



## Finance Committee

**Date:** TUESDAY, 20 FEBRUARY 2018

**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	Alderman William Russell
Simon Duckworth	James de Sausmarez
Alderman Peter Estlin	Ian Seaton
Sophie Anne Fernandes	Sir Michael Snyder
Sheriff & 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	Member)

**Enquiries:** John Cater  
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john.cater@cityoflondon.gov.uk

Lunch will be served for Members in Guildhall Club at 1pm  
NB: Part of this meeting could be the subject of audio 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 of the meeting held on 23<sup>rd</sup> January 2018.  
**For Decision**  
(Pages 1 - 6)
4. **OUTSTANDING ACTIONS FROM PREVIOUS MEETINGS**  
Report of the Town Clerk.  
**For Information**  
(Pages 7 - 8)
5. **REPORT OF THE WORK OF THE SUB-COMMITTEES**  
Report of the Town Clerk.  
**For Information**  
(Pages 9 - 10)
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 Efficiency and Performance Sub-Committee held on 30 January 2018 (Pages 11 - 14)
  - b) Minutes of the Joint Resource Allocation and Efficiency & Performance Sub-Committees Meeting (Pages 15 - 18)
7. **WRITE OFF REPORT OF IRRECOVERABLE NNDR AND COUNCIL TAX**  
Report of The Chamberlain.  
**For Decision**  
(Pages 19 - 24)
8. **CORPORATE SERVICES: INCENTIVISING EFFICIENT DEMAND MANAGEMENT**  
Report of The Chamberlain.  
**For Decision**  
(Pages 25 - 34)
9. **CHAMBERLAIN'S DEPARTMENT RISK MANAGEMENT - MONTHLY REPORT**  
Report of The Chamberlain.  
**For Information**

(Pages 35 - 36)

10. **CENTRAL CONTINGENCIES**  
Report of the Chamberlain.  
**For Information**  
(Pages 37 - 38)
11. **CHAMBERLAIN'S BUSINESS PLAN - QUARTER THREE UPDATE**  
Report of The Chamberlain.  
**For Information**  
(Pages 39 - 42)
12. **REVENUE BUDGET MONITORING TO DECEMBER 2017**  
Report of The Chamberlain.  
**For Information**  
(Pages 43 - 46)
13. **CITY FUND 2018/19 BUDGET REPORT AND MEDIUM TERM FINANCIAL STRATEGY**  
Report of The Chamberlain.  
**For Decision**  
(Pages 47 - 66)
14. **REVENUE AND CAPITAL BUDGETS 2017/18 AND 2018/19**  
Report of The Chamberlain.  
**For Decision**  
(Pages 67 - 86)
15. **REPORT OF ACTION TAKEN**  
Report of The Town Clerk.  
**For Information**  
(Pages 87 - 88)
16. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
17. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**
18. **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**

19. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**  
To agree the non-public minutes of the meeting held on 23 January 2018.  
**For Decision**

(Pages 89 - 94)

20. **OUTSTANDING ACTIONS FROM NON-PUBLIC MINUTES OF PREVIOUS MEETINGS**  
Report of the Town Clerk.  
**For Information**  
(Pages 95 - 96)
21. **REPORT OF THE WORK OF THE SUB-COMMITTEES - NON-PUBLIC ISSUES**  
Report of the Town Clerk.  
**For Information**  
(Pages 97 - 98)
22. **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 Efficiency and Performance Sub-Committee held on 30 January 2018 (Pages 99 - 104)
  - b) Draft Non-Public Minutes of the Joint Resource Allocation and Efficiency & Performance Sub-Committees Meeting (Pages 105 - 108)
23. **HOUSING RESPONSIVE REPAIRS, MAINTENANCE AND VOIDS SERVICE - PROCUREMENT STAGE 1**  
Report of The Chamberlain.  
**For Decision**  
(Pages 109 - 114)
24. **LORD MAYOR'S SHOW - HOSTILE VEHICLE MITIGATION**  
Report of The Town Clerk.  
**For Decision**  
(Pages 115 - 120)
25. **FINSBURY CIRCUS GARDEN: COMPENSATION PROGRESS**  
Report of the Director of Open Spaces.  
**For Decision**  
(Pages 121 - 126)
26. **ACTION AND KNOW FRAUD CENTRE -CONTRACT SERVICE BUDGET**  
Report of The Commissioner of the City of London Police.  
**For Decision**  
(Pages 127 - 136)
27. **NON-DOMESTIC RATES - REVIEW OF DISCRETIONARY RATE RELIEF**  
Report of The Chamberlain.  
**For Decision**  
(Pages 137 - 142)

28. **CITY FUND ANNUAL STRATEGY REPORT**  
Report of The City Surveyor.  
**For Information**  
(Pages 143 - 144)
29. **CITY'S ESTATE: HAMILTON HOUSE, VICTORIA EMBANKMENT EC4 -  
DISPOSAL OF NEW 150 YEAR LEASE**  
Report of The City Surveyor.  
**For Decision**  
(Pages 145 - 156)
30. **TOWN CLERK TO BE HEARD CONCERNING THE REPLACEMENT OF SERVERY  
COUNTER TO THIRD FLOOR GUILDHALL CLUB SERVERY KITCHEN**  
Verbal update.  
**For Decision**
31. **NON-PUBLIC QUESTIONS ON MATTERS 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**

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## FINANCE COMMITTEE

Tuesday, 23 January 2018

Draft Minutes of the meeting of the Finance Committee held at Guildhall, EC2 on  
Tuesday, 23 January 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
Mark Bostock	Hugh Morris
Deputy Roger Chadwick	William Pimlott
Karina Dostalova	Alderman William Russell
Alderman Peter Estlin	Ian Seaton
Sheriff & Alderman Timothy Hailes	Deputy Catherine McGuinness (Ex-Officio Member)
Caroline Haines	Andrew McMurtrie (Ex-Officio Member)
Christopher Hayward	

#### Officers:

Peter Lisley	-	Assistant Town Clerk
John Cater	-	Town Clerk's Department
Simon Latham	-	Town Clerk's Department
Peter Kane	-	Chamberlain
Caroline Al-Beyerty	-	Chamberlain's Department
Christopher Bell	-	Chamberlain's Department
Philip Gregory	-	Chamberlain's Department
Sean Green	-	Chamberlain's Department
Michael Cogher	-	Comptroller and City Solicitor
Paul Wilkinson	-	City Surveyor
David Farnsworth	-	Town Clerk's
Karen Atkinson	-	Chamberlain's Department

#### 1. APOLOGIES

Apologies for absence were received from Dominic Christian, Simon Duckworth, Deputy Clare James, Tim Levene, Oliver Lodge, Deputy Henry Pollard, James de Sausmarez, Sir Michael Snyder, Deputy Philip Woodhouse and Sir Mark Boleat.

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 Tuesday, 12 December 2017, 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.

*Item 1: Departments being charged for their use of the Comptroller's Department's services*

The Chairman expressed his disappointment at the length of time it was taking officers to return to the Committee with a Report on proposals for an internal charging mechanism for legal services. Officers reassured Members that a Report would be submitted to the Finance Committee February meeting (20<sup>th</sup>).

*Item 2: Risk Management*

The Chairman and Deputy Chairman proposed that the discussion around risk management (concerning the level of security Microsoft Outlook offered, with regards to distribution of the agenda packs) would be better explored by the Information Technology Sub Committee. The Sub Committee next meets on 9<sup>th</sup> February.

*Item 3: Committee's Terms of Reference*

The Town Clerk and the Chairman confirmed that action was being taken, and it was anticipated that revised Terms of Reference for The Finance Committee, would be submitted in good time to Policy & Resources Committee in March, and, then to The Court of Common Council for final approval.

*Item 4: Draft Departmental Business Plans 2018/19 – full alignment with draft outcomes of the Corporate Plan*

Officers confirmed that this had been communicated to departments and it will be emphasised going forward.

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

5. **BRIDGE HOUSE ESTATES - STRATEGIC REVIEW FUND**

Members considered a Report of the Chamberlain and the Chief Grants Officer, concerning the establishment of a Bridge House Estates Strategic Review Fund.

**RESOLVED** – that Members approved the following:

- Agreed the creation of the BHE Strategic Review Fund, totalling up to £1m;



- Agreed the governance arrangements for the approval of bids against the above Fund, whereby delegation is given to the Town Clerk in consultation with the Committee Chairman of Policy & Resources, Finance, Investment, and City Bridge Trust, in consultation with the Chief Grants Officer and Deputy Chamberlain.

6. **CITY BRIDGE TRUST - PROPOSED REVENUE BUDGET 2018/19**

Members considered a Report of The Chamberlain and The Town Clerk, concerning City Bridge Trust's Proposed Revenue Budget for 2018/19.

**RESOLVED** – That Members approved the following:

- approve the 2018/19 budget
- authorised the Chamberlain to revise these budgets to allow for any necessary realignment of funds resulting from corporate projects.

7. **BENEFITS IN KIND REPORTING**

Members considered a Report of the Chief Grants Officer, concerning benefits in kind (BIK), that are provided to external organisations.

The Chairman expressed his concerns that the Corporation had, historically, not been sufficiently diligent reviewing the benefits in kind granted to external parties; too often, once a benefit was granted, it remained in perpetuity with little oversight or review. The Chief Grants Officer suggested that the Proposed Corporate Policy (in the Report) would address the Chairman's concerns.

**RESOLVED** – That Members approved the following:

- To agree the revised BIK definition;
- To agree the proposed BIK policy to guide decisions approving BIK be adopted by the CoLC with effect from 1st April 2018.

8. **REVISED FINANCIAL REGULATIONS**

Members considered a Report of The Chamberlain, concerning the revised Financial Regulations.

**RESOLVED** – That Members approved the following:

- Approved the updated Financial Regulations.
- Noted the incorporation of Financial Regulations Part 2 into the Finance Manual.
- Delegated to the Chamberlain the updating of future amendments to the Financial Regulations where they relate to changes in officer responsibilities because of restructuring or a job title change and to update links to new document locations, where appropriate.

- Delegated authority to the Comptroller and City Solicitor to agree new standard clauses for indemnities and update the Financial Regulations appropriately.

**9. RISK MANAGEMENT - TOP RISKS**

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 Chairman of the Information Technology Sub Committee) said that he anticipated CR19 (IT Security Provision) was on course to be reduced from amber to green by the end of 2018. A reduction to amber for CR16 was dependent on the full introduction of The General Data Protection Regulation (GDPR), which should happen at the end of April. A further reduction to green could be achieved by July.

Members were concerned that despite the efforts of the Chairman of Finance and senior Officers, CR23 (City of London Police Funding) looked as if it was really red. One Member queried whether the Deloitte Review was another case of “simply re-adjusting the deck chairs”, whilst another questioned whether the level of efficiencies proposed were realistic. In response, the Chairman stressed that considerable progress had been made; however, there remained a great deal of work to do; “the essence of the message was that COLP was being given a year to implement the next stage of the Deloitte findings and, in the meantime, the obligation on the Police (to achieve the 2% efficiency target) was no different to any other department across the Corporation”.

The Chairman and the Chamberlain reassured Members that City officers were working closely with the Police to close the gap; the Police had committed to the Transformation Programme and would collaborate fully with the Chamberlain and others to realise those changes. However, the current outlook was unsustainable in the long run; the variances in the COLP dwarfed those of other departments across the Corporation; the longer-term risk was therefore red (CR23 is classified as amber but it is limited to 2018/19 Financial Year only). The Chairman emphasised that a successful implementation of the findings in the Deloitte Report could address the problem.

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

**10. CENTRAL CONTINGENCIES**

Members received a report of the Chamberlain, updating Members on Central Contingencies.

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

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

There were no questions.

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

There were no urgent items.

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 Schedule 12A of the Local Government Act.
  
14. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**  
The non-public minutes of the meeting held on 12 December were approved as an accurate record.
  
15. **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.
  
16. **21 NEW STREET FOR CITY OF LONDON POLICE**  
Members considered a Report of The Chamberlain, The Commissioner of the City of London Police, and The City Surveyor.
  
17. **PROVISION OF A UNIFORM MANAGED SERVICE FOR CITY OF LONDON POLICE**  
Members considered a Report of the Chamberlain.
  
18. **FORMATION OF A RESERVE FOR THE GUILDHALL SCHOOL OF MUSIC AND DRAMA**  
Members considered a Report of The Chamberlain and the Principal of the Guildhall School for Music and Drama.
  
19. **ANNUAL REVIEW OF CORPORATE PURCHASE CARD HOLDERS AND CREDIT LIMITS**  
Members received a Report of The Chamberlain.
  
20. **CITY'S ESTATE - ANNUAL STRATEGY UPDATE**  
Members received a Report of The City Surveyor.
  
21. **BRIDGE HOUSE ESTATES - ANNUAL STRATEGY UPDATE**  
Members received a Report of The City Surveyor.
  
22. **STRATEGIC PROPERTY ESTATE - ANNUAL UPDATE**  
Members received a Report of The City Surveyor.
  
23. **NON-PUBLIC DECISIONS TAKEN UNDER DELEGATED AUTHORITY AND URGENCY PROCEDURES**  
Members noted a report of the Town Clerk detailing one non-public decision, since the last meeting, taken under delegated authority procedures.

**24. 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.

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

Members considered an item of urgent business relating to a Head of Security at the Guildhall Complex.

**The meeting ended at 2.55 pm**

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Chairman

**Contact Officer: John Cater  
tel. no.: 020 7332 1407  
john.cater@cityoflondon.gov.uk**

**Finance Committee – Outstanding Actions**

**ITEM 4**

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>                      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	February 2018	Findings reported to February's Finance Committee.
2	21 November - AOB	<p><u>Risk Management</u>                      A Member queried the level of security Microsoft Outlook offered with regards to the Committee agenda packs. Other organisations, in both the public and private sectors, used the Egress data transfer service, this was considered a more secure platform than Outlook and should be examined by officers in both the Town Clerks' and Chamberlain's departments.</p>	Town Clerk in consultation with the IT Director	March 2018	Written Report to be submitted to the IT Sub Committee in March

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<b>Committee:</b> Finance Committee	<b>Date:</b> 20 February 2018
<b>Subject:</b> Public Report of the work of the Sub-Committees	<b>Public</b>
<b>Report of:</b> Town Clerk	<b>For Information</b>
<b>Report author:</b> 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 some of the main public issues considered by the following Sub Committees since 12 December 2017:

### **Efficiency & Performance Sub Committee Meeting – 30 January 2017**

#### **CORPORATE AND BUSINESS PLANNING UPDATE**

Members received a Report of The Town Clerk, concerning Corporate and Business Planning.

Members welcomed the Report as a useful step in efforts to align the Corporate Plan with business planning and budget setting.

Members raised the wording in box 11 (page 22), around facilitating a “world- leading digital experience”. Some distinct departments across the City Corporation (such as the Guildhall School) had communications of a very good standard, however, due to the scale of the Corporation’s core Communications activities, progress across the board would, Members accepted, be a long-term project.

Members asked officers how they had planned to communicate the Corporate Plan to Members, the Town Clerk responded that a single top sheet that highlighted the high-level changes would go to all Committees. Ultimately, it was incumbent upon officers to treat the Plan as a working document, officers should be promoting the plan to Members throughout the five-year period 2018-23.

### **Corporate Asset Sub Committee Meeting – 13 February 2018**

*Verbal update*

### **Information Technology Sub Committee Meeting – 9 February 2018**

*Verbal update*

## Recommendations

The Committee is asked to note the report.

**John Cater**

Senior Committee Services Officer, Town Clerk's Department

[john.cater@cityoflondon.gov.uk](mailto:john.cater@cityoflondon.gov.uk)



## EFFICIENCY AND PERFORMANCE SUB (FINANCE) COMMITTEE

Tuesday, 30 January 2018

Draft Minutes of the meeting of the Efficiency and Performance Sub (Finance) Committee held at Guildhall, EC2 on Tuesday, 30 January 2018 at 1.45 pm

### Present

#### Members:

Jeremy Mayhew (Chairman)  
Deputy Jamie Ingham Clark (Deputy Chairman)  
Alderman Matthew Richardson  
Ian Seaton  
Deputy Philip Woodhouse

In addition, Deputy John Bennett was in attendance in his role as Chairman of the Board of Governors of the Guildhall School for Music and Drama

#### Officers:

John Cater	-	Town Clerk's Department
Peter Kane	-	Chamberlain
Paul Wilkinson	-	City Surveyor
Kate Smith	-	Town Clerk's Department
Tom Conniffe	-	Town Clerk's Department
Geoff Parnell	-	Chamberlain's Department
Lynne Williams	-	Principal, Guildhall School of Music and Drama
Niki Cornwell	-	Chamberlain's Department

#### 1. APOLOGIES

An apology was received from Randall Anderson.

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

There were no declarations.

#### 3. MINUTES OF THE PREVIOUS MEETING

**RESOLVED** - That the public minutes of the meeting held on 15 November 2017 be agreed as an accurate record.

#### 4. OUTSTANDING ACTIONS FROM PREVIOUS MEETINGS

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

#### *Departmental Reporting Schedule for 2018*

The Chairman expressed his concern that the Commissioner of Police's office had yet to confirm the Commissioner's availability to attend the next Efficiency

& Performance Sub Committee meeting on 21<sup>st</sup> March. The Town Clerk confirmed he would chase up a reply to the invitation.

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

5. **WORK PROGRAMME FOR FUTURE MEETINGS**

Members received a Report of the Town Clerk which set out the work plan for future meetings.

The Chairman requested that future iterations should replace the column outlining the business at a previous meeting (in this case the 15<sup>th</sup> November) with one indicating the likely business at a further future meeting (in this case 13<sup>th</sup> July). Furthermore, he suggested, the Special Departmental Focus line should be positioned next to the Income Generation line to bring together the opportunities being considered by Chief Officers.

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

6. **CORPORATE AND BUSINESS PLANNING UPDATE**

Members received a Report of The Town Clerk, concerning Corporate and Business Planning.

Members welcomed the Report as a useful step in efforts to align the Corporate Plan with business planning and budget-setting.

Members raised the wording in box 11 (page 22), around facilitating a “world-leading digital experience”. Some individual departments across the City Corporation (such as the Guildhall School) had digital communications of a very good standard; however, due to the scale of the Corporation’s core Communications activities, progress across the board would, Members accepted, be a long-term project.

Members asked officers how they had planned to communicate the Corporate Plan to Members; the Town Clerk responded that a single top sheet that highlighted the high-level changes would go to all Committees. Ultimately, it was incumbent upon officers to treat the Plan as a working document; officers should be promoting the plan to Members throughout the five-year period, 2018-23.

**RESOLVED** – That Members noted the Report.

7. **SUB-COMMITTEE'S TERMS OF REFERENCE**

Members considered a Report of the Town Clerk, concerning the Sub-Committee’s Terms of Reference.

The Chairman proposed a redraft to reflect the recent changes in the Grand Committee’s Terms of Reference.

**RESOLVED** – That Members approved that the Town Clerk, in consultation with the Chairman and Deputy Chairman amend the Sub-Committee’s Terms of Reference.

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

There were no questions.

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

There were no items of urgent business.

10. **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.

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

**RESOLVED** - That the non-public minutes of the meeting held on 15 November 2017 be agreed as an accurate record.

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

Members received a Report of The Town Clerk.

13. **VALUE FOR MONEY AND EFFICIENCY PLANS - GUILDHALL SCHOOL OF MUSIC AND DRAMA**

Members received a Report of the Principal of the Guildhall School for Music and Drama.

14. **CITY SURVEYOR'S DEPARTMENTAL FOCUS**

Members received a Report of the City Surveyor.

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

There were no questions.

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

There was no other business.

**The meeting ended at 3:20pm**

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Chairman

**Contact Officer: John Cater**  
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**john.cater@cityoflondon.gov.uk**

## JOINT MEETING OF THE RESOURCE ALLOCATION AND EFFICIENCY AND PERFORMANCE SUB-COMMITTEES WITH COMMITTEE CHAIRMEN

Thursday, 18 January 2018

Minutes of the joint meeting of the Resource Allocation and Efficiency and Performance Sub-Committees with Committee Chairmen held at Committee Rooms, 2nd Floor, West Wing, Guildhall on Thursday, 18 January 2018 at 12.00 pm

### Present

#### Members:

Deputy Catherine McGuinness (Chairman)	Graham Packham
Jeremy Mayhew (Deputy Chairman)	Dhruv Patel
Randall Anderson	Ian Seaton
Deputy John Bennett	Deputy Giles Shilson
Sir Mark Boleat	Jeremy Simons
Deputy Roger Chadwick	Sir Michael Snyder
Deputy Jamie Ingham Clark	John Tomlinson
Karina Dostalova	James Tumbridge
Simon Duckworth	Philip Woodhouse
Peter Dunphy	
Alderman Peter Estlin	
Alderman Alison Gowman	
Christopher Hayward	
Ann Holmes	
Clare James	
Deputy Edward Lord	
Wendy Mead, Chief Commoner	
Deputy Joyce Nash	

#### Officers:

John Barradell	-	Town Clerk and Chief Executive
Peter Kane	-	Chamberlain
Caroline Al-Beyerty	-	Deputy Chamberlain
Paul Wilkinson	-	City Surveyor
Carolyn Dwyer	-	Director of the Build Environment
Philip Gregory	-	Chamberlain's Office
Bob Roberts	-	Director of Communications
Simon Murrells	-	Assistant Town Clerk
Peter Lisley	-	Assistant Town Clerk
Angela Roach	-	Town Clerks

#### 1. APOLOGIES

Apologies were received from Stephen Haines, Ian Luder, Hugh Morris and Tom Sleigh.

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

There were no declarations of interest.

3. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE SUB-COMMITTEES**

There were no questions.

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

There were no urgent items.

5. **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 1 of the Schedule 12A of the Local Government Act.

**Item Nos.**

**Paragraph(s) in Schedule 12A**

6

3

**Part 2 – Non-Public Agenda**

6. **OVERALL FINANCIAL POSITION AND MEDIUM TERM FINANCIAL PLANNING**

The Sub-Committees considered a joint report of the Town Clerk and the Chamberlain concerning the City Corporation's overall financial position.

7. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE SUB-COMMITTEES**

There were no questions.

8. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE SUB-COMMITTEES AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**

There were no urgent items.

**The meeting ended at 12.40pm**

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Chairman

**Contact Officer: Angela Roach  
tel. no.: 020 7332 3685**

**angela.roach@cityoflondon.gov.uk**

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

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<b>Committee(s)</b>	<b>Dated:</b>
Finance Committee – For decision	<b>20 Feb 2018</b>
<b>Subject:</b> Corporate Services: Incentivising Efficient Demand Management	<b>Public</b>
<b>Report of:</b> The Chamberlain	<b>For Decision</b>
<b>Report author:</b> Philip Gregory, Deputy Director, Financial Services	

## Summary

This report assesses how specific charging methods could be applied to internal services within the Corporation arising from a request from the Finance Committee in June 2017 to consider such a scheme for legal services to manage demand.

There are a number of areas of analysis required to establish the suitability for introducing an internal charging mechanism and whether this will incentivise behaviour in order to manage demand. Our analysis has identified that internal charging is suitable for legal services and for project or ad hoc work requiring specific additional resources in other services. However, the charging mechanism is likely to vary between departments. A set of criteria has been developed which indicate when internal charging is beneficial and proportionate. Legal services meet the criteria for specific internal charging for all legal advice and support which the service delivers.

An internal trading account will be created for legal services. An income budget will be created within the Comptroller and City Solicitors local risk resource; and expenditure budgets in other departments across the Corporation.

Any future requirement to manage demand in other departments can be assessed using criteria set out in this report which may be particularly applicable to project or ad-hoc work which requires additional resources above and beyond business as usual requirements. It also needs to ensure that any charging mechanism does not deter departments from seeking appropriate legal, financial or other support service advice when needed.

## Recommendations

Members are asked to:

1. Approve the creation of an internal trading account for the provision of all legal services by the Comptroller and City Solicitor.
2. Delegate authority to the Chamberlain to amend budgets to facilitate the legal services internal trading account.

3. Approve 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.

## **Main Report**

### **Background**

1. As a public body the City of London Corporation must be able to demonstrate that it is achieving Value for Money (VfM) in the delivery of services. The way that the Corporation utilises its resources is central to this aim and being able to clearly link costs and outcomes supports this.
2. The Corporation is seeking to deliver VfM from corporate support services. SBR savings and efficiency plan savings have been delivered consistently by these services. It is important, however, that the right resources are in place to support the activity of the organisation in delivering the outcomes of the Corporate Plan.
3. Service departments operate a combination of business as usual activity, which is stable and predictable to a large degree, and growth or change programmes which create additional demands on corporate support services to enable these programmes to be delivered. To ensure resources are allocated in the most efficient way it may be prudent to incentivise behaviour, striking a balance between the additional costs of operating a charging mechanism and the economic benefits that arise.
4. This proposal seeks to balance the economics of demand management with the accounting required to operate a charging mechanism in an efficient and practical way.
5. Costing is an accounting technique that seeks to measure the use of resources by services, activities, contracts, processes etc. There are several methods that can be applied to quantify the cost of a particular activity or outcome. These costing methods are commonly applied in manufacturing where the costs and resources (inputs) associated with the production of a product (an output) can be quantified with relative ease. In service industries this becomes more challenging as inputs and outputs are more difficult to measure in a standardised way.
6. A full costing system assigns costs to services by allocating a share of operating cost to services based on an agreed apportionment method. This is the method used by the City to allocate central costs through recharges to services.
7. Most regulatory agencies and government departments typically require full absorption costing to allow comparison between organisations, segmental reporting and the setting of taxation rates. The advantage of absorption costing is to make stakeholders aware of the costs of public sector services and programmes, to ensure that statutory financial requirements are met and that appropriate revenues are received from government.

8. This report considers whether the application of an internal charging mechanism is appropriate for legal services and whether this could be applied to other services yet to be identified.

### **Main Report**

9. There are a number of areas of analysis required to establish the suitability for introducing an internal charging mechanism. These need to be assessed and each satisfied on a case by case basis in order to be confident that such a charging mechanism is appropriate and proportionate:
  - i. Activity analysis: can the activity be easily quantified and recorded?
  - ii. Cost breakdown: are the costs known and can they be fairly attributed to the activity?
  - iii. Charging options: what is the aim of charging, e.g. full cost recovery, partial cost recovery (e.g. establishment costs only), and what will be the mechanism for setting and monitoring budgets?
  - iv. Business Plan: does the proposal for internal charges seek to generate a surplus and are there opportunities to develop external trading for services provided by the City?
  - v. The use of a cost centre or account code or job code to capture the financial activity of a service unit: Does the financial accounting system have the functionality to achieve this?
10. In practice, very few public sector bodies have introduced internal trading accounts as a mechanism to allocate the cost of support services across the organisation. This is viewed as being overly bureaucratic and delivers little value for money primarily due to the time required to capture the activity of an individual in a meaningful way. CIPFA guidance recommends the use of recharges to allocate costs to services, a practice which is well established in the City Corporation and which has the approval of our external auditors. Where internal trading accounts do operate successfully they are used to manage demand in addition to allocating costs.
11. Internal trading for public sector in-house legal services is a more widely utilised mechanism being appropriate due to the existing standard practice of time recording as is the case with the City of London legal division, this approach effectively manages and controls demand for legal services. Appendix 1 documents how the analysis suggested above has been completed to demonstrate that demand management can be achieved through the implementation of a trading account on a partial cost recovery basis. Should the demand for legal services continue to grow there will be a step-change where demand necessitates additional resources to meet demand, the cost of which would be funded by departments as they consume legal services.
12. In considering the merits of applying internal trading to other support services there must be an operational requirement which goes beyond technical feasibility,

e.g. demand management, to justify moving away from the recharging mechanism currently in operation. There are inherent costs to the process, so the benefit must outweigh these. And it is important that the mechanism does not deter departments from seeking appropriate legal, financial or other support service advice when needed.

13. Implementing internal charging across a department would create a significant administrative burden in order to capture the charging basis if the practice of time recording is not currently used. For most departments there would be little advantage gained by introducing internal charging for their business as usual work due to the administrative complexity this would create.
14. Taking the Financial Services Division as an example, it would be difficult to identify a customer or client for a large proportion of the business as usual work as this relates to corporate work with an impact across the Corporation. Being unable to accurately quantify and record activity and then fairly attribute the cost of this activity would preclude the introduction of internal charging for this work.
15. Additional demand pressures in support services can arise from additional work above business as usual driven by other departments or new corporate projects. Initiating this work has resourcing implications e.g. accounting, budget support, tax advice and conducting financial appraisals.
16. Where such additional work requires additional resources from support services, including Chamberlains, City Surveyors and Comptroller and City Solicitors, this must be quantified within the cost of the project and funded as an additional resource requirement, subject to assessment against the criteria in paragraph 9 and the approval of the relevant committees.
17. As we start work on the major projects there is a need to appropriately charge for the additional resources consumed. The mechanism for allocating funds to support these projects will be considered in a follow up report from the Chamberlain.

## **Proposals**

18. The detailed proposal for the adoption of a trading account within legal services is documented in Appendix 1. This is a discrete proposal due to their ability to identify their customers, and specify which fund the work relates to, through their time recording software.
19. For work which requires additional resources from corporate support services this must be quantified within the cost of the project and funded as an additional resource requirement, subject to assessment against the criteria in paragraph 9 and the approval of the relevant committees. This will be simple to quantify as the costs will be above the local risk resource base and chargeable to the budget of the relevant project.

## **Corporate & Strategic Implications**

20. The Corporate Plan states that as an organisation we need to be relevant, responsible, reliable and radical.
21. This proposal aims to ensure that we are responsible in the approach we take to managing our internal resources. This proposal does not seek to add a disproportionate bureaucratic burden on internal departments; legal services already operate a time recording system which is fundamental and which we are not proposing to roll out to any other department.

## **Conclusion**

22. A request from Finance Committee was made to consider the implementation of an internal trading scheme for legal services as a mechanism to manage demand. Such a scheme has been assessed against a number of success criteria and could be implemented due to the particular way that legal services are delivered already by the Comptroller and City Solicitor.
23. Paragraph 9, above, defines a set of criteria by which the implementation of trading accounts can be assessed. Appendix 1 documents how these criteria are met by a legal services internal trading account.
24. Any future requirement for internal trading in other departments can be assessed using these criteria which may be particularly applicable to project or ad-hoc work where additional resources are required above and beyond business as usual requirements.
25. The introduction of a trading account will necessitate the creation of an income budget in the Comptroller and City Solicitors local risk resources and expenditure budgets in other departments local risk resources. The Chamberlain will oversee the implementation of these budget amendments.
26. Work above business as usual which requires additional resources from corporate support services should be funded as an additional resource requirement. A mechanism will be created to charge these costs to the Major Projects Reserve and a further report submitted to Finance Committee.

## **Appendices**

- None

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## Legal Services Trading Account

1. In Local Authorities legal services departments often operate internal trading accounts to manage demand. Within the London Boroughs Legal Alliance 6 of 9 legal services departments operate trading accounts. The conditions in paragraph 9 of the report can be fulfilled with relative ease, as described below:

i. Activity Analysis:

Legal services usually operate a time-recording system, KMX, to record time spent by an individual on tasks during the day. This allows the activity of each individual to be allocated to a task and recorded. The data from such a time-recording system can then be used to accurately charge clients. This is considered standard working practice throughout the legal services sector.

ii. Cost breakdown:

The costs of the legal services department can be quantified by analysing the local risk budget.

The current headcount in the Comptroller and City Solicitors Department is 49 FTE (55 employees). 43.4 FTE would fall within the scope of the internal trading account with the C&CS Finance (rent accounting) and Information Compliance teams being excluded.

iii. Charging options:

Full cost recovery would include the total cost of providing legal services plus internal recharges (as a proxy for overheads) within the fee setting calculation which, whilst appropriate for trading externally, does not offer any benefit within an internal charging regime. In fact, by including notional recharges the cost of legal services to other departments would be inflated.

Commercial trading goes a stage further than full cost recovery by including a profit margin. Any proposal would need to consider a pricing strategy to determine demand and charging within a local market.

The proposal for an internal legal services trading account will be on a partial cost recovery basis (i.e. establishment and direct costs of specified posts only). The C&CS Finance and Information Compliance teams within Comptroller and City Solicitor's department will be excluded from the trading account arrangement and a local risk budget will be maintained to support these teams and the teams would remain with the C&CS department

An hourly rate would be set on the basis of the cost of the service and would comprise a number of rates determined by staff expertise, these rates are currently in place. Annual income budgets will be set to recover the cost of the service within the scope of charging and will be reviewed annually within the budget setting process. Income budgets will be



monitored on a monthly basis in line with the existing Corporation arrangements.

iv. Business Case:

The proposal for internal charges is not seeking to generate a surplus from internal clients rather to rationalise internal demand for legal services. This proposal is not recommending to offer legal services to additional external organisations, for which a commercial charging model and business case would be required.

v. Capture financial activity:

A structure can be created in Oracle to support the management of charging and income through internal journals between legal services and client departments.

2. In addition to the wider consideration of the principles of internal trading there are practical considerations that must be worked through in detail to ensure that the management, including financial management, is robust. Issues to consider will include:

- i. The recording of transactions (and the use of Oracle journals);
- ii. The use of account codes to describe transactions;
- iii. The use of resources (surpluses) generated by internal trading.

3. There is also a requirement to ensure a clear delineation of responsibilities is defined for the parties involved:

- i. Customers: there is a Service Level Agreement (SLA) in place which details and specifies what services are being purchased, the cost and timescales involved and how to deal with complaints which has been presented to client department management teams over the last three months but would doubtless require further refinement were the service to move to a trading account arrangement.
- ii. Providers: relationships with customers are managed with the existing SLA and comply with the Law Society LEXCEL quality standard on customer care; this would require minimal further refinement.
- iii. Finance Units: how will any additional administrative burden be managed, will additional resources be required to manage the process?

### Options

4. The options identified to implement an internal trading account within legal services are:

- i. Do nothing.

The current demand for legal services is above the capacity the department is able to supply. An additional request for resources was approved by Policy and Resources Committee in May 2017 and Finance Committee in June 2017. If demand continues to increase it is inevitable that additional resource requests will be required.

ii. Implement internal trading for legal services.

This proposal sets out the rationale for introducing internal trading within legal services as a mechanism to manage the demand for the service on a partial cost recovery basis. Should additional resources be required to meet continued increases in demand this would be funded through charges to departments and/or projects rather than an increase in the resource base for legal services. Temporary staff assignments could be used but recharged directly to departments under the recharge arrangements to allow the resource to flex to meet demand spikes created by new initiatives and projects. This will improve the agility of the service and may reduce the requirement to outsource work at higher cost to the organisation.

The main risk from implementing such a scheme arises from the desire to reduce demand for legal services. This could result in legal advice not being sought when it is required which results in the increased risk of reputational damage, a potential legal dispute and/or financial penalty.

The risk of being unable to deliver this proposal on a practical basis is low as legal services currently operate a time recording system which forms the basis of the data which drives the charging mechanism.

5. The recommendation is to pursue internal trading within legal services.

### **Proposals**

6. For a legal services trading account to be implemented successfully a number of new budget lines will need to be created. An income budget will be created in the Comptroller and City Solicitor's local risk budget. Charges will be set in bands reflecting the seniority of the lawyer engaged on the task. Expenditure budgets for legal services costs will be created in departments who consume legal services.
7. This proposal will be cost neutral at the outset as the expenditure budgets will be calculated on the basis of historic consumption of legal services the total of which will equal the income budget. (A contingency fund could be top-sliced from the budget allocations for departments to smooth the cost allocation during the first year of operation of the scheme or to fund legal services work outside the scope of business as usual.) Departments will bear the cost of additional legal services work above the initial budget allocation from within their existing local risk resources.

8. Should the demand for additional work continue to grow within legal services there will be a point at which a step-change of demand necessitates the need to employ more staff to meet demand. Such an increase to the legal services establishment will follow the usual approval process through Establishment Committee supported by a business case demonstrating that the cost can be met from income. The risk of a decline in demand and a commensurate fall in income will be borne by the Comptroller and City Solicitor.
9. A project plan will need to be developed with internal departments to ensure that any change to the provision of legal services and the associated budgetary implications is communicated appropriately to avoid disputes being created. There is also a need to work with the Oracle team to critically assess the proposed method of implementation to ensure the technical implementation is streamlined and efficient.
10. Implementing internal trading will create an additional administrative burden which does not currently exist. The cost of preparing and processing charges (and responding to queries arising) will be minimised through the development of a streamlined process that will not require additional resources within the Comptroller and City Solicitor or Chamberlain's departments.

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<b>Committee(s)</b>	<b>Dated:</b>
Finance Committee – For Information	20/02/2018
<b>Subject:</b> Chamberlain’s Department Risk Management – Monthly Report	<b>Public</b>
<b>Report of:</b> Chamberlain	<b>For Information</b>
<b>Report author:</b> 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 one RED risks on the Corporate Risk Register within the responsibility of Chamberlain’s Department:

- **CR16 – Information Security**

The Senior Leadership Team continues to monitor closely the progress being made to mitigate this risk. As well as maintaining robust network security protocols, a comprehensive training programme is being prepared for delivery during 2018. As a result of these and related actions, the risk is on track to turn amber by the end of April.

### **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 is currently one RED risk on the Corporate Risk Register for which the Chamberlain’s Department is responsible and no RED risks on the departmental Risk Register:

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

The IT team is developing training for Officers and Members, to be deployed this year. Dates for training will be agreed between the Members Services team in Town Clerk's Department and the IT Security Director. Security patches continue to be installed and applied where required and any windows devices which have not been connected to the network within 30 days of the patch being sent out are quarantined. As a result of these and related actions, the risk is on track to turn amber by the end of April.

### **Conclusion**

4. Members are asked to note the actions taken by Chamberlain's Department to manage the Information Security risk.

### **Appendices**

- None

### **Background Papers**

Monthly Reports to Finance Committee: Finance Committee Risk  
Report to Finance Committee 23 January 2018: Finance Committee Risk – Quarterly Report.

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<b>Committee:</b> Finance Committee	<b>Dated:</b> 20 February 2018
<b>Subject:</b> Central Contingencies	<b>Public</b>
<b>Report of:</b> Chamberlain	<b>For Information</b>
<b>Report author:</b> 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 of £100,000 to support humanitarian disaster relief efforts both nationally and internationally. This contingency had been exhausted by Autumn 2017.
3. At your Committee's December meeting Members agreed that a further £25,000 can be allocated to the National and International Disaster fund as an additional exigency sum, available to be accessed if another crisis was to occur before the end of March 2018.
4. The uncommitted balances that are currently available are set out in the table below. At the time of preparing this report there are no requests for funding elsewhere on the agenda.

2017/18 Contingencies – Uncommitted Balances at 8 February 2018				
	City's Cash £'000	City Fund £'000	Bridge House Estates £'000	Total £'000
General Contingencies	399	103	28	530
National and International Disasters	0	0	0	0
<b>Uncommitted Balances</b>	<b>399</b>	<b>103</b>	<b>28</b>	<b>530</b>
Requests for contingency allocations	0	0	0	0
<b>Balances pending approval</b>	<b>399</b>	<b>103</b>	<b>28</b>	<b>530</b>

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

## Recommendation

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

### Appendices

- Appendix 1 – Allocations from 2017/18 contingencies

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<b>Committee(s)</b> Finance Committee – For Information	<b>Dated:</b> 20/02/2018
<b>Subject:</b> Chamberlain’s Business Plan – Quarter three Update	<b>Public</b>
<b>Report of:</b> Chamberlain	<b>For Information</b>
<b>Report author:</b> Hayley Hajduczek	

## Summary

This report provides Members with a brief update of assurance that the Chamberlain’s department is making good progress in the delivery of the 2017/18 Departmental Business Plan.

Performance is largely in line with expectations for the third quarter. Action is being taken to get the Internal Audit plan delivery back on track - it is anticipated that the target will be met by mid-April 2018.

## Recommendation(s)

Members are asked to note the report.

## Main Report

## Background

1. The Chamberlain’s Department Business Plan for 2017-2018 was approved by Finance Committee on 2<sup>nd</sup> May 2017. This report has been produced to provide Members with a summary of progress against key deliverables and performance in quarter three of the current financial year.

## Current Position

2. It is a requirement of the Corporate Business Planning Framework that business plan delivery update reports be provided to Committee on a quarterly basis.

## Delivery against Key Improvement Objectives

3. Progress in the delivery of our key improvement objectives is good. Please see updates below:

## Improve underlying IT performance issues and delivering major IT projects (Network Transformation and Desktop Refresh)

4. The Transformation Programme is delivering to budget and all projects are on track. So far £421k of infrastructure related savings have been identified through the Transformation Programme with the shift to Microsoft Cloud services and optimising components of the remaining infrastructure. The programme has completed the desktop transformation for over 2500 users and the team are on

track to complete across the Corporation by end of February 2018. Work has begun on replacing the Wide Area Network circuits. End user feedback on the desktop transformation roll out has been very good. Local Area Network design has been completed and the work to replace network hardware has begun. New operating models are being developed for the IT Division and Agilisys. New policies continue to be rolled out.

### **Maintain focus on value for money over the current funding period and beyond**

5. The focus on delivering Value for Money in all that we do continues. In addition to delivering the final savings from the Service Based Review, departments have committed to an across-the-board light-touch continuous improvement target of 2% annually for three years from 2018/19, forming part of the Corporate Efficiency Plan. These will be documented in the forthcoming budget reports and reflected in the Medium Term Financial Plan. A programme of rolling review to secure more radical changes in efficiency and effectiveness is also in development.
6. A Priority Investment Pot (PIP) has been established to redirect the 2% efficiency savings towards supporting front line service delivery. Chief Officers have been invited to submit bids for funding from the PIP for 2018/19. Bids will be submitted for approval to Summit Group and Resource Allocation Sub Committee during the forthcoming year, with the first round having been considered in February.
7. A Chief Officer Peer Review programme is supporting Chief Officers in developing ideas that will improve innovation, collaboration, and agility. The outputs from these sessions will inform the Business Plans of all departments going forward particularly in response to the Efficiency Plan.

### **Pursue the responsible procurement agenda and further adoption of smarter, more efficient procurement processes.**

8. City Procurement made a significant contribution to securing the option to buy green energy and help drive the renewables industry as part City of London's upcoming energy contract, helping support the Corporation's responsible business agenda.
9. Action to mitigate air pollution is now being integrated into the specification of all contracts that involve the use of vehicles in delivering services. Establishing a balance between robust requirements and flexibility, a menu of options has been created that successful bidders may choose from, including green driver training, trialling new vehicle technologies or software, or continuous improvement targets on reducing nitrogen dioxide and particulate matter.
10. A focus group on ethical sourcing has been created between the City Corporation, London Fire Brigade, Transport for London and Westminster, with the aim of establishing joint action to tackling modern slavery & human trafficking and other violations of human and labour rights within our supply chains. The ultimate aim is to create an effective and harmonised approach that can be rolled out amongst the 40+ public authorities that constitute the London Responsible Procurement Network (LRPN), which is co-Chaired by the City Corporation.

## **Provide assurance to the City and its Partners on their control environments, supporting the risk management framework and promoting an anti-fraud culture**

11. Work continues on the 2017/18 audit plan with 33% of audits issued to final or draft report stage as at 31 December, and a further 58% work in progress. Work on the web-hosted recommendations tracking process is about to enter pilot testing with a number of departments, with the aim of increasing management accountability and live updates. In addition, the audit planning process for 2018/19 is currently in progress.
12. The Zurich Municipal work on the risk appetite project has now been completed. The outcome has been reported to the Chief Officer Risk Management Group, Summit Group and the Audit and Risk Management Committee and was well received. Summit Group requested some additional information which was processed by Zurich Municipal and reported to them in January 2018. The next step is for Chief Officers to review their corporate and departmental level risks against the risk appetite matrix.
13. The City's Internal Audit team continues to promote a fraud awareness culture across the City Corporation. A mandatory fraud awareness e-learning training course has been deployed to all employees and forms part of the induction for new starters. Targeted face to face fraud awareness training courses are delivered to staff, particularly in higher fraud risk areas.

## **Delivery against Key Performance Indicators**

14. The Chamberlain's Performance Scorecard is shown as Appendix 1 to this report. This shows good performance across many of the KPIs in place, the following are of note:
  - Accounts Payable invoice turnaround for Small and Medium Sized Enterprises (10 days) – performance for the quarter is 86% which is a 2% increase on the previous quarter. The cumulative figure is now 76%, due to backlog in the first quarter which has had a knock-on effect to the overall 10 day payment performance. The team will not meet the target of 88% overall for the year.
  - % of Invoices Received Electronically by the AP team – this is slightly behind target but the team continues to work with suppliers to improve this. They are now working with those suppliers who are having more trouble to change to electronic invoices.
  - Annual Procurement Savings to date have been exceeded at £5.56m.
  - To the end of Quarter 3, 33% of the Audit Plan has been delivered to draft report stage. A further 17% of audits are undergoing their final quality review before draft reports are issued, and a significant level of work is in progress. Steps are being taken to get the plan back on track, although the target might not be reached before mid/late-April.

## **Chamberlains Finance Dashboard**

15. A Finance Management Information Dashboard is currently in development, attached for information as Appendix 2. The format and presentation will be developed and enhanced over time.

## **Conclusion**

16. Members are asked to note that good progress is being made in the delivery of the Chamberlain's business plan. Performance for the third quarter of the year is broadly in line with expectations.

## **Appendices**

- Appendix 1 – Chamberlains Department Scorecard
- Appendix 2 – Chamberlains Department Finance Dashboard

## **Background Papers**

- Report to Finance Committee 21/11/2017: Chamberlain's Business Plan – Half Year Update
- Report to Finance Committee 25/07/2017: Chamberlain's Business Plan – First Quarter Update
- Report to Finance Committee 02/05/2017: Chamberlain's Business Plan 2017/18

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<b>Committee:</b>	<b>Dated</b>
Finance Committee	20 February 2018
<b>Subject:</b> Revenue Budget Monitoring to December 2017	<b>Public</b>
<b>Report of:</b> Chamberlain	<b>For Information</b>
<b>Report author:</b> Philip Gregory, Deputy Financial Services Director	

## Summary

The overall forecast year-end position at the end of quarter three is £12.8m better than budget. This comprises a favourable variance of £2.5m on Chief Officer Cash Limited Budgets and £10.3m on Central Risk Corporate Income Budgets.

### Chief Officer Cash Limited

The year-end forecast at quarter three is £2.5m (1%) better than the latest approved budget of £221.8m which represents an improvement of £4m compared to the forecast position at quarter two. Key causes are in relation to Police deficit moving into balance, City Surveyor budget pressures and additional income at the Barbican Centre and Guildhall School of Music and Drama.

### Central Risk Budgets - Corporate Income Budgets

Forecast property investment income and interest earnings are anticipated to be better than budget by £8.6m and £1.7m respectively.

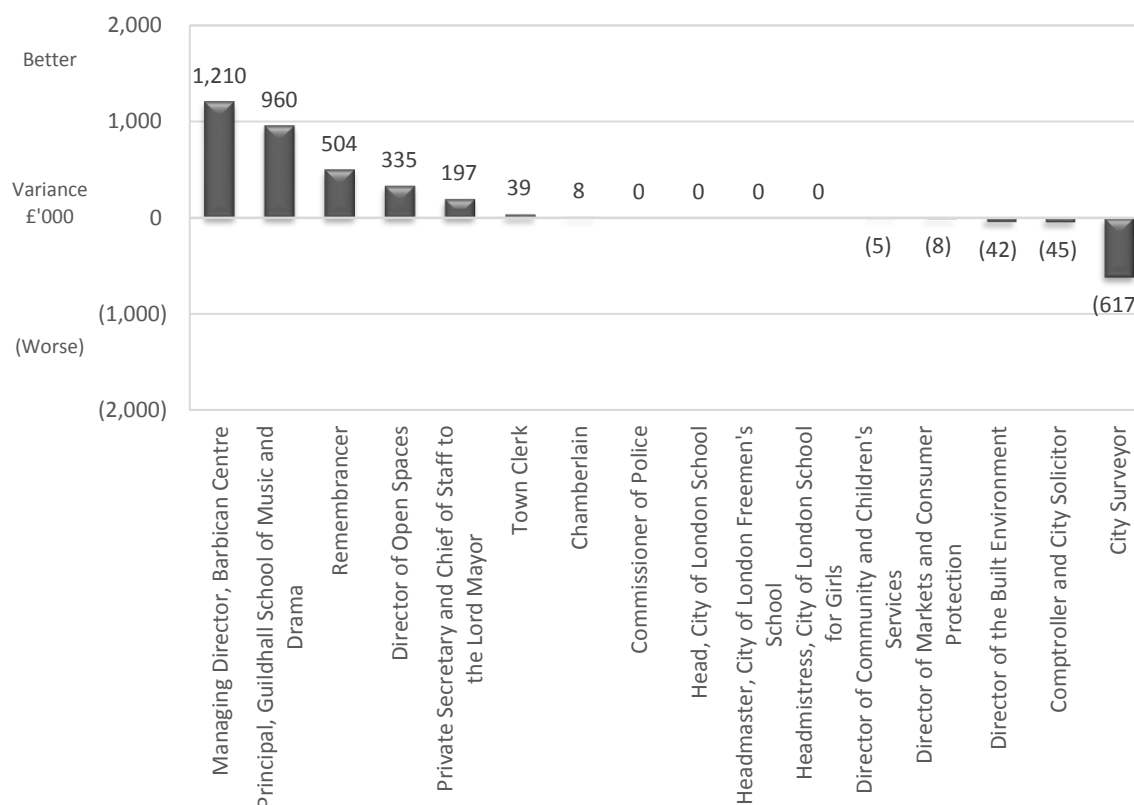
## Recommendation

Members are asked to note the report.

## Main Report

### Chief Officer Cash Limited Budgets

- The year-end forecast is £2.5m (1%) better than the latest approved budget of £221.8m and represents an improvement of £4m compared to the forecast position at quarter two. Chief Officer variances against net local risk budgets are shown in the chart below.

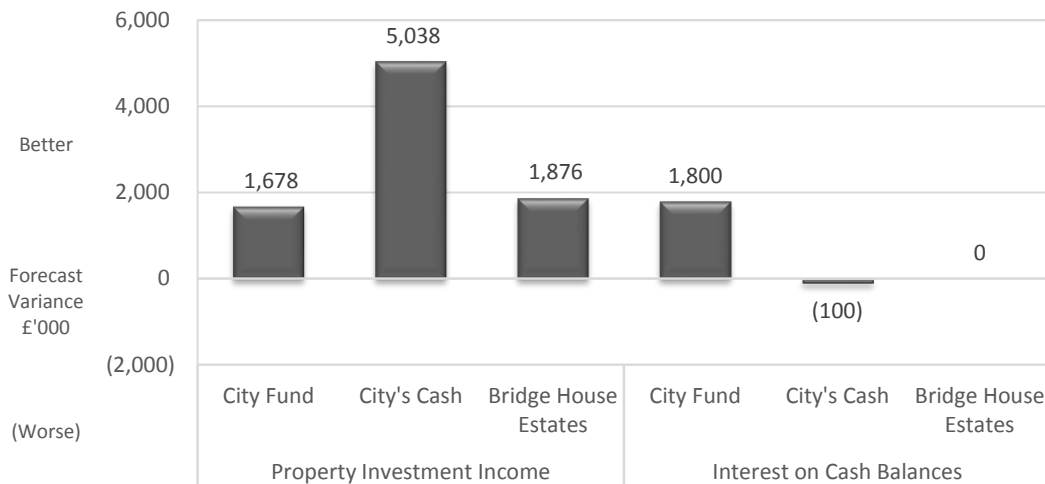


- The forecast comprises a favourable variance of £5.0m (2%) against budgeted income of £244.3m which has been partially offset by an unfavourable variance of £2.5m (1%) against budgeted expenditure of £466.1m. A brief commentary for significant variances and mitigating actions being taken is outlined in Appendix 1.
- Key causes are in relation to Police budget deficit moving into balance, City Surveyor budget pressures and additional income at the Barbican Centre and Guildhall School of Music and Drama.
- The Police forecast an adverse variance of £1.6m at quarter two due to the non achievement of efficiency savings. At quarter three the Police forecast to be on budget at year end, this favourable movement is due to the continued and widespread vacancies across the Force and eleven deleted Police Staff posts in December 2017 which has resulted in significant underspending within pay budgets.

5. At quarter three the City Surveyor forecast an adverse variance of £0.6m at year end which is principally due to unfunded Assistant Property Facility Manager posts, additional reactive repairs and maintenance spend at the Central Criminal Court and reduced fee income. A bid to fund the posts from SBR FM savings will be considered by the Court in February.
6. Positive performance of the Barbican Centre box office is forecast to generate additional income of £2.9m by year end which is an increase of £1.8m from the forecast position at quarter two. This additional income is partially offset by an overspend relating to health and safety risks and the non achievement of SBR savings of £1.7m.
7. The Guildhall School of Music and Drama forecasts additional income of £1.3m due to higher student enrolment which is an increase of £0.7m from quarter two. This additional income is partially offset by the associated teaching costs.

### Central Risk - Corporate Income Budgets

8. Year-end corporate income is forecast to be £10.3m (8%) better than budget of £123m comprising £8.6m for property investment income and £1.7m for interest on cash balances.



9. Property investment income is forecast to be £8.6m (7%) better than the original budget of £119.6m as follows:
- City Fund (£1.7m) – due to backdated rent at Calcutta House.
  - City's Cash (£5m) – following a number of rent reviews and lease renewals at various properties including 9 and 43 South Molton Street and 213-215 Tottenham Court Road. Rent also received for a new property acquisition at 21 Worship Street. The rent figure also includes an accounting adjustment for a barter transaction of £1.19m at 209/212 Tottenham Court Road, this is offset by matching expenditure on landlords cyclical works which are to be undertaken by the tenant.
  - Bridge House Estates (£1.9m) – additional rental income expected from a number of properties including 1-5 London Wall Buildings, 65 London Wall, Colechurch House and Electra House.
10. The forecast outturn for interest earnings is anticipated to be £1.7m better than original budget of £3.4m (50%) at year end. This comprises a favourable variance of £1.8m on City Fund partially offset by an unfavourable variance of £0.1m on City's Cash. The overall surplus interest earnings is derived from greater retention of net business rate income and increase in the base rate creating an enhanced environment for yield potential and prudent budgets allocated for 2017/18.

## Appendices

- Appendix 1: Brief commentary for the main full year variances for Chief Officer Cash Limited Budgets
- Appendix 2: Detailed full year variances and comparison with the previous quarter for Chief Officers Cash Limited Budgets by Fund
- Appendix 3: Summary of changes from original budget to latest budget at 31<sup>st</sup> December 2017 for Chief Officer Cash Limited Budgets
- Appendix 4: Detailed full year variances for Central Risk Corporate Income Budgets

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<b>Committee</b>	<b>Dated:</b>
Finance Committee	20 February 2018
<b>Subject:</b> City Fund: 2018/19 Budget Report and Medium Term Financial Strategy	<b>Public</b>
<b>Report of:</b> The Chamberlain	<b>For Decision</b>
<b>Report author:</b> Caroline Al-Beyerty, Deputy Chamberlain	

## Summary

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

- the Council Tax for 2018/19 remains unchanged from 2017/18; and
- The Business Rate Premium is unchanged.

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

The overall strategy is unchanged for City Fund: to have a four year plan that presents a balanced budget.

- City Fund (non-Police): the provisional Government grant settlement was received before Christmas and was largely in line with our assumptions. The substantial surpluses forecast across the medium term are due to retained income from business rate growth, including an additional £8m from the London pilot scheme for business rate devolution.

The extra business rates income, combined with an increase in anticipated rents from the fund's investment properties and additional interest on cash balances, has allowed cost pressures to be accommodated and some extra items to be included whilst still leaving the fund in surplus for 2017/18 and 2018/19. The fund moves into deficit from 2019/20 onwards due to the inclusion of costs for the Museum of London relocation project and the Combined Courts project. It has been assumed that the preference will be to utilise City Fund reserves prior to borrowing to fund these projects, though this is subject to the overall funding strategies for the projects, which are yet to be agreed.

- Police: The police budget for 2018/19 has been brought into balance, through a combination of efficiency savings, additional government grant in the provisional settlement and draw down on reserves. This provides the breathing space to implement Force transformation plans, following the Deloitte Review, which will help to address the forecast budget deficit of £4-5m pa in subsequent years, when it is anticipated Reserves will be exhausted,

and pressures arising from increased demand and the changing nature of police services.

The January Police Committee considered a report on the Strategic Threat and Risk Assessment Process, which is being used to identify needs and how best they can be met in the existing and future operating models. This is likely to require a short-term uplift in police officer numbers, at an initial cost of £0.5m, funded in 2018/19 through management of the agreed budget. No new funding is sought at this stage.

The Police medium term financial plan also asks for continued support from the Corporation for capital investment priorities up to a maximum of £17.5m over period 2017/18-2022/23.

No increase in the rate of the premium is therefore proposed for the 2018/19 year.

### **Recommendation(s)**

Following the Committee's consideration of this City Fund report, it is recommended that the Court of Common Council is requested to:

- Approve 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.

- 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).

## Main Report

### Financial Overview

1. The Government recently issued the Local Government Finance Settlement for 2018/19 and the Policing Minister published the revenue allocations for police for 2018/19.
2. The latest forecast position for City Fund, showing Police separately, and taking account of conclusions from the annual survey and the property rental income forecasts from the City Surveyor, is shown below:

<b>Table 1: City Fund Overall Revenue</b>	£m				
	<u>17/18</u>	<u>18/19</u>	<u>19/20</u>	<u>20/21</u>	<u>21/22</u>
<b>City Fund – non Police</b>					
March 2017 forecast	10.9	0.1	(15.6)	(19.6)	N/A
Current forecast*	5.7	16.7	(5.5)	(63.4)	(103.3)
Unearmarked revenue reserves	55.9	72.6	68.1	4.7	-
<b>City Fund – Police</b>					
March 2017	(1.5)	(5.6)	(3.8)	N/A	N/A
Current forecast	-	-	(4.2)	(4.1)	(4.8)
Unearmarked revenue reserves	3.5	-	-	-	-

*Figures in brackets denote expenditure, increases in expenditure, or shortfalls in income.*

*\*Costs, including Major Projects, have been applied up to available reserves with assumption that the balance will be funded by borrowing.*

3. **For City Fund**, Extra business rates income, combined with an increase in anticipated rents from the fund's investment properties and additional interest on cash balances, has allowed cost pressures to be accommodated and the inclusion of additional funding to meet Member priorities and initiatives as shown in paragraph 4 below, whilst still leaving the fund in surplus for 2017/18 and 2018/19. The fund moves into deficit, however, from 2019/20 onwards due to the inclusion of costs for the Museum of London and the Combined Courts relocation projects.
4. The following have been included in the City Fund forecast:
  - a. Adult Social Care: The forecast overspend in the Adult Social Care budget arises from increasing costs of provision and demographic pressures driving the future growth in need for services. A provision of £400k in 2017/18 was made in response to these pressures. December Policy and Resources Committee approved the Community and Children's Services Committee request for a permanent increase in the baseline budget - an additional £265,000 in 2018/19; and a further £135,000 in 2019/20 (to total

£400k). Given the City's overall funding position, and the size of the cost, a social care precept increase would not be appropriate.

- b. Additional Cyclical Works Programme Funding: Following the Resource Allocation Sub Committee Away Day in June, Members gave a steer that any 'windfall' surpluses from business rates in 2017/18 ought to be applied to 'one off items' such as revenue contributions to large capital schemes and catch up on the 'bow wave' of maintenance cost. Last year Members approved £4m p.a. for 2018/19 and thereafter to fund the 'bow wave' for City Fund properties and in particular some substantial refurbishment projects (e.g. Old Bailey). It is proposed that an additional £4m is allocated, with £1m in 2018/19 and £3m in 2021/22- to address more of the backlog, allowing a reasonable timeframe to deliver an expanded scheme.
- c. Major Projects including the Museum of London Relocation: following the decision last year to allocate surplus revenue monies to one-off large capital projects, the following schemes have been included, based on financing requirements during the period:
- i. Museum of London (£187m of which £4m p.a. is funded by the GLA);
  - ii. Cash flow loan to City Police: Action Fraud £11.7m; and
  - iii. Combined Courts (on basis of just the Courts being built, combined Police and Court costs yet to be validated) £90m.

The inclusion of the major projects leads to a potential borrowing requirement in excess of £100m from 2021/22. The costs of borrowing have not been included in the medium term financial plan. For indicative purposes, a £30m loan over 25 years would incur repayments of £1.9m per annum on a capital repayment basis. Total borrowing would be subject to Prudential Borrowing Limits.

Table 2 below sets out the current phasing of the projects. The net costs for the planning period 2018/19 to 2021/22 have been included in the City Fund forecast.

<b>Table 2: Major Project Costs</b>	<b>Prior Years £m</b>	<b>17/18 £m</b>	<b>18/19 £m</b>	<b>19/20 £m</b>	<b>20/21 £m</b>	<b>21/22 £m</b>	<b>Later Years £m</b>	<b>Total £m</b>
Police Action Fraud	7.5	4.2	(2.1)	(1.9)	(2.9)	(1.5)	(3.3)	0.0
Museum of London	2.0	7.2	14.5	24.3	53.5	94.8	136.8	333.1
Combined Courts	0.0	0.3	4.0	20.0	35.5	30.3	0.0	90.1

Although the Museum is undertaking a fundraising campaign and the GLA is providing a contribution to the project cost, the City will have to forward fund some of the costs being met from these funding streams. The intention is to finance the cash-flow spend on the Museum initially through revenue reserves, in so far as it is affordable, and thereafter potentially through borrowing. For modelling purposes, the GLA's proposed annual contribution of £4m has been included but excludes the Museum's fundraising contribution of £70m.

Due to the uneven profile of spend on the major projects, we propose establishing a new 'Major Projects Earmarked Reserve' as a mechanism for ring-fencing surplus retained business rates income.

- d. Waste & Cleansing: the contract with the current supplier comes to an end in April 2019. It is estimated that tenders for the new contract will be £1m to £1.5m higher per annum than the current contract cost if members wish to maintain the same high standards across the City. This is based on the next lowest tender when the last contract was tendered. A request has yet to be made to the Policy and Resources Committee for a ring-fenced provision.
- e. Brussels Office: Policy and Resources Committee approved an additional £571k p.a. for the restructuring of the Brussels office in December. A review of the effectiveness of the office and resourcing need will be undertaken as the UK approaches Brexit.
- f. Rental income: void costs: the City Surveyor has identified £800k of void costs in 2018/19 following the departure of tenants. A request for funding will be made from Property Investment Board to Resource Allocation Sub Committee in January.
- g. Security within Corporation buildings: an allowance of £1m p.a. was approved by Court last year. There are likely to be draw-downs on this amount for both the Barbican Centre and Guildhall, subject to reporting to Policy and Resources Committee.
- h. Culture Mile: A £5m provision was provided in 2017/18 for the capital costs of the project. Annual revenue running costs for 2018/19 have initially been estimated at £1.4m in addition to the capital funding to be funded from City's Cash. A report is currently being drafted for February Policy and Resources Committee seeking 2 years of funding to provide additional resources that will support delivery across the eight Culture Mile workstreams.
- i. Not yet included in the financial forecast:
  - Cost pressures on local government community safety/prevent activities following a reduction in Home Office funding; the financial impact has not yet been quantified.
  - Security hostile vehicle mitigation estimated to be in the region of c£12m, although it is expected that the initiative will be funded initially

from CIL until monies are exhausted and thereafter a request to be made for City Corporation support.

- The Centre for Music is outside the planning period.
- Combined Courts/ Police accommodation proposal, the forecast currently includes the separate schemes.
- Request for resources relating to flood risk assessments which will be requested from February Policy and Resource Committee.

5. **Council Tax:** With regard to Council Tax for the current financial year, 2017/18, the City's Council tax is £857.31, expressed at band D and excluding the GLA precept. The council tax referendum threshold will effectively be 6%, including 3% to spend on social care. It will be up to councils to choose whether to exercise their discretion to raise council tax by an additional 3% for adult social care. We have been able to accommodate the increased cost of £275k in 2018/19, rising to £400k in 2019/20, within the forecast so this option is not recommended.
6. **For Police,** The Police core grant settlement was marginally worse than anticipated, at £51.4m some £0.2m lower than anticipated, but overall £0.7m better off when specific purpose grants are included.
7. The police budget for 2018/19 has been brought into balance, through a combination of efficiency savings, additional government grant in the provisional settlement and draw down on Police reserves. This provides the breathing space to implement Force transformation plans, following the Deloitte Review amid pressures arising from increased demand and the changing nature of police services. These plans will address the underlying forecast budget deficit of £4-5m p.a. in subsequent years, when it is anticipated Reserves will be exhausted.
8. The January Police Committee considered a report on the Strategic Threat and Risk Assessment Process, which is being used to identify needs and how best they can be met in the existing and future operating models. This is likely to require a short-term uplift in police officer numbers, at an initial cost of £0.5m, funded in 2018/19 through management of the agreed budget. No new funding is sought at this stage.
9. The Force has a number of capital programmes in the pipeline which are currently unfunded, with the overall shortfall estimated at £13m over the forecast period. A key driver of the expenditure in the pipeline programmes is the Emergency Security Network (ESN) Home Office programme, where it is anticipated that £8m over and above the earmarked allocation may be required to ensure delivery.
10. As the Police forecasts show a continuing deficit, exhausting the reserves in 2018/19, Members may wish to consider a business rate increase. The premium can be increased in increments of 0.1p with each 0.1p generating circa £2m pa. It is also worth noting that the Mayor of London intends to increase the GLA policing precept by the maximum amount of £12. As the City Corporation has its own Police force this increase does not apply to the City, but it is worth noting the financial climate faced by London local authorities and measures being taken elsewhere. The Home Secretary's expectation is that Police authorities will use



their precepting powers to maintain funding levels (in the City's case the business rate premium). In recognition of the specific circumstances of the City the Home Office provided additional grant funding of £0.9m in Precept Grant for 2018/19. Given the relative health of City Fund overall, it is suggested that no increase be made in the business rate premium for 2018/19, although Police Committee have suggested that an increase may be proposed next year.

### **Key assumptions used in the forecast**

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

#### **Income**

- a. On the City's two other key income streams, rental and investment income, market rents appear to be performing strongly for the foreseeable future, although there has been an increase in void periods over the last six months. The property rental income is forecast based on the expected rental for each individual property, allowing for anticipated vacancy levels, expiry of leases and lease renewals. Rental income is forecast to grow over the period. Non-property investment returns have performed strongly over the last eighteen months, whilst bond returns have been rather mixed. The City has a mixed portfolio to manage its investments across the investment cycle.
- b. The Bank of England base rate is 0.75% for 2018/19 and, based on Corporate Treasury calculations on the rate we are likely to achieve, allowance has been made for two 0.25% base rate increases across the planning period. A 0.25% increase in interest rates in 2018/19 equates to additional income of £1.5m on City Fund balances.

#### **Expenditure**

- c. An allowance for pay and prices is factored in at 2% for 2018/19 and throughout the planning period.
- d. A 2% efficiency saving from 2018/19 for City's Cash and City Fund is included in line with the published Efficiency Plan, which will fund a new 'Priorities Investment Pot' (PIP). PIP funding bids have been submitted by a range of departments. These bids will be reviewed by the Town Clerk and Chamberlain before being presented to Members for approval.
- e. All remaining Service Based Review (SBR) savings will be achieved. Currently five departments have outstanding issues in respect of SBR savings with two departments having additional savings to deliver in 2018/19. The January Policy and Resources Committee approved a reduction in the City Surveyor's SBR target of £300k to fund the Assistant Property Facility Managers posts for 2017/18 and subsequent financial years. An adjustment has been made in the forecasts. Otherwise, the risk

of not achieving all SBR savings is low as the majority of savings have been delivered.

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

- a. **Grant Settlement:** The provisional local authority grant settlement was received before Christmas and was largely as expected. The Ministry of housing, Communities and Local Government (MHCLG) are undertaking a Fair Funding Review which will set the business rates baseline (the amount retained by the City to fund services) and determine the grant allocated to the City in place of Revenue Support Grant from 2019/20 onwards. This change in funding regime will also coincide with the anticipated introduction of retained business rates nationally. There is a degree of uncertainty on the impact of these proposals until the details of the schemes are published. If implementation is delayed beyond 2020/21, a transition funding regime will be required from MHCLG.
- b. **Business Rates retention:** The Government, the GLA and London Councils have negotiated a pilot scheme for business rate devolution in London for the financial year 2018/19, involving the establishment of a business rate pool. The proposal was approved in December. The scheme has a financially neutral starting point, but enables any year-on-year growth in rates revenue to be retained in London. Some of this will be used to establish a strategic investment fund and the rest will be shared among participating authorities. If the projected benefits do not materialise, the Government has guaranteed that no individual authority will be worse off as a result of participating in the pool. The scheme carries no commitment beyond 2018/19, however the forecasts include the assumption that the pilot will run its full two years, with an assumption of typically £40m p.a. retained from growth.
- c. **City Offset:** In addition to Formula Grant, the City Fund uniquely receives, under business rates' regulations, an Offset from the business rates collected in the Square Mile. The amount of the Offset is determined annually by MHCLG and for 2018/19 will be £11.6m, a similar level to 2017/18 inflated by RPI. Small inflationary increases have been assumed for subsequent years of the planning period.

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

- a. **Grant funding:** The Police core grant settlement was marginally worse than anticipated at £51.4m, some £0.2m lower than anticipated, but overall £0.7m better off when specific purpose grants are included.
- b. **Specific grants:** In addition to the main Police grant, the City Police receives many specific grants. The main one of these is for Dedicated Security funding and is yet to be confirmed. We have assumed that the funding will be £4.8m, a reduction of £0.05m from 2017/18. Home Office Capital City Funding has been advised as part of the settlement at £4.5m, which is no change from the prior year.

- c. **Action Fraud Service:** The City Fund is providing cash flow assistance in relation to the Action Fraud Service provided by the City of London Police. This service was transferred from the Home Office National Fraud Authority to the City of London Police with effect from 1 April 2014. Subsequently the service was subject to a procurement process which was won by IBM (UK) Ltd. The phasing of contract payments reflects IBM's significant mobilisation costs which could not be met from Police reserves. The costs were originally envisaged to all fall in 2016/17 but due to slippage on the project an additional cash flow loan of £5.2m was approved taking the total cash flow support to £11.7m. Repayments will fall between 2018/19 and 2023/24 and are partially reliant on the successful monetisation of the service.
- d. **City Support:** The City is directly funding some additional costs for IT and pension costs and a request has been made to fund a number of capital projects in the pipeline estimated at £13m from 2018/19 onwards (total capital support of £17m). A key driver of the expenditure in the pipeline is the Emergency Security Network (ESN) Home Office programme, where it is anticipated that £8m over and above the earmarked funding may be required to ensure delivery.

### Revenue Spending Proposals for 2018/19

14. The City Fund net budget requirement for 2018/19 is £148.6m, an increase of £8.9m. The following table shows how this is financed and the resulting council tax requirement.

<b>Table 3: Setting the Council Tax requirement</b>		
	<b>2017/18 Original £m</b>	<b>2018/19 Draft £m</b>
Net Expenditure before investment income from City Fund assets	(183.5)	(189.7)
Estate rental income	45.0	46.8
Income on balances	3.0	5.5
Net requirement	(135.5)	(137.4)
Plus proposed contribution (to)/from reserves	(4.2)	(11.2)
<b>City Fund Net Budget Requirement</b>	<b>(139.7)</b>	<b>(148.6)</b>
<u>Financing sources</u>		
Formula Grant	111.3	119.8
City Offset	11.3	11.6
NNDR premium (net)	10.5	10.5
City's share of Collection Fund Surplus	0.6	0.5

<b>Council Tax Requirement</b>	<b>6.0</b>	<b>6.2</b>
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15. A separate report on today's agenda "Revenue and Capital Budgets 2017/18 and 2018/19" includes the detailed net revenue budget requirements of the City Fund. Included within the net expenditure is provision for any levies issued to the City by relevant levying bodies such as the Environment Agency, the Lee Valley Regional Park Authority, London Pensions Fund Authority and London Council's Grant scheme. This also includes the following precepts anticipated for the year by the Inner and Middle temples (after allowing for the cost of highways, transportation planning, waste collection and disposal, drains and sewers, open spaces and street lighting being declared as special expenses as in previous years).

	<b>2017/18 £</b>	<b>2018/19 £</b>
Inner Temple	202,484	204,944
Middle Temple	164,155	164,616
<b>Total</b>	<b>366,639</b>	<b>369,560</b>

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

		<b>2017/18 Original £m</b>	<b>2018/19 Original £m</b>	<b>Increase (Reduction) on 2017/18</b>	
				<b>£m</b>	<b>%</b>
1	Police	51.4	52.1	0.7	1.4
2	Non-Police	8.8	0.0	(8.8)	(100.0)
<b>3</b>	<b>Sub-total:</b>	<b>60.2</b>	<b>52.1</b>	<b>(8.1)</b>	<b>(13.5)</b>
4	Rates Retention Baseline	15.6	23.6	8.0	51.3
5	Rates Retention Growth	35.5	44.1	8.6	24.2
<b>6</b>	<b>Sub-total:</b>	<b>111.3</b>	<b>119.8</b>	<b>8.5</b>	<b>7.6</b>
7	Grants Rolled In	0.0	0.0	0.0	0.0
<b>8</b>	<b>Total Core Government Grants</b>	<b>111.3</b>	<b>119.8</b>	<b>8.5</b>	<b>7.6</b>

## **Business Rates**

17. The Secretary of State has proposed a National Non-Domestic Rate multiplier of 49.3p and a Small Business Non-Domestic Rate Multiplier Rate of 48.0p for 2018/19. These multipliers represent an increase of 1.4p over the 2017/18 levels. The actual amount payable by each business will depend upon its rateable value.

18. If the business rate premium on City businesses remains at 0.5p in the £, the proposed premium will result in a National Non-Domestic Rate multiplier of 49.8p

and a Small Business Non-Domestic Rate of 48.5p for the City for 2018/19. It is anticipated that a premium of 0.5p will raise approximately £10.5m taking into account likely reliefs, reductions or refunds.

19. Likely appeals would also affect the premium income. However, as with business rates, we do not know the certainty or timing and it might be outside our current planning horizon.
20. The forecast assumes no increase in business rates premium and that the existing provision for appeals will be sufficient.
21. One final issue in relation to business rates. As in previous years, authority is sought for the Chamberlain to award the following discretionary rate reliefs under Section 47 of the local Government Finance Act 1988:
- Supporting Small Businesses Relief - A discount for ratepayers who as a result of the change in their rateable value at the rating revaluation in 2017, have lost some or all of their small business rate relief;
  - A discount of £1,000 to pubs with a rateable value below £100,000.
22. A discretionary revaluation relief scheme was introduced in April 2017 to support those businesses facing the steepest increases in their rates bills following rating revaluation. This is a five-year scheme with specific total amounts allocated to each billing authority for each of the five years. Each authority has to determine its own local scheme for each year. Authority is sought for the Chamberlain to determine the City scheme for each of the remaining 4 years 2018/19, 2019/20, 2020/21 and 2021/22
23. Although fully funded by central Government, these discounts are to be delivered using Localism Act discounts and so technically will be discretionary.

### **Business Rate Supplement**

24. The Mayor for London is (again) proposing to levy a Business Rate Supplement of 2.0p in the £ on properties with a rateable value greater than £70,000, [to raise funds towards Crossrail]. The threshold is being increased to reflect the effects of revaluation.

### **Determination of the Council Tax requirement**

25. The 1992 Act prescribes detailed calculations that the City, as billing authority, has to make to determine Council Tax amounts. The four steps are shown in Appendix A. Although the process is somewhat laborious, it is a legislative requirement that these separate amounts be formally determined by resolutions of the Court of Common Council.
26. After allowing for a proposed contribution to reserves, the final City Fund Council Tax requirement for 2018/19 is £6.2m. In accordance with the provisions in the Localism Act 2011, the Council Tax requirement allows for the Formula Grant, the City Offset, the City's Rate Premium and the estimated surplus on the Collection Fund at 31 March 2018. As detailed in Appendix A, the City's proposed Council Tax for 2018/19 at band D is £857.31. Consequently, it is proposed to freeze Council Tax for 2018/19 at £857.31 (band D property), before adding the Greater London Authority (GLA) precept. To determine the City's Council Tax for

each property band, nationally-fixed proportions are applied to the average band D property.

27. The GLA's 'provisional' precept for 2018/19 is £76.10 for a Band D property. This excludes the Metropolitan Police requirement and represents an increase of £2.21 compared with 2017/18.

28. The total amounts of Council Tax for each category must be set by the City before 11 March. The proposed amounts are shown in the table below:

<b>Table 6: Council Tax per Property Band:</b>								
	£							
Band	A	B	C	D	E	F	G	H
CoL	571.54	666.80	762.05	857.31	1,047.82	1,238.34	1,428.85	1,714.62
GLA	50.73	59.19	67.64	76.10	93.01	109.92	126.83	152.20
<b>Total:</b>	622.27	725.99	829.69	933.41	1140.83	1348.26	1555.68	1866.82

29. It is anticipated that the City's total Council Tax will remain the third lowest in London. The Court of Common Council will be requested to formally determine that the relevant (net of local precepts and levies) basic amount of Council Tax for 2018/19 will not be excessive in relation to the new referendum requirements for any council tax increases.

### **Council Tax Reduction**

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

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

32. There were no proposals to make any specific amendments to the Council Tax Reduction Scheme for this or future years, beyond keeping the scheme in line with Housing Benefit.

33. The Council Tax Reduction Scheme will therefore remain the same for 2018/19 as was administered in 2016/17 and 2017/18, subject to the annual uprating of amounts in line with Housing Benefit applicable amounts.

### **Capital**

34. The Corporation has a significant programme of property investments and works to improve the operational property estate and the street scene. Spending on these types of activity is classified as capital expenditure. Key areas in the 2018/19 capital programme (including the indicative costs of implementing schemes still subject to approval) comprise:



	<b>£m</b>
Roads, Street-scene and Public Realm (incl. Culture Mile)	39.6
Dwelling Improvements	17.9
New Affordable Housing	18.0
Museum of London Relocation	14.5
New Police Accommodation	27.0
Police systems and equipment	10.0
Old Bailey Plant Replacement	4.9
New Courts Provision	4.0

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

	<b>£m</b>	<b>£m</b>
Estimated Capital Expenditure		152.5
Financing:		
Internal		
Earmarked Reserves		
Housing Revenue Account (HRA)	5.3	
Highways Improvements	2.9	
Unapplied Grants	4.7	
Disposal Proceeds	69.9	
Revenue Reserves	19.4	102.2
External		
Grants and Reimbursements		50.3
<b>Total</b>		<b>152.5</b>

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

- Estimates of capital expenditure 2018/19 to 2020/21
- Estimates of the capital financing requirement 2018/19 to 2020/21
- Ratio of financing costs to net revenue stream (City Fund and HRA)
- Net debt and the capital financing requirement
- Estimate of the incremental impact on council tax and housing rents

37. The prudential indicators listed above, together with one locally developed indicator, have been calculated in Appendix B. In addition, treasury-related prudential indicators are required to be set, and these are included within the 'Treasury Management Strategy Statement and Investment Strategy Statement 2018/19' at Appendix C.

38. The main point to highlight is that there is no underlying requirement at this stage to borrow externally for capital purposes. However, the funding of capital expenditure from cash received from long lease premiums which are deferred in

accordance with accounting standards has to be treated as internal borrowing. To ensure that this cash is not 'used again' when the deferred income is released to revenue, the City Corporation will make a Minimum Revenue Provision equal to the amount released, resulting in an overall neutral impact on the revenue account bottom line. The Minimum Revenue Provision Policy Statement 2018/19 is set out in Annex E. A further point to note relates to the funding for major projects, specifically the Combined Courts project and the relocation of the Museum of London to the Smithfield Market site. The intention is to use revenue reserves initially for as long as this is affordable, with external borrowing to bridge the gap in the latter period when necessary. Although the Museum of London is undertaking a fundraising campaign and the GLA is providing a contribution to this project, the City will be forward funding a large proportion of the costs.

39. The Court of Common Council needs to formally approve these indicators.
40. Additionally, the Financial Investment Board are looking to invest monies in two short- dated bond funds to maximise returns. Investing in these types of fund is not permitted within the 2017/18 Treasury Management Strategy Statement and Investment Strategy Statement, but has been included within the 2018/19 Treasury Management Strategy Statement and Investment Strategy Statement (Appendix C para 7.8). The Court of Common Council are requested to approve this change with immediate effect.

#### Provision for future capital expenditure

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

#### **Robustness of Estimates and Adequacy of Reserves**

42. Section 25 of the Local Government Act 2003 requires the Chamberlain to report on the robustness of estimates and the adequacy of reserves underpinning the budget proposals.
43. In coming to a conclusion on the robustness of estimates the Chamberlain needs to assess the risk of over or under spending the budget. To fulfil this requirement the following comments are made:
  - a. provision has been made for all known liabilities, together with indicative costs (where identified) of capital schemes yet to be evaluated;
  - b. the estimates and financial forecast have been prepared at this stage on the basis of the Corporation remaining debt free until such time as external borrowing may be needed to bridge the gap for major capital projects (the Museum of London relocation and the Combined Courts project);

- c. prudent assessments have been made regarding key assumptions;
- d. an annual capital envelope is in place seeking to ensure that capital expenditure is contained within affordable limits or, if on an exceptional basis funding is sought outside this envelope, it must be demonstrated that the project is of the highest corporate priority;
- e. although the City Fund financial position is vulnerable to rent levels and interest rates, it should be noted that:
  - the City Surveyor has carried out an in-depth review of rent incomes; and
  - the assumed interest rate, although increasing, remains low across the planning period; and
- f. a strong track record in achieving budgets gives confidence on the robustness of estimates.

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

## **Risks**

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

### Within the City Corporation's control:

- Challenges faced by City Police to remove projected deficits;
- Police Action Fraud project overspending and changes in cash flow requirements;
- Museum of London relocation project will not be delivered within estimated cost;
- Slippage in major projects; and
- Rent income- the loss of £6-8m p.a. for Fleet Street should the Combined Courts/Police proposal go ahead.

### Outside the City Corporation's control:

- Brexit affecting the rental income from our commercial property as a result of increased voids;
- Business Rates income- volatility around the growth forecasts, dependent on full occupation of new builds and London pilot;
- Fair Funding review which will affect the amount of business rates retained by the City to fund services; and

- Inflation is currently running at 3%, but the Office for Budget Responsibility forecasts a drop to 2%. However, forecasts made by the OBR last year for 2017/18 proved to be over-optimistic. The position will be monitored during 2018/19.

### **Equalities Implications**

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

### **Conclusion**

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

48. For Police, the drawdown on reserves in 2018/19 provides breathing space to implement Force transformation plans, following the Deloitte Review, which will help address the forecast deficit of £4-5m p.a. in subsequent years.

49. The estimates are considered robust and the level of and polices relating to the City Fund reserves are considered reasonable.

**Dr Peter Kane**

**Chamberlain**

### **Appendices**

- Appendix A: Calculating Council Tax
- Appendix B: Prudential Indicators
- Appendix C: Treasury Management Strategy Statement and Investment Strategy Statement 2018/19
- Appendix D: City Fund Usable Reserves
- Appendix E: Minimum Revenue Provision Policy Statement 2018/19

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<b>Committee(s)</b>	<b>Dated:</b>
Finance Committee – For decision Court of Common Council – For decision	20 Feb 2018 8 March 2018
<b>Subject:</b> Revenue and Capital Budgets 2017/18 and 2018/19	<b>Public</b>
<b>Report of:</b> The Chamberlain	<b>For Decision</b>
<b>Report author:</b> Philip Gregory, Chamberlain’s Department	

## Summary

This report should be read in conjunction with the separate report on your agenda entitled ‘City Fund – 2018/19 Budget Report and Medium Term Financial Strategy’ which recommends that:

- The Council Tax for 2018/19 remains unchanged from 2017/18, and
- Members agree to recommend no increase in the Business Rates Premium to the Court of Common Council.

The 2017/18 and 2018/19 budgets for each of the City Corporation’s three main funds are set out below. They have been prepared within the planning frameworks agreed by the Resource Allocation Sub-Committee.

<b>Budgets by Fund</b>			
	<b>2017/18 Original £m</b>	<b>2017/18 Latest £m</b>	<b>2018/19 Original £m</b>
<b>City Fund</b>			
Gross Expenditure	(388.5)	(418.5)	(405.0)
Gross Income	253.0	278.0	267.6
Net Expenditure before Government Grants and Taxes	(135.5)	(140.5)	(137.4)
Government Grants and Taxes	139.7	142.8	148.6
<b>Surplus/(Deficit) to (from) Reserves</b>	<b>4.2</b>	<b>2.3</b>	<b>11.2</b>
Less one-off items planned to be funded from revenue reserves	6.7	12.9	5.0
<b>Underlying Surplus/(Deficit)</b>	<b>10.9</b>	<b>15.2</b>	<b>16.2</b>
<b>City’s Cash</b>			
Gross Expenditure	(197.9)	(203.7)	(213.2)
Gross Income	183.0	200.7	211.2
<b>Operating Surplus/(Deficit)</b>	<b>(14.9)</b>	<b>(3.0)</b>	<b>(2.0)</b>
Profit on sale of assets	2.0	3.0	2.0
<b>Surplus/(Deficit) to (from) Reserves</b>	<b>(12.9)</b>	<b>0.0</b>	<b>0.0</b>
<b>Bridge House Estates</b>			
Gross Expenditure	(52.2)	(55.6)	(53.1)
Gross Income	50.5	55.6	53.1
<b>Operating Surplus/(Deficit)</b>	<b>(1.7)</b>	<b>0.0</b>	<b>0.0</b>
Profit on sale of assets	2.0	0.0	0.0
<b>Surplus/(Deficit) to (from) Reserves</b>	<b>0.3</b>	<b>0.0</b>	<b>0.0</b>

## City Fund

- The latest budget for the current year is an underlying surplus of £15.2m which compares to a surplus of £10.9m in the original budget. For 2018/19 a surplus of £16.2m is indicated. In particular, this surplus takes account of the City's share of the growth in retained National Non Domestic Rates (business rates) income, increased income from rents and interest earnings and further savings/increased income as a result of the conclusion of the SBR programme and a 2% efficiency plan commitment. Other reasons for the main variations are set out in paragraphs 12 to 28.
- The Government, GLA and London Councils have negotiated a pilot scheme for business rates income for 2018/19 involving the creation of a business rates pool between the City, the GLA and all 32 London Boroughs. The proposal was approved in December 2017. The scheme has a fiscally neutral starting position but enables any growth in business rates revenue to be retained in London. A strategic investment fund will be created and the remainder shared amongst the pool members with a projected share of £11.3m for the City. If these overall dividends do not materialise the Government has guaranteed that no individual authority will be worse off as a result of participating in the pool. The scheme carries no commitment beyond 2018/19 though the expectation is that the pool will operate for two years. The total business rates growth retained by the City is estimated to be c£67m.
- The subsequent years of the medium term financial forecast (2019/20 to 2021/22) show a surplus for each year before funding major projects. Once anticipated contributions to the Museum of London and Combined Court relocation projects are included the Fund moves into deficit from 2020/21.
- The budget for the **City of London Police** is contained within the overall City Fund budget. The Government Core Grant settlement for 2018/19 was marginally worse than anticipated at £51.4m, some £0.2m lower than anticipated, but overall £0.7m better off when additional grants are included. The 2018/19 budget is balanced by drawing down the remainder of the Police General Reserve and continued City support for the Police capital programme and IT budget in addition to the delivery of a savings programme.
- Further work will take place during 2018/19 to address the underlying deficit in the Police budget following the conclusion of the Deloitte demand and VfM review.

## City's Cash

- The City's Cash position in the current year is expected to be balanced compared to a deficit of £12.9m in the original budget. The budget is balanced by a change in equity drawdown policy where we will only drawdown enough funds to balance the budget.
- With regard to future years of the financial forecast City's Cash has an increased drawdown requirement in 2018/19 and 2019/20 and a reduced drawdown requirement in subsequent years. The budget for these two years

includes a £25m payment for Crossrail in each year. Details of other significant variances are set out in paragraphs 34 to 42.

### **Bridge House Estates**

- The Bridge House Estates position in the current year is expected to be balanced compared to a surplus of £0.3m in the original budget. The budget is balanced by a change in equity drawdown policy.
- The primary purpose of the charity is to ensure the bridges are maintained and repaired appropriately. The current budget includes a total commitment of £100m over the next 5 years (from 2018/19) to fund the City Bridge Trust 'Bridging Divides' strategy for charitable giving.
- With regard to future years of the financial forecast Bridge House Estates has an increased drawdown requirement in 2019/20 and a reduced drawdown requirement in subsequent years. Details of significant variances are set out in paragraphs 48 to 58.
- The balance sheet has also experienced significant growth over the past five years, with fixed assets growing by over £500m during that period. Member approval is sought for the principle that maintaining such a high accumulation of undesignated general funds is not consistent with charitable regulations and the consideration be given to a significant drawdown to fund major initiative(s), consistent with CBT's strategic objectives.

### **Guildhall Administration**

- The report also summarises the budgets for central support services within Guildhall Administration (which currently 'holds' such costs before these are wholly recovered) and the capital budgets for the three Funds. Details of significant variances are set out in paragraphs 60 to 61.
- The 2018/19 Summary Budget Book accompanies this report and will be available on the *Members' Committees and Papers* section of the City Corporation's website. Copies will also be available in the Members' Reading Room and copies can be requested from [Philip.Gregory@cityoflondon.gov.uk](mailto:Philip.Gregory@cityoflondon.gov.uk).

### **Recommendation(s)**

Members are asked to:

1. Note the latest revenue budgets for 2017/18.
2. 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'.
3. Agree the Capital budgets.
4. Delegate authority to the Chamberlain to determine financing of the capital budgets.

5. Endorse this report for onward approval to the Court of Common Council.

## Main Report

### Background

1. The primary purpose of this report is to summarise the latest budgets for 2017/18 and the proposed budgets for 2018/19 respectively together with the capital budgets, which have all been prepared within agreed policy guidelines and allocations, for submission to the Court of Common Council in March.
2. During the autumn/winter cycle of meetings each Committee has received and approved a budget report which, with the exception of the City of London Police, Guildhall School of Music and Drama and Bridge House Estates, has been prepared on the basis of the planning framework for Chief Officers which included:
  - A reduction in resource base of 2% to deliver the previously approved Efficiency and Sustainability plan
  - Cyclical Works Programme budgets were excluded from the 2% reduction
3. For the City of London Police, the annual cash limit continues to be determined by the national settlement plus support from the City's Business Rates Premium, with the force forecast to exhaust its General Reserves in 2018/19. The City Corporation has agreed to fund some specific additional cost pressures including IT, additional employers pension contributions and to underwrite additional capital programme costs.
4. A demand and VfM review was conducted by Deloitte during 2017 which made several recommendations for the force to consider in taking action to mitigate the underlying budget deficit. A transformation team has been formed to take forward these recommendations.
5. For Bridge House Estates the budget strategy remains to maintain a surplus over and above the funding required for the ongoing maintenance and improvement of the bridges to sustain the grant-giving programme through the City Bridge Trust.
6. Accompanying this report is the Summary Budget Book 2018/19 which will be available on the *Members' Committees and Papers* section of the City Corporation's website. Copies will also be available in the Members' Reading Room and copies can be requested from [Philip.Gregory@cityoflondon.gov.uk](mailto:Philip.Gregory@cityoflondon.gov.uk). The Summary Budget Book provides:
  - i. all the budgets at a summary level in a single document;
  - ii. service overviews – a narrative of the services for which each Chief Officer is responsible;



- iii. Chief Officer summaries – the net revenue expenditure by division of service, fund, type of expenditure and income;
- iv. Fund summaries showing the net revenue requirement for each Fund supported by Committee summaries showing the net requirement for each Committee within the Fund; and
- v. the capital and supplementary revenue project budgets by Fund.

## Overall Financial Strategy

7. The City of London Corporation's overall financial strategy seeks to:

- maintain and enhance the financial strength of the City Corporation through it's investment strategies for financial and property assets;
- pursue budget policies which seek to achieve a sustainable level of revenue spending and create headroom for capital investment and policy initiatives;
- create a stable framework for budgeting through effective financial planning; and
- promote investment in capital projects which bring clear economic, policy or service benefits.

8. The medium term financial strategies and budget policies for each of the Funds are set out in Appendix 1.

## CITY FUND

### Overall Budget Position

9. The overall budget requirements have been prepared in accordance with the strategy and the requirements for 2017/18 and 2018/19 are summarised by Committee in the table below. Explanations for significant variations were contained the budget reports submitted to service committees.

<b>City Fund Summary by Committee</b>			
	<b>2017/18 Original £m</b>	<b>2017/18 Latest £m</b>	<b>2018/19 Original £m</b>
<i>Net (Expenditure)/Income</i>			
Barbican Centre	(26.6)	(26.8)	(27.1)
Barbican Residential	(2.3)	(2.8)	(2.6)
Community and Children's Services	(12.0)	(12.8)	(13.3)
Culture, Heritage and Libraries	(20.7)	(20.3)	(20.4)
Finance	(15.9)	(11.6)	(13.2)
Licencing	(0.1)	(0.1)	(0.1)
Markets	1.2	1.3	1.2
Open Spaces	(1.7)	(1.7)	(1.7)
Planning and Transportation	(15.4)	(15.3)	(16.0)
Police	(64.0)	(71.0)	(65.7)
Policy and Resources	(4.0)	(4.6)	(4.1)

Port Health and Environmental Services	(13.6)	(14.3)	(14.5)
Property Investment Board	39.6	39.5	40.1
<b>City Fund Requirement</b>	<b>(135.5)</b>	<b>(140.5)</b>	<b>(137.4)</b>

1. Figures in brackets denote expenditure, increases in expenditure, or shortfalls in income.

10. The following table further analyses the budget to indicate:

- the contributions from the City's own assets towards the City Fund requirement (interest on balances [line 7] and investment property rent income [line 8])
- the funding received from Government grants and from taxes [lines 10 to 13]; and
- the estimated surpluses to be transferred to reserves, or deficits to be funded from reserves [lines 15 to 17].

City Fund Revenue Requirements 2017/18 and 2018/19					
		2017/18 Original £m	2017/18 Latest £m	2018/19 Original £m	Para. No.
1	Net expenditure on services	(163.1)	(166.9)	(174.4)	12, 20
2	Capital Expenditure funded from Revenue Reserves	(1.7)	(12.4)	(0.5)	13, 21
3	Culture Mile funded from Revenue Reserves	(5.0)	(0.5)	(4.5)	13, 21
4	Cyclical Works Programme and financed from revenue	(13.7)	(11.9)	(10.3)	15, 21
5	Requirement before investment income from the City's Assets	(183.5)	(191.7)	(189.7)	
6	Interest on balances	3.0	4.5	5.5	16,22
6	Estate rent income	45.0	46.7	46.8	17,23
<b>8</b>	<b>City Fund Requirement</b>	<b>(135.5)</b>	<b>(140.5)</b>	<b>(137.4)</b>	
	Financed by:				
9	Government Grants	111.3	114.4	119.8	24
10	City Offset	11.3	11.3	11.6	
11	Council Tax	6.6	6.6	6.7	
12	Business Rates Premium	10.5	10.5	10.5	
13	Total Government Grants and Tax Revenues	139.7	142.8	148.6	
<b>14</b>	<b>Surplus/(Deficit) transferred to/(from) reserves</b>	<b>4.2</b>	<b>2.3</b>	<b>11.2</b>	
15	Add back one-off items planned to be funded from revenue reserves	6.7	12.9	5.0	
<b>16</b>	<b>Underlying Surplus/(Deficit)</b>	<b>10.9</b>	<b>15.2</b>	<b>16.2</b>	

1. Figures in brackets denote expenditure, increases in expenditure, or shortfalls in income.

11. The latest budget for the current year is an underlying surplus of £15.2m which compares to a surplus of £10.9m in the original budget. For 2018/19 a surplus of £16.2m is indicated. The subsequent years of the medium term financial forecast (2019/20 to 2021/22) show a surplus for each year before funding major projects. Once anticipated contributions to the Museum of London and Combined Court relocation projects are included the Fund moves into deficit from 2020/21.

## Revenue Budget 2017/18

## Net expenditure on services

12. Net expenditure on City Fund services in 2017/18 was originally budgeted at £135.5m, whereas the latest budget totals £140.5m, an increase of £5.0m. The main reasons for the increase are:

- £3.5m approved budgets brought forward from 2016/17;
- £1.0m to fund increased London Living Wage and Pension contribution costs;
- £0.4m increase in funding for Asylum Seekers and Homelessness;
- £0.2m funding for Barbican Residential roof works;
- £0.2m additional security costs for the Barbican Centre.

## Capital Expenditure Funded from Revenue Reserves

13. The £5m allocated for works for the Culture Mile 'Look and Feel' Strategy and £1.5m of works for Exhibition Hall 1 were funded from reserves in 2017/18. £0.5m of the Culture Mile funding is forecast to be spent in 2017/18 with the remainder included in the budget for 2018/19.

## City of London Police – Action Fraud

14. The City Fund is providing cash flow assistance in relation to the Action Fraud Service provided by the City of London Police. This service was transferred from the Home Office from the National Fraud Authority to the City of London Police with effect from 1 April 2014. Subsequently the service was subject to a procurement process which was won by IBM (UK) Ltd. The phasing of contract payments reflects IBM's significant mobilisation costs which could not be met from Police reserves. The costs were originally envisaged to all fall in 2016/17 but due to slippage on the project an additional cash flow loan of £5.2m was approved taking the total cash flow support to £11.7m. Repayments will fall between 2018/19 and 2023/24 and are partially reliant on the successful monetisation of the service.

## Cyclical Works Programme and Capital Expenditure Financed from Revenue

15. The decrease in expenditure from £13.7m to £11.9m relates mainly to the timing of schemes and the phasing of works on the cyclical works and additional works programmes.

## Interest on balances

16. The latest budget for 2017/18 anticipates an increase of £1.5m in interest earnings to £4.5m. This is due to a more beneficial cash flow, particularly from business rates receipts and capital transactions, and following the recent rise in the base rate.

## Investment Estate Rent Income

17. The rent income from investment properties is forecast to be £46.7m, an increase of £1.7m compared to the original budget. Significant variances include additional backdated rent from Calcutta House.

#### Government Grants

18. The increase from £111.3m to £114.4m mainly relates to the City's share of growth in national non domestic rates which feeds through to income in 2017/18 and 2018/19.

#### Transfers from Reserves

19. The transfer from reserves is to fund the costs of revenue contributions to capital projects and the Culture Mile. (para 13).

### **Revenue Budget 2018/19**

#### Net expenditure on services

20. Net expenditure on City Fund services in 2018/19 is £174.3m, an increase of £11.2m on the Original Budget for 2017/18. The main reasons for the increases are:

- £4m funding in 2018/19 for the Combined Courts project based on the latest profiled spend.
- £1.4m for Culture Mile running costs.
- £1.4m allocation to fund the Priorities Investment Pot to support the delivery of front line services.
- £1m funding for additional Cyclical Works in 2018/19 by bringing forward funding from the £4m approved last year to be spent in 2021/22.
- £0.8m additional void costs in 2018/19 following the departure of tenants.
- £0.8m allowance for pay and prices
- £0.6m for the restructuring of the Brussels office, approved by Policy and Resources Committee in December 2017.
- £0.3m to fund the additional costs of the London Living Wage.
- £0.3m funding for Adult Social Care to fund increasing costs arising from increasing costs of provision and demographic pressures. This is part of the £0.4m approved provision, the remainder will be drawn down in 2019/20.
- £0.04m additional cost of Head of Security post.

*partly offset by:*

- £2.1m repayment of Action Fraud cash flow loan from the City of London Police.

#### Cyclical Works Programme and Capital Expenditure Financed from Revenue

21. The re-phasing of funding of £1m from 2021/22 to 2018/19 is to fund fire safety works at the Barbican and Old Bailey following detailed surveys. The re-phasing of the Culture Mile capital expenditure into 2018/19 increases the budget.

#### Interest on Balances

22. Income is anticipated to increase from £3.0m in the 2017/18 original budget to £5.5m in the 2018/19 budget. This reflects the continued beneficial cash flow from business rate receipts, capital transactions and higher reserves.

#### Investment Estate Rental Income

23. The latest rental forecasts for 2018/19 assume an increase of £1.8m to £46.8m compared to the original budget for 2017/18. This increase arises from a number of properties based on the latest forecast from the City Surveyor.

#### Government Grants

24. Overall, there is an estimated increase of £8.5m in core Government Grants summarised in the table below.

Analysis of Core Government Grants					
		2017/18 Original £m	2018/19 Original £m	Increase (Reduction) on 2017/18	
				£m	%
1	Police	51.4	52.1	0.7	1.4
2	Non-Police	8.8	0.0	(8.8)	(100.0)
<b>3</b>	<b>Sub-total:</b>	<b>60.2</b>	<b>52.1</b>	<b>(8.1)</b>	<b>(13.5)</b>
4	Rates Retention Baseline	15.6	23.6	8.0	51.3
5	Rates Retention Growth	35.5	44.1	8.6	24.2
<b>6</b>	<b>Sub-total:</b>	<b>111.3</b>	<b>119.8</b>	<b>8.5</b>	<b>7.6</b>
7	Grants Rolled In	0.0	0.0	0.0	0.0
<b>8</b>	<b>Total Core Government Grants</b>	<b>111.3</b>	<b>119.8</b>	<b>8.5</b>	<b>7.6</b>

25. Lines 1 to 3 are the basic formula grants. These do not include £7.5m of Revenue Support Grant for 2018/19 which has been included in the Rates Retention baseline as part of the London Business Rates Pilot Pool (reduced from £8.8m in 2017/18).

26. Lines 4 to 7 reflect the impact of the Rates Retention scheme for which the outturn does not feed through until subsequent years. The significant difference in baseline reflects the London Business Rates Pilot Pool where Revenue Support Grant has been included as part of the 100% rates retention pilot.

## Council Tax

27. The underlying income base of £6.2m remains unchanged. There is an additional £0.5m in each year due to the recognition of surpluses from previous years. The accumulated surplus is due to an increase over the years in the residential properties in the City combined with a reduction in the number of residential properties assumed to be reclassified as commercial and therefore switch from council tax to non-domestic rates.

## Transfer from Reserves

28. The net £5.0m planned transfer from reserves is to fund the property work detailed above (para 21).

## CITY'S CASH

### Overall Budget Position

29. The budgets have been prepared in accordance with the budget policy set out in Appendix 1 and the net positions for 2017/18 and 2018/19 are summarised by Committee in the table below. Reserves are available to meet the estimated deficit in the current year and in 2018/19.

<b>City's Cash Summary by Committee</b>			
	<b>2017/18 Original £m</b>	<b>2017/18 Latest £m</b>	<b>2018/19 Original £m</b>
<i>Net (Expenditure)/Income</i>			
Culture, Heritage and Libraries	(0.0)	(0.0)	(0.1)
Education Board	(1.3)	(1.3)	(2.3)
Finance	(3.3)	4.6	10.2
G. P. Committee of Aldermen	(3.4)	(3.7)	(3.6)
Guildhall School of Music and Drama	(12.1)	(11.2)	(11.8)
Markets	(1.0)	(0.6)	0.9
Open Spaces:			
Open Spaces Directorate	0.0	0.0	0.0
Epping Forest and Commons	(8.4)	(7.4)	(9.1)
Hampstead, Queen's Park, Highgate Wood	(8.3)	(7.9)	(8.9)
Bunhill Fields	(0.3)	(0.4)	(0.4)
West Ham Park	(1.2)	(1.2)	(1.6)
Policy and Resources	(14.8)	(15.0)	(14.3)
Property Investment Board	45.0	48.2	45.1
Schools:			
City of London School <sup>(2)</sup>	(1.5)	(1.6)	(1.6)
City of London Freeman's School <sup>(2)</sup>	(1.7)	(1.8)	(1.8)
City of London School for Girls <sup>(2)</sup>	(0.6)	(0.6)	(0.7)
<b>Surplus (Deficit) to (from) reserves</b>	<b>(12.9)</b>	<b>0.0</b>	<b>0.0</b>

1. Figures in brackets denote expenditure, increases in expenditure, or shortfalls in income.

2. Shows City Support rather than net expenditure by the schools.

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

City's Cash Requirements 2017/18 and 2018/19					
		2017/18 Original £m	2017/18 Latest £m	2018/19 Original £m	Para No
1	Net expenditure on services <sup>(2)</sup>	(73.5)	(75.0)	(100.0)	
2	Cyclical Works Programme	(14.2)	(16.2)	(20.4)	
3	Estate rent income	53.0	56.9	53.1	
4	Non-property investment income (net) <sup>(2)</sup>	19.5	31.1	65.0	
5	Interest on balances	0.3	0.3	0.3	
<b>6</b>	<b>Operating Surplus (Deficit)</b>	<b>(14.9)</b>	<b>(3.0)</b>	<b>(2.0)</b>	
7	Profit on asset sales	2.0	3.0	2.0	
<b>8</b>	<b>Surplus (Deficit) to (from) reserves</b>	<b>(12.9)</b>	<b>0.0</b>	<b>0.0</b>	

1. Figures in brackets denote expenditure, increases in expenditure, or shortfalls in income.

2. Includes £25.0m contribution to Crossrail in 2018/19 funded from reserves.

31. The City's Cash position in the current year is expected to be balanced compared to a deficit of £12.9m in the original budget. The budget is balanced by a change in equity drawdown policy where we will only drawdown enough funds to balance the budget.

32. For 2018/19, the City's Cash budget will be balanced by a drawdown on reserves.

33. With regard to subsequent years the amount of drawdown required to balance the budget is expected to reduce, arising from a decrease in the underlying deficit.

## Revenue Budget 2017/18

### Net Expenditure on Services

34. Net expenditure on City's Cash services for 2017/18 was originally budgeted at £73.5m. The latest budget of £75.0m is an increase of £1.5m which is primarily due to:

- £2.6m of agreed budget carry forwards from 2016/17.
- £0.4m Cultural Hub funding for 2017/18 with a further £0.4 in 2018/19.

### Cyclical Works Programme

35. The increase from £14.2m to £16.2m includes funding for the Museum of London project and the re-phasing of the additional works programme.

### Investment Estate Income

36. Rent income from investment properties is forecast to be £56.9m which is an increase on the original budget of £3.9m. The positive variance is mainly due to a number of rent reviews and lease renewals at various properties including 9 and 43 South Molton Street and 213-215 Tottenham Court Road. As well as rent received for a new property acquisition at 21 Worship Street. The rent figure also includes an accounting adjustment for a barter transaction of £1.19m at 209/212

Tottenham Court Road, this is offset by matching expenditure on landlords cyclical works which are to be undertaken by the tenant.

#### Non-Property Investment Income

37. As most of the managed funds are held in pooled investment vehicles, income is drawn down from the investments as necessary rather than being received as dividend income. The amounts to be drawn down in 2017/18 and 2018/19 will be drawn down in order to balance City's Cash to zero.

#### Profit on Asset Sales

38. The profit on the sale of assets is anticipated to increase due to the sale of two surplus operational properties; Ossulton House and Chevening Road.

### **Revenue Budget 2018/19**

#### Net Expenditure on Services

39. Net expenditure on City's Cash services for 2018/19 is budgeted at £100.0m, an increase of £26.5m compared to the original budget for 2017/18. The main reasons for the increased requirement are:

- £25.0m contribution to Crossrail. This is funded through an increased drawdown on reserves. A further payment of £25.0m is due in 2019/20.
- £1.0m uplift in Academies funding resulting from increasing the grant provided to each school. Secondary schools will receive £250k (increased from £150k) and primary schools will receive £100k (increased from £50k).
- £0.8m allocation to fund the Priorities Investment Pot to support the delivery of front line services.
- £0.8m allowance for pay and prices.
- £0.4m increase in funding for Apprenticeship scheme.
- £0.2m funding for FutureLondon agreed for 2018/19 and four subsequent years.
- £0.04m additional cost of Head of Security post.

*partly offset by*

- £1.2m increase in service charge recovery in Markets resulting from a change in recovery policy.

#### Cyclical Works Programme

40. The increase in budget to £20.4m from £14.2m mainly relates to the re-phasing of works.



## Investment Estate Rent Income

41. Rent income from investment properties is forecast to be £53.1m which is an increase of £0.1m on the 2017/18 original budget.

## Profit on Asset Sales

42. The estimate of £2.0m for profit on the sale of assets relates to the disposal of surplus operational assets, rights of light compensation and investment property overage receipts.

## BRIDGE HOUSE ESTATES

### Overall Budget Position

43. The budgets have been prepared in accordance with the budget policy set out in Appendix 1 and the requirements for 2017/18 and 2018/19 are summarised in the table below.

Bridge House Estates Summary by Committee			
	2017/18 Original £m	2017/18 Latest £m	2018/19 Original £m
<i>Net (Expenditure)/Income</i>			
The City Bridge Trust	(22.6)	(27.0)	(23.8)
Culture, Heritage and Libraries	0.9	0.8	0.8
Finance	10.3	13.7	11.3
Planning and Transportation	(4.1)	(4.6)	(4.6)
Property Investment Board	15.8	17.1	16.3
<b>Surplus (Deficit) to (from) reserves</b>	<b>0.3</b>	<b>0.0</b>	<b>0.0</b>

1. Figures in brackets denote expenditure, increases in expenditure, or shortfalls in income.

44. The following table further analyses the budget to indicate:

- the income produced from the City's assets (investment property rent income, non-property investment income and interest on balances at lines 4 to 7 respectively); and
- the budget for charitable grants (line 9).

Bridge House Estates Requirements 2017/18 and 2018/19					
		2017/18 Original £m	2017/18 Latest £m	2018/19 Original £m	Para No
1	Net expenditure on services	(10.0)	(10.8)	(12.4)	
2	Cyclical Works Programme & SRP	(2.2)	0.0	0.0	
3	Bridge repairs, maintenance and major works fund contribution	(1.1)	(1.1)	(1.1)	
4	Estate rent income	20.3	22.2	21.2	
5	Non-property investment income (net)	12.2	14.9	13.7	
6	Interest on balances	0.1	0.1	0.1	
7	Profit on asset sales	2.0	0.0	0.0	
<b>8</b>	<b>Revenue Surplus (Deficit)</b>	<b>21.3</b>	<b>25.3</b>	<b>21.5</b>	
9	Charitable Grants	(21.0)	25.3	21.5	

<b>10</b>	<b>Surplus (Deficit) to (from) reserves</b>	<b>0.3</b>	<b>0.0</b>	<b>0.0</b>	
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1. Figures in brackets denote expenditure, increases in expenditure, or shortfalls in income.

45. The Bridge House Estates position in the current year is expected to be balanced compared to a deficit of £0.3m in the original budget. The budget is balanced by a change in equity drawdown policy where we will only drawdown enough funds to balance the budget.

46. For 2018/19, the Bridge House Estates budget will be balanced by a drawdown on reserves.

47. With regard to future years of the financial forecast Bridge House Estates has an increased drawdown requirement in 2019/20 and a reduced drawdown requirement in subsequent years.

### **Revenue Budget 2017/18**

#### Net Expenditure on Services

48. The increase from £10.0m to £10.8m is due to approved budgets brought forward from 2016/17.

#### Cyclical Works Programme & Supplementary Revenue Projects

49. The reduction in budget from £2.2m to £0m is as a result of the cyclical works being contained within the bridge repairs funds and there being no Supplementary Revenue Projects for Bridge House Estates.

#### Bridge Repairs, Maintenance and Major Works Funds

50. The objective for the Bridge Repairs, Maintenance and Major Works Funds is to provide sufficient resources to meet the enhanced maintenance costs of the five bridges over a period of at least 50 years.

51. Having compared the costs of the City Surveyor's 50 year maintenance programme with the projections for income to be earned by the Fund, the 2017/18 contributions required has been assessed as £1.1m for 2017/18, no increase on the original budget. The assessed contribution for 2018/19 is £1.1m. The 50 year maintenance programme and the levels of contributions required to smooth the costs over this period will be reviewed annually.

#### Investment Estate Rent Income

52. Rent income from investment properties is forecast to be £22.2m which is an increase of £1.9m on the original budget arising from additional rental income expected from a number of properties including 1-5 London Wall Buildings, 65 London Wall, Colechurch House and Electra House.

#### Non-property investment income

53. As most of the managed funds are held in pooled investment vehicles, income is drawn down from the investments as necessary rather than being received as dividend income. The amounts to be drawn down in 2017/18 and 2018/19 will be drawn down in order to balance Bridge House Estates to zero.

#### Charitable Grants

54. The increase in grant commitments from £21.3m to £25.3m is as a result of a carry forward of grant funding of £4.7m from 2016/17.

### Revenue Budget 2018/19

#### Net Expenditure on Services

55. The budget for 2018/19 of £12.4m is an increase of £2.4m on the original budget for 2017/18. This primarily relates to funding to deliver the new CBT strategy 'Bridging Divides' and an additional £1m to fund a strategic review of Bridge House Estates funding.

#### Cyclical Works Programme & Supplementary Revenue Projects

56. There are no & Supplementary Revenue Projects approved in 2018/19/

#### Investment Property Rent Income

57. The increase in rental income from £20.3m to £21.2m arises from a number of properties based on the latest forecast from the City Surveyor.

#### Charitable Grants

58. Charitable Grant funding has been committed to fund the 'Bridging Divides' strategy grant awards of £100m over 5 years. Grant awards will be recognised in the year of award in total rather than being spread over the period of the grant.

## GUILDHALL ADMINISTRATION

### Overall Budget Position

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

<b>Guildhall Administration Summary by Committee</b>			
	<b>2017/18 Original £m</b>	<b>2017/18 Latest £m</b>	<b>2018/19 Original £m</b>
<i>Net (Expenditure)/Income</i>			
Establishment – Town Clerk & C&CS	(10.9)	(12.0)	(11.7)
Finance – Chamberlain	(34.7)	(36.7)	(35.6)
Finance – City Surveyor, Remembrancer & Town Clerk	(22.3)	(21.6)	(23.0)

<b>Total Net Expenditure</b>	<b>(67.9)</b>	<b>(70.3)</b>	<b>(70.1)</b>
Recovery of Costs	67.9	70.3	70.1
<b>Total Guildhall Administration</b>	-	-	-

1. Figures in brackets denote expenditure, increases in expenditure, or shortfalls in income.

### Revenue Budget 2017/18

60. The net budget has increased by £1.1m overall to £12.0m. The main variations are as follows:

- £1.1m approved carry forwards from 2016/17.

### Revenue Budget 2018/19

61. The net expenditure for 2018/19 is £11.7m, an increase of £0.8m from 2017/18. The main variations are as follows:

- £0.3m reduction in City Re profits.
- £0.2m increase in insurance premium costs.
- £0.2m for additional PA and speechwriter posts within Town Clerks
- £0.1m for three additional posts within the Comptroller & City Solicitor's Public Law Division

### CAPITAL AND SUPPLEMENTARY REVENUE PROJECT BUDGETS

62. The City Fund, City's Cash and Bridge House Estates capital and supplementary revenue project budgets are being submitted to the Court of Common Council in March and are included in the Summary Budget Book. They include only those budgets which are approved to spend in accordance with the corporate project procedures.

63. The "Supplementary Revenue Projects" classification was created to cover project expenditure controlled in the same way as capital projects that does not meet the accounting definition of capital expenditure, e.g. feasibility and option appraisal costs, work of a revenue nature etc. The relevant expenditure and income on such projects is posted to revenue accounts, rather than capitalised at year end.

### City Fund Capital and Supplementary Revenue Project Budgets

64. The latest City Fund capital and supplementary revenue projects budgets total £67.7m for 2017/18 and £18.6m for 2018/19. The budgets include schemes relating to affordable housing construction, HRA stock improvements, police accommodation and systems, the Museum of London re-location, the Combined Courts project and highways improvement schemes.

### City's Cash Capital and Supplementary Revenue Project Budgets

65. The latest City's Cash capital and supplementary revenue projects budgets total £25.4m for 2017/18 and £22.6m for 2018/19. The budgets include property investments and works at the CoL Freeman's School, CoL Girls School, Guildhall School of Music and Drama, IT transformation and building security.

### **Bridge House Estates Capital and Supplementary Revenue Project Budgets**

66. The latest Bridge House Estates capital and supplementary revenue projects budgets total £17.1m for 2017/18 and £0.08m for 2018/19. The budgets relate mainly to property investments.

### **Financing Capital Expenditure**

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

**Dr Peter Kane**  
**Chamberlain**

### **Appendices**

- Appendix 1 – Medium Term Financial Strategy/Budget Policy

### **Philip Gregory**

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## Medium Term Financial Strategy/Budget Policy

### City Fund

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

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

### City's Cash

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

- ensure that ongoing revenue expenditure is contained within revenue income over the medium term and sufficient surpluses are generated to finance capital investment on City's Cash services;

- continue to seek property investment opportunities to enhance income/seek capital appreciation during the year, subject to any financing being met from the City's Estate Designated Sales Pool; and
- sell either property or financial assets, which would need to be in addition to property disposals required to meet the financing requirements of the Designated Sales Pool, to meet City's Cash cash-flow requirements.

### **Bridge House Estates**

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

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

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<b>Committee:</b> Finance Committee	<b>Date:</b> 20 February 2018
<b>Subject:</b> Decisions taken under Delegated Authority or Urgency since the last meeting of the Committee	<b>Public</b>
<b>Report of:</b> Town Clerk	<b>For Information</b>
<b>Report author:</b> 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 Nos. 41(a) and 41(b). This action was:

- Bridge House Estates Strategic Review Fund - Bids

### Recommendation

Members are asked to note the report.

### Main report

#### **Bridge House Estates Strategic Review Fund - Bids**

Bridge House Estates Strategic Review Fund - Bids

Approval was given to the following bid from the Bridge House Estates (BHE) Strategic Review Fund (£1m) which was established to support and better understand the wider impacts of the implementation of Bridging Divides:

- The provision of a sum of £40,000 from to cover the cost of the appointment of consultants to develop a financial model to determine

The approval of bids from the fund was delegated to the Town Clerk in consultation with the Chairmen of Policy and Resources, Finance and the Investment Committees, the City Bridge Trust, and to the Chief Grants Officer and the Deputy Chamberlain at the last meeting of the Finance Committee.

**Contact:**

John Cater  
Senior Committee and Services Officer, Town Clerk's Department  
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