases from the current position to all leaseholders is not recommended, as there are already products on the financial market available to meet any demand for these. The cost to the HRA of making such loans could also be prohibitive and could jeopardise the programme of planned works and developments.
27. The extension of the buy-back scheme is also not recommended. Such a scheme would be complex and require additional staffing resources. With property prices unlikely to drop significantly, it is not expected that buy-back will be popular for homeowners on either a full- or shared-ownership basis.

However, it is recommended that the current buy-back scheme is retained as an option for leaseholders in severe financial difficulty.

Corporate & Strategic Implications

28. This proposal links to the department's strategic aim to enhance and promote a better quality of life for residents.

Financial Risk Implications

29. The City is responsible for the management of the HRA and should recover all sums of money owed by leaseholders. There could be a significant adverse effect on the ability of the HRA to adhere to the timing of its major works programme and meet its other objectives if increasing numbers of flat owners take up the offer of interest-free loan periods. The cost to the HRA of discretionary interest-free loan periods is set out in the body of the report, but in the worst-case scenario of a 100% take-up of loans by all leaseholders up to a maximum value of £72,500, the total cost would be £0.612m.
30. It is not expected that all eligible leaseholders would wish to take up a discretionary loan for the full amount owing; some may seek a partial loan and/or also look to extend their existing mortgage. The cost to the HRA of a 75% take-up would be £0.459m and a 50% take-up would be £0.306m.
31. A leaseholder who takes out a loan to pay for service charges for repairs and improvements to their property who is in receipt of Income Support, income-based Jobseeker's Allowance or Pension Credit can in certain circumstances obtain government assistance with their loan payments.
32. Please see attached Appendix 1 for a more detailed estimate of interest-free discretionary loan costs.

Legal Implications

33. Leading Counsel's advice has been sought in relation to the potential impacts on the HRA of the current discretionary scheme and the option to increase the available loan limit. Leading Counsel has advised that so long as all material considerations are taken into account, it is open to the City to provide discretionary loans under the terms considered in this report.
34. Under section 20 of the Landlord and Tenant Act 1985 as amended by the Commonhold and Leasehold Reform Act 2002, leaseholders must be consulted before the landlord carries out works above a certain value. The prescribed consultation process includes a requirement to serve notices before the start of the works setting out a description of the works, the reasons why they are necessary and the estimated total expenditure likely to be incurred.

35. There are lengthy and complex statutory procedures for dealing with the recovery of service and maintenance charges from residential leaseholders. The City will comply with these processes to ensure that the charges are both fair and lawful.
36. The City has power to provide discretionary loans to leaseholders and should have regard to any potential that demands for immediate payment of large service charges might lead to: a failure to recover the same, potential legal proceedings and legal costs, and ultimately to the risk of leases being lost through breaches of covenant.
37. The City also owes a fiduciary duty in managing the HRA to secure that it does not show a debit balance in any one year and for this reason it is necessary to endeavour to recover all sums of money owed.
38. It is also open to the City to consider whether any works should be postponed in order to keep the HRA in balance if there is a risk of deficit in any year due to the application of the proposal.

Equalities Implications

39. An Equalities Analysis (EA) was carried out at the commencement of the Housing Service Review – Leaseholders and Freeholders (Report HMASC 4 July 2016). In summary, the EA found that reviewing the financial support offered to leaseholders would not negatively affect any of the protected characteristic groups. To continue to meet our public sector Equality Duty, individual needs should be considered where appropriate when making decisions.

Conclusion

40. The government is keen for social landlords to offer help to their leaseholders who are facing significant major works bills and secondary legislation is in place to facilitate such measures.
41. The City of London Corporation is keen to offer support to our residents who may be facing difficulties paying these bills. Offering interest-free periods, higher loan limits and flexible repayment terms for service charge loans may help leaseholders meet the costs of their service charges.
42. There will be a cost to the HRA in terms of loss of interest. However, any increase in leaseholders seeking these loans will be managed under a structured payment plan and the scheme would be likely overall to reduce the risk of recourse to legal proceedings (and potential loss of leases) for non-payment of major works bills.
43. Where leaseholders are suffering particularly severe hardship, an equity loan, equity purchase or buy-back could also offer an alternative and may be offered in exceptional cases.

44. Members are asked to consider the options and to recommend either retaining the existing interest-free loan provisions or making changes to the existing scheme.

Appendices

Appendix 1 – estimated costs for interest-free loans

Background Papers

Payment Options for Long Leaseholders – Paper to Community and Children’s Services Committee, 9 July 2010

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Assumptions Interest foregone 3.00%
Full amounts funded

Estate	Leaseholder No's	Max Bill	Int free period	Repayment period	FOR A SINGLE LEASEHOLDER					TOTAL INTEREST	TAKE-UP %		
					Y 1 Int	Yr 2 Bal	Y 2 Int	Yr 2 Bal	Y 3 Int		100%	75%	50%
Avondale	108	13,011	3 years	10 years	390	11,710	351	9,368	281	1,023	110,448	82,836	55,224
Golden Lane	221	17,211	3 years	10 years	516	15,490	465	12,392	372	1,353	298,965	224,224	149,483
Gt Arthur	48	72,500	3 years	10 years	2,175	65,250	1958	52,200	1,566	5,699	273,528	205,146	136,764
Holloway	88	11,874	3 years	10 years	356	10,687	321	8,549	256	933	82,130	61,598	41,065
Isleden	5	2,308	1 year	5 years	69	1,846	0	1,108	0	69	346	260	173
Middlesex	67	26,315	3 years	10 years	789	23,684	711	18,947	568	2,068	138,580	103,935	69,290
Southwark	134	23,610	3 years	10 years	708	21,249	637	16,999	510	1,856	248,670	186,502	124,335
Sydenham	53	19,006	3 years	10 years	570	17,105	513	13,684	411	1,494	79,175	59,381	39,588
William Blake	56	12,000	3 years	10 years	360	10,800	324	8,640	259	943	52,819	39,614	26,410
Windsor House	32	13,928	3 years	10 years	418	12,535	376	10,028	301	1,095	35,032	26,274	17,516
York Way	67	8,809	2 years	5 years	264	7,047	211	4,228	0	476	31,871	23,903	15,935
Dron House	35	6,987	2 years	5 years	210	5,590	168	3,354	0	377	13,205	9,904	6,603
Total	914				6,827	6,034	6,034	4,524		17,385	1,364,770	1,023,577	682,385

Assumptions Interest foregone 3.00%
Funded up to existing £41,000

Estate	Leaseholder No's	Max Bill	Int free period	Repayment period	FOR A SINGLE LEASEHOLDER					TOTAL INTEREST	TAKE-UP %		
					Y 1 Int	Yr 2 Bal	Y 2 Int	Yr 2 Bal	Y 3 Int		100%	75%	50%
Avondale	108	13,011	3 years	10 years	390	11,710	351	9,368	281	1,023	110,448	82,836	55,224
Golden Lane	221	17,211	3 years	10 years	516	15,490	465	12,392	372	1,353	298,965	224,224	149,483
Gt Arthur	48	41,000	3 years	10 years	1,230	36,900	1107	29,520	886	3,223	154,685	116,014	77,342
Holloway	88	11,874	3 years	10 years	356	10,687	321	8,549	256	933	82,130	61,598	41,065
Isleden	5	2,308	1 year	5 years	69	1,846	0	1,108	0	69	346	260	173
Middlesex	67	26,315	3 years	10 years	789	23,684	711	18,947	568	2,068	138,580	103,935	69,290
Southwark	134	23,610	3 years	10 years	708	21,249	637	16,999	510	1,856	248,670	186,502	124,335
Sydenham	53	19,006	3 years	10 years	570	17,105	513	13,684	411	1,494	79,175	59,381	39,588
William Blake	56	12,000	3 years	10 years	360	10,800	324	8,640	259	943	52,819	39,614	26,410
Windsor House	32	13,928	3 years	10 years	418	12,535	376	10,028	301	1,095	35,032	26,274	17,516
York Way	67	8,809	2 years	5 years	264	7,047	211	4,228	0	476	31,871	23,903	15,935
Dron House	35	6,987	2 years	5 years	210	5,590	168	3,354	0	377	13,205	9,904	6,603
Total	914				5,882	5,184	5,184	3,844		14,909	1,245,927	934,445	622,963

Assumptions Interest foregone 3.00%
Full amounts funded

Estate	Owner Occupiers	Max Bill	Int free period	Repayment period	ESTIMATE FOR A SINGLE LEASEHOLDER					TOTAL INTEREST	TAKE-UP %		
					Y 1 Int	Yr 2 Bal	Y 2 Int	Yr 2 Bal	Y 3 Int		100%	75%	50%
Avondale	65	13,011	3 years	10 years	390	11,710	351	9,368	281	1,023	66,473	49,855	33,237
Golden Lane	154	17,211	3 years	10 years	516	15,490	465	12,392	372	1,353	208,329	156,247	104,164
Gt Arthur	32	72,500	3 years	10 years	2,175	65,250	1958	52,200	1,566	5,699	182,352	136,764	91,176
Holloway	47	11,874	3 years	10 years	356	10,687	321	8,549	256	933	43,865	32,899	21,932
Isleden	4	2,308	1 year	5 years	69	1,846	0	1,108	0	69	277	208	138
Middlesex	35	26,315	3 years	10 years	789	23,684	711	18,947	568	2,068	72,393	54,294	36,196
Southwark	68	23,610	3 years	10 years	708	21,249	637	16,999	510	1,856	126,191	94,643	63,095
Sydenham	41	19,006	3 years	10 years	570	17,105	513	13,684	411	1,494	61,249	45,937	30,624
William Blake	32	12,000	3 years	10 years	360	10,800	324	8,640	259	943	30,182	22,637	15,091
Windsor House	15	13,928	3 years	10 years	418	12,535	376	10,028	301	1,095	16,421	12,316	8,211
York Way	41	8,809	2 years	5 years	264	7,047	211	4,228	0	476	19,503	14,627	9,752
Dron House	17	6,987	2 years	5 years	210	5,590	168	3,354	0	377	6,414	4,811	3,207
Total	551				6,827		6,034		4,524	17,385	833,649	625,236	416,824

Assumptions Interest foregone 3.00%
Funded up to existing £41,000

Estate	Owner Occupiers	Max Bill	Int free period	Repayment period	ESTIMATE FOR A SINGLE LEASEHOLDER					TOTAL INTEREST	TAKE-UP %		
					Y 1 Int	Yr 2 Bal	Y 2 Int	Yr 2 Bal	Y 3 Int		100%	75%	50%
Avondale	65	13,011	3 years	10 years	390	11,710	351	9,368	281	1,023	66,473	49,855	33,237
Golden Lane	154	17,211	3 years	10 years	516	15,490	465	12,392	372	1,353	208,329	156,247	104,164
Gt Arthur	32	41,000	3 years	10 years	1,230	36,900	1107	29,520	886	3,223	103,123	77,342	51,562
Holloway	47	11,874	3 years	10 years	356	10,687	321	8,549	256	933	43,865	32,899	21,932
Isleden	4	2,308	1 year	5 years	69	1,846	0	1,108	0	69	277	208	138
Middlesex	35	26,315	3 years	10 years	789	23,684	711	18,947	568	2,068	72,393	54,294	36,196
Southwark	68	23,610	3 years	10 years	708	21,249	637	16,999	510	1,856	126,191	94,643	63,095
Sydenham	41	19,006	3 years	10 years	570	17,105	513	13,684	411	1,494	61,249	45,937	30,624
William Blake	32	12,000	3 years	10 years	360	10,800	324	8,640	259	943	30,182	22,637	15,091
Windsor House	15	13,928	3 years	10 years	418	12,535	376	10,028	301	1,095	16,421	12,316	8,211
York Way	41	8,809	2 years	5 years	264	7,047	211	4,228	0	476	19,503	14,627	9,752
Dron House	17	6,987	2 years	5 years	210	5,590	168	3,354	0	377	6,414	4,811	3,207
Total	551				5,882		5,184		3,844	14,909	754,420	565,815	377,210

Committee: Finance Committee	Date: 12 September 2017
Subject: Decisions taken under Delegated Authority or Urgency since the last meeting of the Committee	Public
Report of: Town Clerk	For Information
Report author: John Cater, Town Clerk's Department	

Summary

This report advises Members of 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 Order No. 41(b). The actions were:

Delegated Decision: Donation to the British Red Cross' South Asia Flood Appeal

Recommendation: Members are asked to note the report.

Main report

As per the Committee's established preference, authority was delegated to the Town Clerk, in consultation with the Chairman and Deputy Chairman, to consider any requests for donations to national or international emergency appeals.

Following an approach by the British Red Cross to the Town Clerk's Department on 31 August 2017, approval was given to donate the sum of £25,000 to their South Asia Emergency Flood Appeal.

Action Taken

In accordance with Standing Order 41(b), the Town Clerk, in consultation with the Chairman and Deputy Chairman of the Finance Committee, resolved that:-

1. The donation of £25,000 be approved and paid.

This sum was allocated from the Finance Committee's City Cash Contingency Fund for National and International Disasters which now has a balance of £50,000 for the remainder of the 2017/18 financial year.

The donations which have been made during 2017/18 are:

- £25,000 to Manchester City Council (May)
- £25,000 to British Red Cross South Asia Floods Appeal (September)

Contact:

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