

FINANCE COMMITTEE

Tuesday, 20 February 2018

Minutes of the meeting of the Finance Committee held at Guildhall, EC2 on Tuesday, 20 February 2018 at 1.45 pm

Present

Members:

Jeremy Mayhew (Chairman)	Deputy Tom Hoffman
Deputy Jamie Ingham Clark (Deputy Chairman)	Michael Hudson
Randall Anderson	Deputy Wendy Hyde
Alderman Nick Anstee	Paul Martinelli
Nicholas Bensted-Smith	Deputy Robert Merrett
Deputy Roger Chadwick	Deputy Hugh Morris
Dominic Christian	Deputy Henry Pollard
Simon Duckworth	Alderman William Russell
Sophie Anne Fernandes	Ian Seaton
Alderman Timothy Hailes	Sir Mark Boleat (Ex-Officio Member)
Christopher Hayward	Deputy Catherine McGuinness (Ex-Officio Member)

Officers:

John Cater	-
Peter Lisley	- Assistant Town Clerk
Peter Kane	- Chamberlain
Caroline Al-Beyerty	- Chamberlain's Department
Christopher Bell	- Chamberlain's Department
Philip Gregory	- Chamberlain's Department
Michael Cogher	- Comptroller and City Solicitor
Paul Wilkinson	- City Surveyor
Paul Double	- City Remembrancer
Martin Rodman	- Superintendent, West Ham Park and City Gardens
Sean Green	- Chamberlain's Department
Ian Dyson	- Commissioner of the City of London Police
David Drane	- City of London Police

1. APOLOGIES

Apologies for absence were received from Mark Bostock, Karina Dostalova, Caroline Haines, Gregory Lawrence, Tim Levene, Oliver Lodge, James de Sausmarez, Sir Michael Snyder, Deputy James Thomson and Philip Woodhouse.

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

There were no declarations of interest.

3. **MINUTES OF THE PREVIOUS MEETING**

RESOLVED – That the public minutes of the meeting held on 23rd January be approved as an accurate record.

4. **OUTSTANDING ACTIONS FROM PREVIOUS MEETINGS**

Members received a report of the Town Clerk which set out outstanding actions from previous meetings of the Committee.

RESOLVED – that Members noted the report.

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

Members received 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.

RESOLVED – that Members noted the report.

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

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

- Joint Meeting of the Resource Allocation and Efficiency & Performance Sub-Committees on 18th January;
- Efficiency and Performance Sub-Committee held on 30th January 2018

a) **Draft public minutes of the Efficiency and Performance Sub-Committee held on 30 January 2018**

RESOLVED – That the public minutes of the Efficiency & Performance Sub-Committee meeting held on 30 January 2018 be noted.

b) **Minutes of the Joint Resource Allocation and Efficiency & Performance Sub-Committees Meeting**

RESOLVED – That the public minutes of the Joint Resource Allocation and Efficiency & Performance Sub-Committee meeting held on 18 January 2018 be noted.

7. **WRITE OFF REPORT OF IRRECOVERABLE NNDR AND COUNCIL TAX**

Members received a Report of the Chamberlain concerning irrecoverable non-domestic rates and council tax.

RESOLVED – that Members approved the following:

- Approve the write-off of irrecoverable non-domestic rates in the sum of £1,359,478 noting that £389,593 will be met by the City Corporation and £11,483 from the premium

- Approve the write-off of irrecoverable council tax in the sum of £4,087.

8. **CORPORATE SERVICES: INCENTIVISING EFFICIENT DEMAND MANAGEMENT**

Members received a Report of the Chamberlain concerning internal services charging with the Corporation.

The Chairman asked the Comptroller as to whether the legal department at the Corporation were, in principle, supportive, of an internal trading account being created for legal services. The Comptroller responded that he was supportive, although there were a few areas where it would difficult to scope the full value of legal services (e.g. child protection). Overall, the initiative was welcome, as it created a situation “where officers would have a greater appreciation and understanding of the financial cost of utilizing the Corporation’s legal services”.

Members were supportive, emphasising that internal charging for legal services made the most sense to begin with. The Deputy Chairman suggested that officers should report back to the Committee with a progress report in twelve months.

A Member queried what policy the Corporation had for using external lawyers. In response, the Comptroller confirmed that this was on a case-by-case basis; when the legal services department lacked particular experience and/or capacity, external lawyers were engaged. It was also worth pointing out that independent counsel was sought throughout the year for a variety of issues.

RESOLVED – that Members approved the following:

- the creation of an internal trading account for the provision of all legal services by the Comptroller and City Solicitor.
- Delegated authority to the Chamberlain to amend budgets to facilitate the legal services internal trading account.
- the principle that work above business as usual which requires additional corporate support service resource should be charged to the department/programme and to receive a further report on the detailed implementation.

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

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

The Deputy Chairman (who also serves as the Chairman of the Information Technology Sub-Committee) confirmed that a deep dive on the CR16 Risk (Information Security) would be coming back to the IT Sub Committee.

RESOLVED – that Members noted the report.

10. **CENTRAL CONTINGENCIES**

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

RESOLVED – that Members noted the report.

11. **CHAMBERLAIN'S BUSINESS PLAN - QUARTER THREE UPDATE**

Members received a Report of the Chamberlain concerning the department's business plan.

RESOLVED – that Members noted the Report.

12. **REVENUE BUDGET MONITORING TO DECEMBER 2017**

Members received a Report of the Chamberlain concerning revenue and budgeting monitoring.

RESOLVED – that Members noted the Report.

13. **CITY FUND 2018/19 BUDGET REPORT AND MEDIUM TERM FINANCIAL STRATEGY**

Members received items 13 and 14 together. These concerned Reports of the Chamberlain regarding the 2018/19 Budget & the medium term financial strategy, and the Revenue and Capital Budgets for 2017/18 and 2018/19.

The Deputy Chamberlain delivered a brief overview of both items, she emphasised several points, including:

- The City's Council Tax rate remained the third lowest of all local authority areas in Greater London.
- Business rates remained a political hot topic, the City was making efforts to support small and medium sized businesses in the square mile, but increases were being introduced by central government and the GLA
- Capital Expenditure would bear down on City Fund from 2019/20 onwards
- City Fund was currently in a good position, but the Police Budget remained a concern – reserves were being drawn down to plug the deficit.

A Member suggested that the issue of Rates for small businesses was very serious, she had received several messages from her constituents concerned with the increases. It was incumbent on the City to speak out for and support SME's in the Square Mile.

In response to a query from a Member about progress on the Police's finances, the Chairman emphasises that while resources were finite and effective financial management was critical, the Police were being given the time to

implement the Deloitte Review's findings – these were sensible options that could deliver significant efficiencies.

The Commissioner stressed that the Police were working hard to deliver and that they were committed to efficiency, he emphasised that “the Deloitte Review was not about cuts, it was about transformation”. The Commissioner confirmed that he would be speaking to the Efficiency & Performance Sub (Finance) Committee on 21st March to discuss more about the Police's plans for efficiencies and value-for-money.

A Member expressed his concern that the Police's previous £12m surplus that had been built up over several years, had, effectively, been drawn down recently to plug the deficit in the Police budget. This was labelled as ringfenced but in practical terms was there now a case for abandoning the Reserve altogether?

A Member suggested that the Police's medium-term strategy (and consequent funding arrangements) needed to be carefully thought out in light of the changing nature of policing.

RESOLVED – that Members approved the following:

- Approved the overall financial framework and the revised Medium Term Financial Strategy (paragraph 2)
- Approve the Treasury Management Strategy Statement and Investment Strategy Statement for 2018/19 and for it to come into effect once it has been agreed by the Court of common Council i.e. on 8th March.
- Approve the City Fund Net Budget Requirement of £148.6m (paragraph 14)
- Approve the following **changes** from the previous forecast (paragraphs 3 and 11):
 - Allowances for pay and prices are factored in at 2% for 2018/19 and thereafter (paragraph 11c);
 - A 2% efficiency savings for City Fund from 2018/19 is included in line with the published Efficiency Plan, which will fund a new “Priorities Investment Pot”. Members are asked to note the approval process for funding from the Priorities Investment Pot as outlined at (paragraph 11d);
 - Substantial additional City Fund support for City Police potentially amounting to £13m revenue funding across the planning period, prior to mitigations/transformation (paragraph 7) and a further £13m to underpin the shortfall on Police capital schemes (paragraph 13d);
 - A provision of £265k in 2018/19, rising to £400k in 2019/20 onwards for Adult Social Care (paragraph 4a); and

- An additional £1m to £1.5m ring-fenced provision for waste and cleaning from 2019/20 onwards (paragraph 4d).

- Approve the following **investment opportunities** being included, subject to further reports:

Substantial provision for major projects including £90m for the Combined Courts relocation and £187m for the Museum of London projects (paragraph 4c) across the planning period (noting further costs of £137m are forecast beyond the planning period for the Museum of London);

Due to the uneven profile of spend on the major projects, Members are also asked to approve the establishment of a new “Major Projects Earmarked Reserve”.

Additional allocation of £4m to address more of the backlog of refurbishment costs; (paragraph 4b); and

Provision for spending on the Cultural Hub of £4.4m within the planning period (paragraph 4h).

- Note that the forecast **includes items already agreed** by Policy and Resources Committee:

An additional £571k p.a. for the restructuring of the Brussels office. A review of the effectiveness of the office and resourcing need will be undertaken as the UK approaches Brexit.

Note that the revenue estimates from 2018/19 assumes the City will be in a “growth” position under the business rates retention scheme, with an income of typically £40m p.a. (including the benefit of the London business rates pool) (paragraph 12b).

Note the Local Council Tax Reduction Scheme set by the Court of Common Council on 11 January 2018 and as set out at paragraph 33.

Key Decisions

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

Business Rates

- Set, inclusive of an unchanged business rate premium (0.5p in the £), a Non-Domestic Rate multiplier of 49.8p for 2018/19 together with a Small Business Non-Domestic Rate multiplier of 48.5p (paragraph 17).

- Note that the Greater London Authority is, in addition, levying a Business Rate Supplement in 2018/19 of 2p in the £ on properties with a rateable value greater than £70,000 (paragraph 24).

- As in previous years, delegate to the Chamberlain the award of the discretionary rate reliefs under Section 47 of the Local Government Finance Act 1988 as set out in paragraphs 21 and 22.

Council Tax

- Recommendation is for the City's Council Tax (excluding the Greater London Authority precept) to remain unchanged. Page 49
- Based on a zero increase from 2017/18, determine the provisional amounts of Council Tax for the three areas of the City to which are added the precept of the Greater London Authority (appendix A).
- Determine that the relevant (net of local precepts and levies) basic amount of Council tax for 2018/19 will not be excessive in relation to the requirements for referendum.
- Approve that the cost of highways, transportation planning, waste collection and disposal, drains and sewers, open spaces and street lighting functions for 2018/19 be treated as special expenses to be borne by the City's residents outside the Temples (appendix A).

Other Recommendations

- All other recommendations are largely of a technical and statutory nature; the only one to highlight for particular attention is that it is proposed that the City of London Corporation remains free of external borrowing for 2018/19.

Capital Expenditure

- Note the proposed financing methodology of the capital programme in 2018/19 (paragraph 35).
- Approve the Prudential Code indicators (Appendix B).
- Approve the following resolutions for the purpose of the Local Government Act 2003 (paragraph 36 and Appendix E) that:

At this stage the affordable external borrowing limit (which is the maximum amount which the Corporation may have outstanding by way of external borrowing) be zero.

The prudent amount of Minimum Revenue Provision (MRP) for 2018/19 is £975k which equals the amount of deferred income released from the premiums received for the sale of long leases in accordance with the MRP Policy at Appendix E.

Any potential external borrowing requirement and associated implications will

be subject to a further report to Finance Committee and the Court of Common Council.

Treasury Management Strategy Statement and Investment Strategy Statement
2018/19

- Members are asked to agree the change to allow investment in short-dated bonds in the Treasury Management Strategy Statement and Investment Strategy Statement 2018/19 with immediate effect (paragraph 40).

Chamberlain's Assessment

- Take account of the Chamberlain's assessment of the robustness of estimates and the adequacy of reserves (paragraph 42-45 and Appendix D).

14. **REVENUE AND CAPITAL BUDGETS 2017/18 AND 2018/19**

Members received a Report of the Chamberlain concerning the Revenue and Capital Budgets for 2017/18 and 2019/19.

This Item was taken with Item 13 so for the discussion points, please see above.

RESOLVED – that Members approved the following:

- Note the latest revenue budgets for 2017/18.
- Agree the 2018/19 revenue budgets, subject to any amendments on the City Fund that may be agreed in relation to the report on “City Fund – 2018/19 Budget Report and Medium Term Financial Strategy”.
- Agree the Capital budgets.
- Delegate authority to the Chamberlain to determine financing of the capital budgets.
- Endorse this report for onward approval to the Court of Common Council.

15. **REPORT OF ACTION TAKEN**

Members received a Report of the Town Clerk concerning the delegated authorities and urgency actions taken since the last meeting of the Committee – the report detailed a request for delegated authority to approve a bid from the Bridge House Estates (BHE) Strategic Review Fund.

The Chairman requested that the Chamberlain review the financial thresholds for these types of requests. Members were supportive of officers looking at

raising the threshold. Officers would examine the proposal and report back in due course.

RESOLVED – that Members noted the Report.

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

There were no questions.

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

The following item of urgent business were raised:

The Chairman informed Members that the Finance Committee on 13 March had been cancelled. The Next meeting was scheduled for 10 April.

18. **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.

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

The non-public minutes of the meeting held on 23rd January were approved as an accurate record.

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

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

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

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

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

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

- Efficiency and Performance Sub-Committee held on 30 January;
- Joint Meeting of the Resource Allocation and Efficiency and Performance Sub-Committee held on 18 January

a) **Draft non-public minutes of the Efficiency and Performance Sub-Committee held on 30 January 2018**

The non-public minutes of the Efficiency & Performance Sub-Committee meeting held on 30 January 2018 were noted.

b) **Draft Non-Public Minutes of the Joint Resource Allocation and Efficiency & Performance Sub-Committees Meeting**

The non-public minutes of the Finance Grants Sub-Committee meeting held on 18 January were noted.

23. **HOUSING RESPONSIVE REPAIRS, MAINTENANCE AND VOIDS SERVICE - PROCUREMENT STAGE 1**
Members considered a joint Report of The Chamberlain and the Department for Community and Children's Services.
24. **LORD MAYOR'S SHOW - HOSTILE VEHICLE MITIGATION**
Members considered a Report of The Town Clerk.
25. **FINSBURY CIRCUS GARDEN: COMPENSATION PROGRESS**
Members considered a Report of the Director of Open Spaces.
26. **ACTION AND KNOW FRAUD CENTRE -CONTRACT SERVICE BUDGET**
Members received a Report of the Commissioner of the City of London Police.
27. **NON-DOMESTIC RATES - REVIEW OF DISCRETIONARY RATE RELIEF**
Members received a Report of the Chamberlain.
28. **CITY FUND ANNUAL STRATEGY REPORT**
Members received a Report of the City Surveyor.
29. **CITY'S ESTATE: HAMILTON HOUSE, VICTORIA EMBANKMENT EC4 - DISPOSAL OF NEW 150 YEAR LEASE**
Members considered a Report of the City Surveyor.
30. **TOWN CLERK TO BE HEARD CONCERNING THE REPLACEMENT OF SERVERY COUNTER TO THIRD FLOOR GUILDHALL CLUB SERVERY KITCHEN**
Members considered a verbal report of The Town Clerk and The City Surveyor.
31. **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.
32. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**
Members considered two items of urgent business relating to 2 Kennington Road and Old Bailey fire safety measures.

The meeting ended at 3.10 pm

Chairman

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