



## Finance Committee

**Date:** TUESDAY, 18 SEPTEMBER 2018

**Time:** 1.45 pm

**Venue:** COMMITTEE ROOMS - COMMITTEE ROOMS

**Members:**

Jeremy Mayhew (Chairman)	Tim Levene
Deputy Jamie Ingham Clark (Deputy Chairman)	Oliver Lodge
Randall Anderson	Paul Martinelli
Nicholas Bensted-Smith	Deputy Robert Merrett
Chris Boden	Hugh Morris
Deputy Roger Chadwick	Alderman Andrew Parmley
Dominic Christian	Susan Pearson
Karina Dostalova	William Pimlott
Simon Duckworth	Deputy Henry Pollard
Sophie Anne Fernandes	Alderman Matthew Richardson
John Fletcher	James de Sausmarez
Christopher Hayward	Ian Seaton
Deputy Tom Hoffman	Sir Michael Snyder
Alderman Robert Howard	Deputy James Thomson
Michael Hudson	James Tumbridge
Deputy Wendy Hyde	Deputy Philip Woodhouse
Deputy Clare James	Deputy Catherine McGuinness (Ex- Officio Member)
Alderman Alastair King	Andrew McMurtrie (Ex-Officio Member)
Gregory Lawrence	Deputy Alastair Moss (Ex-Officio Member)

**Enquiries:** John Cater  
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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 24<sup>th</sup> July 2018.  
**For Decision**  
(Pages 1 - 10)
4. **OUTSTANDING ACTIONS FROM PREVIOUS MEETINGS**  
Report of the Town Clerk.  
**For Information**  
(Pages 11 - 12)
5. **REPORT OF THE WORK OF THE SUB-COMMITTEES**  
Report of the Town Clerk.  
**For Information**  
(Pages 13 - 14)
6. **CHAMBERLAIN'S KEY WORK STREAMS AND BUSINESS PLAN - UPDATE**  
Report of the Chamberlain  
**For Information**  
(Pages 15 - 22)
7. **RISK MANAGEMENT - TOP RISKS**  
Report of the Chamberlain.  
**For Information**  
(Pages 23 - 24)
8. **CENTRAL CONTINGENCIES**  
Report of the Chamberlain.  
**For Information**  
(Pages 25 - 30)
9. **HOUSING DELIVERY - REQUEST FOR BUDGET**  
Joint Report of the City Surveyor and the Director of Community and Children's Services.  
  
N.B. To be read with ITEM 19 (Non-public appendices)  
**For Decision**  
(Pages 31 - 42)

10. **IRRECOVERABLE NON-DOMESTIC RATES**  
Report of the Chamberlain.  
**For Decision**  
(Pages 43 - 46)
11. **2017-18 CITY FUND AND PENSION FUND FINANCIAL STATEMENTS – AUDIT COMPLETION REPORT**  
Report of the Chamberlain.  
**For Information**  
(Pages 47 - 48)
12. **CITY PROCUREMENT QUARTERLY PROGRESS REPORT (SEPTEMBER 2018)**  
Report of the Chamberlain  
**For Information**  
(Pages 49 - 52)
13. **REVENUE OUTTURN 2017/18 - FINANCE COMMITTEE OPERATIONAL SERVICES**  
Report of the Chamberlain  
**For Information**  
(Pages 53 - 60)
14. **CITY RE LIMITED - PERFORMANCE MONITORING**  
Report of the Chamberlain  
**For Information**  
(Pages 61 - 64)
15. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
16. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**
17. **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**

18. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**  
To agree the non-public minutes of the meeting held on 24<sup>th</sup> July 2018.  
**For Decision**  
(Pages 65 - 68)
19. **NON-PUBLIC APPENDICES TO ITEM 9.**  
N.B. Non-public appendices to be read with ITEM 9.  
**For Decision**  
(Pages 69 - 74)

20. **REPORT OF THE WORK OF THE SUB-COMMITTEES - NON-PUBLIC ISSUES**  
Report of the Town Clerk.  

**For Information**  
(Pages 75 - 76)
21. **WOODREDON ESTATE PROPERTIES - DISPOSAL OF WOODREDON HOUSE, THE COACH HOUSE, THE LODGE & LAUNDRY COTTAGE**  
Report of the City Surveyor.  

**For Decision**  
(Pages 77 - 88)
22. **PROVISION FOR BAD DEBT**  
Report of the Chamberlain  

**For Information**  
(Pages 89 - 94)
23. **NON-PUBLIC DECISIONS TAKEN UNDER DELEGATED AUTHORITY AND URGENCY PROCEDURES**  
Report of the Town Clerk.  

**For Information**  
(Pages 95 - 102)
24. **NON-PUBLIC QUESTIONS ON MATTERS 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**

## FINANCE COMMITTEE

Tuesday, 24 July 2018

Minutes of the meeting of the Finance Committee held at Guildhall, EC2 on Tuesday, 24 July 2018 at 1.45 pm

### Present

#### Members:

Jeremy Mayhew (Chairman)  
Deputy Jamie Ingham Clark (Deputy  
Chairman)  
Randall Anderson  
Deputy Roger Chadwick  
Dominic Christian  
Simon Duckworth  
John Fletcher  
Christopher Hayward  
Deputy Tom Hoffman  
Michael Hudson  
Deputy Wendy Hyde  
Deputy Clare James  
Alderman Alastair King

Tim Levene  
Oliver Lodge  
Paul Martinelli  
Deputy Robert Merrett  
Hugh Morris  
Alderman Andrew Parmley  
Susan Pearson  
Deputy Henry Pollard  
James de Sausmarez  
Ian Seaton  
James Tumbridge  
Deputy Catherine McGuinness (Ex-Officio  
Member)

#### Officers:

John Cater	- Secretary
Peter Lisley	- Assistant Town Clerk
Angela Roach	- Assistant Town Clerk
Peter Kane	- Chamberlain
Simon Latham	- Town Clerk's Department
Ian Dyson	- Commissioner of the City of London Police
Paul Wilkinson	- City Surveyor
Caroline Al-Beyerty	- Chamberlain's Department
Christopher Bell	- Chamberlain's Department
Sean Green	- Chamberlain's Department
Philip Gregory	- Chamberlain's Department
Richard Jeffrey	- Comptroller and City Solicitor's Department

#### 1. APOLOGIES

Apologies for absence were received from Nick Bensted-Smith, Karina Dostalova, Sophie Anne Fernandes, Alderman Robert Howard, Deputy James Thomson and Deputy Philip Woodhouse.

The Chairman welcomed James Tumbridge to the Committee. Mr Tumbridge had been elected to serve on the Finance Committee at the Court of Common Council meeting in June.

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

Ian Seaton declared a non-pecuniary interest in respect of item 8 due to being a Member of the Livery Committee.

3. **MINUTES OF THE PREVIOUS MEETING**

**RESOLVED** – That the public minutes of the meeting held on 5<sup>th</sup> June be approved as an accurate record, subject to the following amendment –

Hugh Morris attended the meeting; this will be amended in the minutes.

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

The Committee received verbal reports of the respective Sub-Committee Chairmen which advised Members of the key discussions which had taken place during recent meetings of the Corporate Asset Sub-Committee, the Efficiency and Performance Sub Committee, and the Information Technology Sub Committee.

**RESOLVED** – That the Committee noted the reports.

5. **CHAMBERLAIN'S DEPARTMENT RISK MANAGEMENT - QUARTERLY REPORT**

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

The Chamberlain and the Chairman of the Information Technology Sub-Committee both pointed to the success the IT team had had in transforming the Corporation's IT over the previous year, noting that CR19 (IT Service Provision) had been reduced to green status at the IT Sub Committee meeting on 10<sup>th</sup> July. The risk reduction for CR16 (Information Security), from red to amber, was still under consideration after discussions at IT Sub.

The Chairman requested that a discussion on CR23 (Police Funding) should take place under ITEM 6.

Additionally, in noting that senior officers had proposed that CR25 (GDPR) be closed and any outstanding mitigations and actions be absorbed into the IT Security risk, some Members expressed some concern about the risk being closed due to the continued high profile of GDPR's introduction, and Mazars' audit report which was anticipated in September. It was felt that, subject to receipt of the necessary assurances later in the year, the risk could then be closed.

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

## 6. **2017/18 CITY FUND AND PENSION FUND FINANCIAL STATEMENTS**

The Committee considered a Report of the Chamberlain concerning the 2017/18 City Fund and Pension Fund Financial Statements.

The Chamberlain opened the discussion by noting that, overall, the statements were positive. The City was well positioned in the short term; however, headwinds, including any negative consequences from a potentially disorderly Brexit in March 2019, and some of the major building projects coming on stream over the next couple of years, could have implications for the City's medium-term financial outlook. Members praised the Report for being readable, well presented, and a significant improvement on previous years.

The Deputy Chamberlain highlighted that the City was on track to eliminate its pension deficit in 15 years; officers informed Members that this length of time was considered healthy and "normal" amongst local authorities nationally, and, some local authorities it was added, were still facing a 20 year plus period.

A Member added that, with the likelihood of interest rates rises over the next few years, there was a distinct possibility that the deficit could turn into a surplus. Another Member responded that the way the City accounted for its pensions deficit meant it was linked to the Bank of England's "yield curve", so, in effect, reasonable rate rises were priced in. If the economic environment shifted unexpectedly in the medium term, and monetary policy became more aggressive in response, there was the potential to overshoot the curve and that would result in a surplus. The Chairman urged caution in looking too far ahead; the Report under consideration concerned FY17/18 and, here and now, we should keep focused on the near term. He did, however, request that the actuary report on the pension scheme that goes to the Finance Investment Board should be shared with the Finance Committee, so as to give Members a greater insight into the City's long-term financial outlook.

Discussion then turned to the Police; the Chairman opened by pointing to real concerns around the robustness of the Police's financial planning. The Chairman referred to the external auditor's comment at Audit and Risk management committee in particular, that its audit opinion would have been qualified if CoLP had been a standalone organisation. The assurance given to the auditors that the City Corporation, as a whole, has appropriate financial control arrangements - which had picked up and corrected the weakness - had "saved the day". This situation was unacceptable, and work must be undertaken to turn this around.

The Chairman raised three next steps that would support these efforts:

- Internal Audit to provide a better picture of the Police's finances and greater scrutiny going forward
- Police Authority side to be beefed up – this needed to include a review on how the Police Committee could increase its financial oversight and scrutiny; and for lines of communication and data sharing between the Police and the Chamberlain's department to be significantly enhanced and made more transparent.
- Cultural issues that were creating obstacles to be tackled head on.

The Commissioner opened his remarks by stressing that he understood the significance of the Report and he accepted responsibility for “where we were at the end of FY17/18”. He accepted the tenor of what the auditors said but did not want Members to assume that the Police’s finances are in a bad shape; they, in fact, had come in broadly within budget. The issue is the checks and systems in place, and the mechanisms to report properly information to the Authority, were not fit for purpose.

The high turnover of staff had proved very damaging; unusually, on four separate occasions, candidates for the Police’s Finance team failed their vetting, which left the team understaffed at a critical time.

To help ensure the situation is turned around for the end of FY18/19, a new accountant has been appointed in the Commissioner’s team, the vacancies in the Finance team have been filled, and another force has come in to review and spot check CoLP’s systems and control - and found no significant concerns. In addition, the Deputy Chamberlain was working with the Police to improve matters.

The Commissioner concluded his opening remarks by emphasising that, in the context of oversight, CoLP were in a different constitutional position to other departments, whilst this was not a defence of the failures highlighted by the auditors, it should be recognised that imposing a one-size-fits-all approach would be unsuitable. Whilst there was full recognition that CoLP retaining operational independence was critical, financial forecasting needs to be significantly improved. Collaborative discussions were ongoing at senior levels, to enable greater clarity and certainty about the relationship between the Police Authority and the CoLP.

The Chairman responded that he was encouraged by the ongoing discussions, but highlighted the £3.1m (relating to the IBM contact for Action Fraud) that was marked as a saving in the budget monitoring report; this sum has slipped into FY18/19. This typified the lax grasp of the data and helped to create doubts on the part of Members, when the Police asked for new funding. In mitigation, officers responded that discussions with IBM were ongoing – a resolution was taking a considerable amount of time to reach.

A Member expressed the view that “we are where we are”, the CoLP was a special and unique force that was much closer to its police authority than other police forces across the UK. It was time to look forward, with adequate resources put in place, and with CoLP and the City working together in partnership to turn things around.

Members emphasised that much more needed to be done to improve financial controls and forecasting, including paying qualified professionals to work alongside the Commissioner to get on top of these issues. Finance Committee should stress the absolute seriousness with which it takes this challenge.



The Deputy Chairman said that it was critical not to be in this situation again next year; he welcomed everything that had been said, but it was imperative that things were turned around.

The Chairman added that much more consideration was now needed to be paid to the City's role as a Police Authority. Proposals were due to be presented to Members in the autumn.

A Member asked whether CoLP could return responsibility for Action Fraud to the Home Office; in response, officers cautioned that this would be unhelpful in the current climate and the CoLP was determined to make a success of Action Fraud – it was one of the pillars that gave CoLP a significant national footprint.

In response to a query, officers confirmed that any surplus or deficit in the Police pension fund for Police Officers is covered by the Home Office, as it is an unfunded scheme.

The Commissioner responded that he was aware that this was a serious situation and he was certain that it would not be repeated. He re-emphasised that the heart of the issue was the failings in CoLP's financial checks and systems, as opposed to the Police budget being out of control.

The Chamberlain stressed that we should now look ahead; over time, the model could very possibly evolve to incorporate more shared services, whilst retaining the operational independence of CoLP and the Commissioner retaining independent financial advice. The Commissioner responded that he was concerned about the tenor of the discussions at the recent meeting of the Audit and Risk Management Committee – whilst collaboration should be a primary driver for the Police, the importance of retaining independence in certain areas was paramount.

The Chairman informed Members that the Town Clerk had sent a note to the Commissioner outlining proposals for the future relationship; a Report will be circulated to the Finance Committee in due course specifically focusing on Finance Committee's function in this context.

**Members noted that the sessions had raised a couple of queries which could stray into exemption categories 1, 2 & 3 (information relating to an individual/likely to reveal the identity of an individual and information relating to the financial or business affairs of any particular person or body) under the Local Government Act 1972 and they therefore requested members of the public to leave temporarily the room. A record of the subsequent discussion is included in the non-public section of the minutes.**

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

- Considered the resolution from the Audit and Risk Management Committee and approve the City Fund and Pension Fund Financial Statements for the year ended 31 March 2018; and

- Delegate to the Chamberlain, in consultation with the Chairman and Deputy Chairman of the Finance Committee, approval of any material changes to the financial statements required before the signing of the audit opinion by BDO - which is expected to be by the end of July.

7. **PROVISIONAL OUTTURN 2017/18**

The Committee received a Report of the Chamberlain concerning the provisional outturn for 2017/18.

The Deputy Chamberlain highlighted an error on table 3; the September figures were incorrectly shown, updated December figures were tabled.

Pointing to the material differences in variances between December and March, the Chairman commented that officers had to overcome a long-standing departmental cultural instinct to build in a cushion; this suggested that fat existed in the system. He was disconcerted by the persistent underspending across the Corporation and reminded officers that where there was a sound and approved explanation, overspending would not always result in a harsh reprimand. It would be less concerning, if, in aggregate, the budget was being met and departments had good reasons for extra spending. In addition, he informed Members that, from now on, except for carry forwards, officers will not be adjusting the revenue budget in-year; Members welcomed this development.

A Member requested that, in future, separate variances in income and variances in expenditure would be outlined in these reports.

**RESOLVED** – that the Committee noted the Report.

8. **COMMITTEE AND MEMBERS SERVICES TEAM - REQUEST FOR ADDITIONAL RESOURCES**

The Committee considered a Report of the Town Clerk concerning a request for additional resources for the Committee Services team.

A Member was of the view that, with the creation of several new Committees and working groups over the last 12 months, this request would be hard to deny. He suggested that, while funding should be approved, a report should be produced presenting proposals on how this growth in Committees/working groups could be curtailed in future, as the growth we had seen in the last year was unsustainable. This echoed a request made at Establishment Committee on 9 July. Officers would present this Report to Members of the Policy and Resources Committee in the autumn.

A Member clarified that the Billingsgate Sub-Committee should be not be listed as one of the bodies which were “in the pipeline of being established” as it already existed; officers confirmed that it would be reinstated under the sub-heading of “consultative committees”.

**RESOLVED** – that the Committee approved the provision of £111k this year to fund the posts from its 2018/19 contingency.

9. **CENTRAL CONTINGENCIES**

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

**RESOLVED** – that the Committee noted the report.

10. **FSD QUARTERLY UPDATE REPORT**

The Committee received a Report of the Chamberlain concerning the Financial Services Division's Q1 update.

**RESOLVED** – that the Committee noted the Report.

11. **Q1 2018/19 BUDGET MONITORING REPORT**

The Committee received a Report of the Chamberlain concerning budget monitoring for Q1 2018/19.

**RESOLVED** – that the Committee noted the Report

11.A **Police ICT Company financial guarantee**

Members received a Report of the Chamberlain concerning the Police ICT Company.

**RESOLVED** – that the Committee approved the provision of a financial guarantee of £25k for the Police ICT company.

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

There were no questions.

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

There were no urgent items.

14. **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.

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

The non-public minutes of the meeting held on 5<sup>th</sup> June 2018 were approved as an accurate record

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

The Committee received verbal reports of the respective Sub-Committee Chairmen which advised Members of the key non-public discussions which had taken place during recent meetings of the Corporate Asset Sub-Committee, the Efficiency and Performance Sub Committee, and the Information Technology Sub Committee.

**RESOLVED** – That the Committee noted the reports.

17. **CITY OF LONDON CORPORATION & CITY OF LONDON POLICE - IT STRATEGY - INITIAL FUNDING REQUEST**  
Members considered a Joint Report of the Chamberlain and the Commissioner of the City of London Police.
18. **DELEGATION REQUEST - ACQUISITION OF 70 FLEET STREET EC4 & SIMULTANEOUS DISPOSAL OF EDEN HOUSE, SPITAL SQUARE, E1**  
The Committee considered a Report of the City Surveyor.
19. **NON-DOMESTIC RATES - DISCRETIONARY RATE RELIEF APPLICATION**  
The Committee considered a Report of the Chamberlain.
20. **ARREARS WRITE OFF - CITY FUND**  
The Committee received a Joint Report of the Comptroller and City Solicitor and the City Surveyor.
21. **ADMITTED BODY STATUS FOR THE INTERIM SUPPLIER FOR THE POLICE FLEET MAINTENANCE SERVICES**  
The Committee considered a joint Report of the Chamberlain and the Comptroller and City Solicitor.
22. **SUMMARY REPORT ON NON-COMPLIANT WAIVERS OVER £50K FROM APRIL 2018 - JUNE 2018.**  
The Committee received a Report of the Chamberlain.
23. **NON-PUBLIC DECISIONS TAKEN UNDER DELEGATED AUTHORITY AND URGENCY PROCEDURES**  
The Committee noted a report of the Town Clerk detailing two non-public decisions taken under delegated authority procedures since the last meeting.
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**  
There were no items of urgent business.

**The meeting ended at time not specified**

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Chairman

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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:</b> Finance Committee	<b>Date:</b> 18 September 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 24<sup>th</sup> July 2018:

### **Corporate Asset Sub Committee – 5<sup>th</sup> September 2018**

*Verbal Report of the Chairman*

### **Efficiency & Performance Sub Committee – 11<sup>th</sup> September 2018**

*Verbal Report of the Chairman*

## Recommendations

The Committee is asked to note these verbal updates.

### **John Cater**

Senior Committee Services Officer, Town Clerk's Department

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<b>Committee(s)</b> Finance Committee – For Information	<b>Dated:</b> 18/09/2018
<b>Subject:</b> Chamberlain’s Key Work Streams and Business Plan – 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 key areas of work underway in Chamberlain’s and assurance that the department is making good progress in the delivery of the 2018/19 Departmental Business Plan.

Performance broadly is in line with expectations for the first quarter.

### Recommendation

Members are asked to note the report.

### Main Report

### Background

1. The Chamberlain’s Department Business Plan for 2018-2019 was approved by Finance Committee on 10<sup>th</sup> April 2018. This report has been produced to provide Members with a summary of progress against key deliverables and performance in quarter one of the current financial year.

### Progress on Key Work Streams

2. For the first time a 10 year capital outlook was prepared for the Resource Allocation Sub-Committee Awayday, this was based on the major projects that are already underway or might potentially secure Member agreement. This incorporates some significant commitments which will require further consideration as to how they can be financed in a sustainable way. A range of options, including borrowing, will be reviewed over the following months.
3. As separately reported to Finance Committee, the external auditors gave a clean audit opinion on the City Fund accounts and were complimentary about the way in which the accounts had been produced to a tighter timetable. Work is currently underway to identify and implement steps to streamline this process further.
4. Chamberlain’s department continues to work closely with the Town Clerk’s department to implement the City Corporation’s Efficiency Plan; the second round of the Chief Officer Peer Review process will continue throughout this year. The economy, efficiency and effectiveness reviews have been completed within the corporate business planning process.

5. The Business Rate Strategic Investment Pot Evaluation Panel met to review 22 bids from across London. The City Corporation is the lead authority for this pan-London project and has circulated a consultation paper on the recommended projects.
6. The Priorities Investment Pot (PIP) has been put in place to enable Members to allocate additional resources to front line services, funding priority areas of new activity that are aligned to the Corporate Plan or increased demand. The first bidding round took place in January 2018. A variety of bids were received from a range of departments, resulting in seven PIP bids, totalling £455k, recommended to and approved by Resource and Allocation Sub-Committee in March 2018. There is approximately £2.5m available to support further PIP bids in 2018/19. A third bidding round concluded at the end of August and the bids are now being evaluated.
7. Delivery to date of the IT Transformation Programme has improved end user experience and allowed the team to reduce the IT Service Provision risk to Green. The risk has also been moved from the corporate risk register to departmental level where it is being reviewed by the team.
8. The Commercial Contract Management Team have developed a programme of work to enhance the City Corporation's commercial focus and income generating activity. The Contract Management Toolkit is now established which is ensuring more effective management of supplier contracts across the organisation.

### **Delivery against Key Performance Indicators**

9. It is a requirement of the Corporate Business Planning Framework that business plan delivery update reports be provided to Committee on a quarterly basis. This first update has not been made until now as outcomes against our departmental key performance indicators (KPIs), shown in our Performance Scorecard at Appendix 1 to this report, were not available in sufficient time for the previous Committee.
10. The Chamberlain's Performance Scorecard is shown as Appendix 1 to this report. This shows good performance across the range of KPIs in place, the following are of note:
  - Accounts Payable invoice turnaround for Small and Medium Sized Enterprises (10 days) – Currently the performance for the quarter is 80%. This is an improvement on last year's overall performance of 77%.
  - Approximately 72% of invoices were received in "True" PDF format by the AP team during the period April to July, we are aiming to reach 80% by the end of the current financial year.
  - Internal Audit Performance 5% behind their target of 14% but steps are being taken to get this on track over the next quarter.

### **Chamberlains Finance Dashboard**

11. A Finance Management Information Dashboard is attached for information as Appendix 2.

## **Conclusion**

12. Members are asked to note that good progress is being made on key work streams and in the delivery of the Chamberlain's business plan. Performance for the first quarter of the year is in line with expectations.

## **Appendices**

- Appendix 1 – Chamberlain's Department Scorecard
- Appendix 2 – Chamberlains Department Finance Dashboard

## **Background Papers**

- Report to Finance Committee 10/04/2018: Chamberlain's Business Plan 2018/19

## **Hayley Hajduczek**

Business Manager

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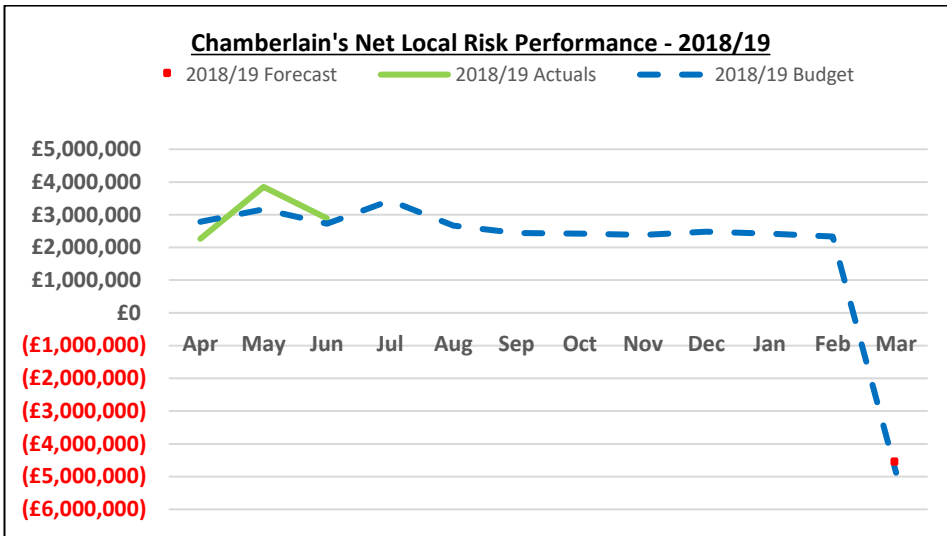
## Chamberlain's Department Performance Scorecard

				Quarterly update			
	Measure	2017/18 performance	2018/19 target	Qtr 1	Qtr 2	Qtr 3	Qtr 4
Accounts Payable invoice turnaround (30 day)	% paid measured quarterly	Cumulative:		95%			
		95%	97%	95%			
Accounts Payable invoice turnaround (10 day)	% paid measured quarterly	Cumulative:		80%			
		77%	85%	80%			
% of Invoices in true PDF form by the AP team	measured quarterly	Cumulative:		72%			
		N/A	80%	72%			
Annual Procurement Savings (cumulative)	Savings achieved	Target Profile:		£1.45m	£3.12m	£4.94m	£6.58m
		£6.98m	£6.52m	£1.63m			
Commercial rent collection rates	% collected	98.61%	98%	98.76%			
Business Rates collection rates (cumulative)	% collected	Target Profile:		28.0%	58.0%	89.25%	99.75%
		100%	99.75%	32.31%			
Internal Audit Performance (cumulative)	Audit Plan delivery (%)	96%	96%	14%	32%	62%	96%
				5%			
IT Service Performance (SLA with Agilisys is monthly so a yearly average does not necessarily reflect their performance across the year)	Fixing Issues		Application Availability				
	P1 incidents fixed within 2hrs (98%)	P2 incidents fixed within 6hrs (98%)	Application availability (99%)	Telephony Availability (99.5%)	Datacentre LAN Availability (99.9%)	Corporate Network Availability (99.5%)	
	CoL 100% CoLP 100%	CoL 67% CoLP 100%	CoL 100% CoLP 99.83%	CoL 100% CoLP 100%	CoL 100% CoLP 99.97%	CoL 99.97% CoLP 99.80%	
Publication of City Fund Accounts within Statutory Deadline of 31 <sup>st</sup> July					<b>Status:</b>	Complete	
Delivery of a balanced budget and Medium Term Financial Plan for City Fund, approved by Court of Common Council by 31 March					<b>Status:</b>		
Effective financial management: Expenditure against Departmental Local Risk Budgets within ±5% (year-end target)					<b>Status:</b>		
Provide a high quality service to our customers measured through our annual customer survey						2017/18	
Cumulative average assessment "good"						"good to very good"	
Increased staff engagement, measured by percentage of positive responses to Staff Survey Q4: "I recognise that if I am successful in my role it contributes to successful delivery of the Department's Business Plan"					2017/18	Target	
					90.1%	92%	

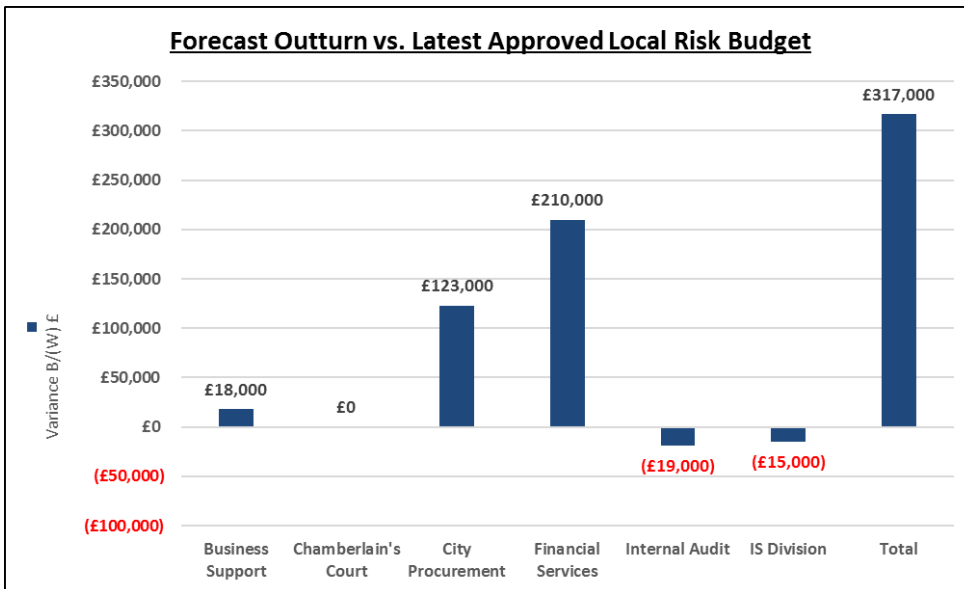
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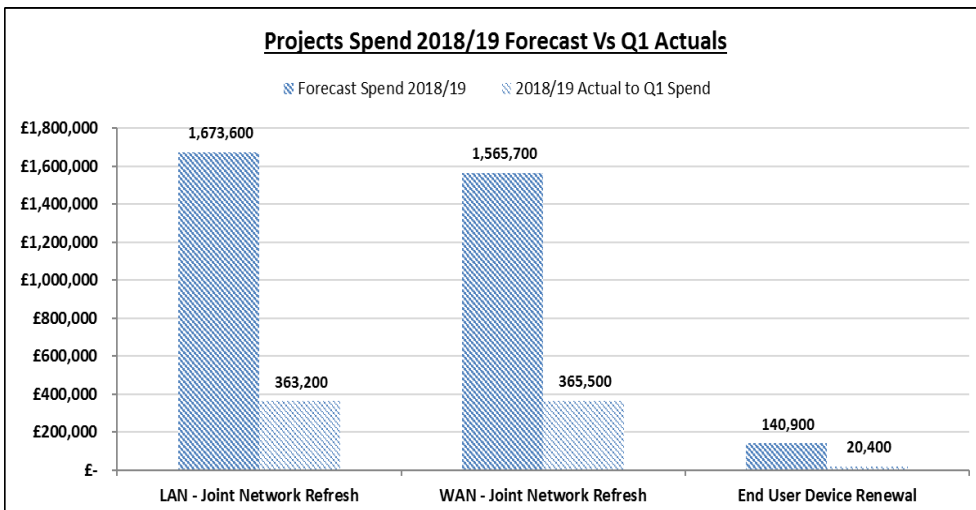
# Chamberlain's Department Finance Dashboard Q1 2018/19



- Q1 spend over budget largely due to overspend on salaries and poor phasing of budget profile.
- Forecast outturn is £317k better than budget.



- City Procurement forecast underspend of £123k largely due to vacant posts.
- Financial Services forecast underspend of £210k largely relates to continued vacant posts.



- The Chamberlain is managing £3.3m of investment in new IT infrastructure during 2018/19.

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<b>Committee(s)</b>	<b>Dated:</b>
Finance Committee – For Information	18/09/2018
<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 two RED risks on the Corporate Risk Register within the responsibility of Chamberlain’s Department:

- **CR16 – Information Security**
- **CR23 – Police Funding**

The Senior Leadership Team continues to monitor closely the progress being made to mitigate these risks.

## Recommendation(s)

Members are asked to note the report.

## Main Report

## Background

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

## Current Position

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

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

This risk will be mitigated by the implementation of projects under the scope of the IT Security Programme. Due to some GDPR data breaches the IT Sub-Committee determined that this risk should remain red for now. The data breaches are under review by the IT Security team, mitigations are to be agreed and implemented to reduce the likelihood of similar data breaches in the future. These mitigative actions will be reviewed at the next IT Sub-Committee in November 2018 where it will be determined whether the risk score should be reduced.

**CR23 – Police Funding (Current Risk: Red – no change)**

As reported previously the current financial outlook is more challenging for the City of London Police than previously anticipated. The current reserve balance of £3.5m is less than previously thought, creating a larger in-year financial deficit than was originally forecast for 2019/20. The focus is both on identifying the steps needed to close the future funding gap and on strengthening the financial management capability and oversight.

Despite a savings target of £1.2m in 2018/19, the current medium term financial plan shows an ongoing gap of £4-5m per annum. This has not yet been resolved and the risk has become an issue.

**Conclusion**

4. Members are asked to note the actions taken by Chamberlain's Department to manage both the Information Security and Police Funding risks.

**Appendices**

- None

**Background Papers**

Monthly Reports to Finance Committee: Finance Committee Risk  
Report to Finance Committee 24 July 2018: Finance Committee Risk – Quarterly Report.

**Hayley Hajduczek**

Chamberlain's Department

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<b>Committee:</b> Finance Committee – For decision	<b>Date:</b> 18 September 2018
<b>Subject:</b> Central Contingencies	<b>Public</b>
<b>Report of:</b> Chamberlain	<b>For Information</b>
<b>Report author:</b> Philip Gregory, Financial Services Division	

## Summary

This report has been produced to provide Members with an update on the Central Contingencies uncommitted balances.

## Recommendation(s)

Members are asked to note this report.

## Main Report

### Background

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.

## Current Position

3. The uncommitted balances that are currently available are set out in the table below. At the time of preparing this report there is one request for funding elsewhere on the agenda for £100,000 from City's Cash contingencies towards additional staff resources in relation to housing delivery within City Surveyors.

2018/19 Contingencies – Uncommitted Balances at 5 September 2018				
	City's Cash £'000	City Fund £'000	Bridge House Estates £'000	Total £'000
General Contingencies	767	277	46	1,090
National and International Disasters	100	0	0	100
<b>Uncommitted Balances</b>	<b>867</b>	<b>277</b>	<b>46</b>	<b>1,190</b>
Requests for contingency allocations	100	0	0	100
<b>Balances pending approval</b>	<b>767</b>	<b>277</b>	<b>46</b>	<b>1,090</b>

4. The sums which the Committee has previously allocated from the 2018/19 contingencies are listed in Appendix 1.

## Conclusion

5. Members are asked to note this report.

## Appendices

- Appendix 1 – Allocations from 2018/19 contingencies

### Philip Gregory

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**2018/19 General Contingency – City’s Cash**

Date	Description	Responsible Officer	Allocation £	Balance £
	2018/19 Provision			950,000
	2017/18 Provision brought forward to fund allocations agreed in previous years			109,000
	Total Provision			1,059,000
21 Oct 2014	Up to £98,000 in phased match funding (in partnership with the Mercers' Company) for a biography of Sir Thomas Gresham (transferred £29,000 in 2014/15, £9,000 in 2015/16 and £1,000 in 2017/18)	TC	59,000	
12 Mar 2018 (Urgency)	Funding of £49,500 towards the replacement of a servery counter for the third floor Guildhall Club servery kitchen which will take place in 2018/19	CS	50,000	
8 May 2018	Joint funding of £49,500 towards 2.5 additional posts and IT related equipment at Gresham College	TC	50,000	
24 July 2018	Total funding of £150,000 towards the CoL IT strategy (split £38,000 City Fund, £18,000 City’s Cash and £4,000 Bridge House Estates)	CHB	18,000	
Urgency 19 August 2018	Funding of £115,000 for site and limited company due diligence in relation to the Markets Consolidation Programme which will be reimbursed later in the year	CS/M&CP	115,000	
	Total allocations agreed to date			292,000
	Balance remaining prior to any requests that may be made to this meeting			767,000

**2018/19 General Contingency – City Fund**

Date	Description	Responsible Officer	Allocation £	Balance £
	2018/19 Provision			800,000
	2017/18 Provision brought forward to fund allocations agreed in previous years			60,000
	Total Provision			860,000
17 Feb 2015 and 19 Jan 2016	Funding of £142,000 and an additional sum of £80,000 towards an ongoing appeal regarding Greater London Authority Roads (transferred £84,000 in 2014/15, £20,000 in 2015/16, £23,000 in 2016/17 and £35,000 in 2017/18)	C&CS/CS	60,000	
6 April 2018	Funding of £80,000 towards a building fire survey and cost of interim Fire Safety Advisor at the Central Criminal Court	TC	80,000	
8 May 2018	Funding of £185,000 towards an item only for Members attention	TC	185,000	
8 May 2018	Joint funding of £18,477 towards the immediate work of restoring the priority works within the Gresham Music Collection	TC	19,000	
24 July 2018	Funding of £111,000 towards additional posts within Town Clerk's Committee and Member Services	TC	111,000	
24 July 2018	Total funding of £150,000 towards the CoL IT strategy (split £38,000 City Fund, £18,000 City's Cash and £4,000 Bridge House Estates)	CHB	38,000	
24 July 2018	Total funding of £90,000 towards the CoLP IT strategy	CHB	90,000	
	Total allocations agreed to date			583,000
	Balance remaining prior to any requests that may be made to this meeting			277,000



**2018/19 General Contingency – Bridge House Estates**

Date	Description	Responsible Officer	Allocation £	Balance £
24 July 2018	2018/19 Provision	CHB	4,000	50,000
	2017/18 Provision brought forward to fund allocations agreed in previous years			0
	Total Provision			50,000
	Total funding of £150,000 towards the CoL IT strategy (split £38,000 City Fund, £18,000 City's Cash and £4,000 Bridge House Estates)			
	Total allocations agreed to date			4,000
Balance remaining prior to any requests that may be made to this meeting		46,000		

**2018/19 National & International Disasters Contingency – City's Cash**

Date	Description	Responsible Officer	Allocation £	Balance £
	2018/19 Provision			100,000
	Total allocations agreed to date			0
	Balance remaining prior to any requests that may be made to this meeting			100,000

## Key to Responsible Officers:

CS – City Surveyor

TC – Town Clerk

C&amp;CS – Comptroller and City Solicitor

OS – Director of Open Spaces

CHB – The Chamberlain

M&amp;CP – Director of Markets and Consumer Protection

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<b>Committee</b>	<b>Dated:</b>
<b>Finance</b>	<b>18 September 2018</b>
<b>Subject: Housing Delivery – request for budget</b>	<b>Public</b>
<b>Report of:</b> Director of Community and Children’s Services and City Surveyor	<b>For Decision</b>
<b>Report author:</b> Peter Young– Corporate Property Director, City Surveyor department	

## Summary

The City of London Corporation (City Corporation) set a target to deliver 3,700 homes on sites in its ownership by 2025. The complexity, and subsequent timeline, of bringing some significant sites forward for development is such that this target will not be completed within the timescale set. This is likely to reduce delivery of new homes by 2025 to the 700 units planned on existing social housing estates and 200 units on other sites.

Members of the Housing Delivery Programme Working Group would like the City Corporation to consider an additional policy to identify further external housing opportunities, to resource the development of these options and commit in principle to investment in such opportunities. This request was considered at Policy and Resources committee on the 5 July 2018 and approved. A copy of that report is attached in Appendix 1.

Approval included the request for a budget £100,000 for additional staff resources to enable new opportunities to be identified, researched and costed options to be presented to Members for further consideration. This report now seeks approval for this budget being drawn from the Finance Committee’s Contingency Fund.

## Recommendations

Members are asked to:

- Note the Policy and Resources committee approval decision to identify and explore external housing opportunities with additional staff resources of £100,000.
- Approve the use of your committee’s Contingency Fund for City’s Cash as the funding source for the £100,000 budget.

## **Appendices**

- Appendix 1 – 5 July 2018 Report - Policy and Resources Committee - Housing Delivery

## **Background Papers**

16 October 2015: Report – Policy and Resources Committee: Increasing the Supply of Homes. Role of the City of London Corporation

### **Peter Young**

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## **Appendix 3 - Housing Delivery Programme Working Group: Terms of Reference**

### **Housing Delivery Programme Working Group**

- the Chairman of the Policy and Resources Committee (or his/her representative Sir Mark Boleat also appointed by the Committee as Chairman)
- the Chairman of Community and Children's Services Committee (or his/her representative – Dhruv Patel)
- the Chairman of the Housing Management and Almshouses Sub Committee (or his/her representative – Randall Anderson)
- four Members of the Court of Common Council elected by the Policy and Resources Committee (Michael Cassidy, Alderman Greg Jones, James Thomson and Philip Woodhouse)

### **Terms of Reference**

To be responsible for supporting the Policy and Resources Committee in progressing the delivery of the Corporation's target of establishing 3,700 new houses over the next 10 years, 700 on the City Corporation's Housing Revenue Account estates and 3,000 on other sites owned by the Corporation.

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<b>Committee</b>	<b>Dated:</b>
<b>Policy and Resources</b>	<b>5 July 2018</b>
<b>Subject: Housing Delivery</b>	<b>Public</b>
<b>Report of:</b> Andrew Carter, Director of Community and Children’s Services Paul Wilkinson, City Surveyor	<b>For Decision</b>
<b>Report author:</b> Simon Cribbens – Assistant Director, Community and Children’s Services	

### **Summary**

The City of London Corporation (City Corporation) set a target to deliver 3,700 homes on sites in its ownership by 2025. The complexity, and subsequent timeline, of bringing some significant sites forward for development is such that this target will not be completed within the timescale set. This is likely to reduce delivery of new homes by 2025 to the 700 units planned on existing social housing estates and 200 units on other sites.

Members of the Housing Delivery Programme Working Group would like the City Corporation to consider an additional policy to identify other housing opportunities, to resource the development of these options and commit in principle to investment in such options.

### **Recommendations**

Members are asked to:

- Note the challenges to delivering the existing policy of 3,700 additional homes by 2025.
- Consider the development of an additional policy and options to increase the supply of new homes beyond the use of its own sites and if agreed to:
  - Agree in principle to the allocation of resources for future investment.
  - Note the potential and range options and opportunities set out.
  - Approve resources of up to £100k from City Cash to provide expertise and capacity to develop and propose costed options for delivery.
  - Amend the Terms of Reference of the Housing Programme Delivery Working Group accordingly.

## **Main Report**

### **Background**

1. In October 2015 the City of London Corporation set out its policy response to the capital's housing shortage. This committed to the delivery of 3,700 additional homes by 2025.
2. An assessment of opportunities to increase housing supply identified capacity within the City Corporation's existing social housing estates for approximately 700 additional homes. Outside of these estates, the City Corporation has identified sites in its ownership with the potential to deliver a further 3,000 new homes post their current operational or investment use.
3. The shortage of housing in London remains acute. Since the City Corporation set out its approach in 2015, the capital has witnessed the tragic events of Grenfell Tower, and renewed commitments to tackling housing shortage from the government and Mayor of London. These have served to ensure housing remains a significant political, social and economic issue.
4. This context provides an opportunity for the City Corporation to fulfil the aims of its Corporate Plan to contribute to a flourishing society and thriving economy.

### **Current Position**

5. Delivery on sites within the City Corporation's social housing estates has focused on smaller scale development, yielding 62 new homes to date. Seven other current schemes are expected to deliver a further 270 new homes, support by £14.6 million grant funding secured from the Greater London Authority (GLA).
6. Beyond these schemes, delivery within the social housing portfolio will focus on larger scale opportunities offering better economies and value (albeit at greater complexity). This focus coincides with changes to planning policy, London Plan targets and approaches in boroughs in which the Corporation has housing stock. Together, these offer the potential to deliver more homes than originally proposed for these estates.
7. However, the social housing (Housing Revenue Account) business plan is being reviewed in the light of investment commitments arising from a new stock condition survey of existing homes, and commitments to retrofit fire safety measures. These needs may reduce the resources available for new build development.
8. The greatest potential for delivery on other City Corporation sites is focussed on the opportunities provided by the Markets Review. These sites have been assessed as having capacity to deliver in excess of 4,000 homes, subject to planning. However, realising these opportunities is subject to decisions regarding the relocation of existing wholesale markets, planning challenges, and a change in legislation. The timeline and complexity of these elements means the sites may



not be available for redevelopment for up to ten years. Therefore, there can only be confidence in the delivery of the 700 homes planned on existing social housing estates by 2025 and a further 200 units on other sites (see Appendix 1)

9. Other significant opportunities are being explored, but are contingent on negotiation with, and the co-operation of, third party leaseholders and the local planning authority.

### **Housing Delivery Programme Working Group**

10. To support the City Corporation's housing delivery, a member-led Housing Delivery Programme Working Group has been established. Its remit relates to the delivery of the target and policy agreed in October 2015. The conclusion of members of this Working Group is that the delivery of 3,700 new homes on these sites cannot be achieved by 2025.

11. This conclusion has given rise to consideration within the Working Group as to whether the City Corporation's contribution to tackling housing shortage should be met through additional policy approaches. It is proposed by members of that Working Group that any such approaches, if supported, should

- i. Look at all opportunities for delivering new homes with a focus on:
  - City Corporation owned land
  - land owned by other London Boroughs or authorities within close proximity to London that could be developed in partnership with the City Corporation
  - land owned by other parties including the GLA, Homes England, Housing Associations, the NHS, TfL or similar that could be developed in partnership
- ii. Where such opportunities:
  - drive additional volume that might not otherwise be delivered
  - accelerate housing output.

12. In doing so the City Corporation would seek to provide and encourage the provision of homes of mixed tenures for those on a range of incomes. It would avoid simply bidding for land on the open market where the role of City Corporation would not bring added value, additional volume or accelerate delivery.

13. Such an approach would recognise the potential of a broad range of investment vehicles for supporting delivery through partnerships, joint ventures and scheme borrowing with both the public sector and private sector. These would be evaluated on a scheme by scheme basis.

### **Potential future approaches**

14. The high profile nature of the City Corporation's policy commitment to new homes has encouraged a number of partners – both in private and public sectors – to propose development opportunities and potential ventures.

15. At face value some would appear to propose schemes that would otherwise be delivered by the market. However, other proposals seek support to unlock delivery - including investment in homes on public sector land, supporting schemes with partner authorities and investing in infrastructure. In addition, a more ambitious approach to the regeneration of some City Corporation housing estates could deliver significantly more units than planned. A number of these emerging proposals are set out in Appendix 2.
16. Members of the Working Group also suggested the City Corporation could use its brand and balance sheet to give reassurance to developers of potential schemes and accelerate delivery where market conditions had softened.
17. While a range of external opportunities beyond our own land exist for the City to consider, it was noted that their exploration would need a dedicated and skilled resource. It was also noted that any such approaches imply a financial investment, potentially of significant scale, and that further exploration should only be pursued if there was commitment in principle to consider such additional investment alongside what will be required to deliver our own sites and other City priorities.

## **Proposals**

18. Members are asked to consider whether in the light of the conclusions of the Housing Delivery Programme Working Group, the City Corporation should develop an additional policy and options to increase the supply of new homes beyond the use of its own sites. These options would remain consistent with the other principles agreed in the City Corporation's policy "Increasing the Supply of Homes – the Role of the City of London Corporation".
19. If such an approach is supported, Members are asked to agree in principle to the allocation of resources for future investment, the source of which will be identified as proposals develop, and which will depend on the capacity in which the City is acting. This would enable a meaningful dialogue with partners to identify the range and cost of options for full and future consideration by Members.
20. The return on such investment would depend on the quality of the decision taking, market conditions and unforeseeable external factors. It is noted that private sector investment in social and affordable housing is currently targeting up to 5 per cent and in some cases 6 per cent investment yields.
21. To provide guidance and focus to the options that should be pursued for detailed consideration, it would be necessary to amend the terms of reference of the Housing Delivery Programme Working to reflect any agreed change in policy or remit. The current Terms of Reference are appended (Appendix 3).
22. To progress these proposals, Members would need to approve and resource additional capacity, with appropriate skills, knowledge and experience. This would be delivered through either a fixed term appointment or commissioning of an external advisor.

23. The duration and scale of such a resource will be driven by the number of opportunities identified for appraisal and whether subsequent or additional opportunities are sought.
24. Members are therefore asked to make available funding of up to £100,000 from City Cash to support this work.

### **Corporate & Strategic Implications**

25. The City Corporation's contribution to tackling housing shortage will support its corporate strategy aims to "contribute to a flourishing society" and "support a thriving economy".
26. As the proposals progress, specific consideration can be given to the capacities in which the City may most appropriately undertake the activities (ie City's Cash, as trustee of Bridge House Estates, or in its local authority capacity). This will need to include consideration of trustee duties (if BHE is involved) and of relevant statutory powers (if the City acts in its local authority capacity). These issues would be the subject of further reports containing detailed consideration of the issues highlighted and all other issues which emerge.

### **Implications**

27. The cost of delivering any wider housing ambition will be contingent on the site, nature and scale of any such scheme. A recent example includes reported expenditure of over £40m by the Mayor of London to acquire a hospital site for 800 homes in north London. It should also be noted that the average cost of delivering affordable housing in the capital – including land and on-costs – is currently estimated in the range of £300,000 - £400,000 per unit.

### **Health Implications**

28. Adequate housing is fundamental to the health and wellbeing of individuals, and therefore increasing the supply of homes will have positive implications for health.

### **Conclusion**

29. Tackling housing shortage in the capital remains one of the most urgent issues facing all tiers of government in London. The City Corporation has committed to play its part to address this issue by increasing the supply of homes on development sites across London. In doing so it has the opportunity to provide and encourage the provision of homes of mixed tenures for those on a range of incomes.

### **Appendices**

- Appendix 1 - Delivery opportunities on City Corporation sites outside of the Housing Revenue Account (non-public)
- Appendix 2 – Housing opportunities: emerging proposals (non-public)

- Appendix 3 – Housing Delivery Programme Working Group: Terms of Reference

### **Background Papers**

16 October 2015: Report – Policy and Resources Committee: Increasing the Supply of Homes. Role of the City of London Corporation

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## **Appendix 3 - Housing Delivery Programme Working Group: Terms of Reference**

### **Housing Delivery Programme Working Group**

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- the Chairman of the Housing Management and Almshouses Sub Committee (or his/her representative – Randall Anderson)
- four Members of the Court of Common Council elected by the Policy and Resources Committee (Michael Cassidy, Alderman Greg Jones, James Thomson and Philip Woodhouse)

### **Terms of Reference**

To be responsible for supporting the Policy and Resources Committee in progressing the delivery of the Corporation's target of establishing 3,700 new houses over the next 10 years, 700 on the City Corporation's Housing Revenue Account estates and 3,000 on other sites owned by the Corporation.

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<b>Committee(s):</b>	<b>Date:</b>
Finance Committee – For decision	18 September 2018
<b>Subject:</b> Irrecoverable Non-Domestic Rates	<b>Public</b>
<b>Report of:</b> Chamberlain	<b>For Decision</b>
<b>Report author:</b> Phil Black – City Revenues	

## Summary

The Finance Committee has delegated authority to the Chamberlain to write off non-domestic rates debts of up to £5,000 and council tax debts of up to £1,000 without seeking the approval of the Committee. This annual report seeks approval to write off irrecoverable amounts in excess of those levels.

Under the arrangements in place from 1 April 2013 when the business rates retention scheme was introduced, 50% of income and therefore any losses attributable to irrecoverable amounts is met from the government's central share. The remaining 50% is funded from the local share. The local share is divided between the City Corporation (30%) and the Greater London Authority (20%). Under the London Business Rates pooling arrangements from 1 April 2018 the shares are revised and are wholly distributed between the GLA at 36% and the City Corporation share at 64%. The element attributable to the additional amounts levied by the City of London as a premium and the Crossrail business rate supplement for the Greater London Authority are borne wholly from the proceeds of the premium and supplement.

All the amounts submitted for write off have previously been provided for as uncollectable in accordance with guidelines agreed with the City Corporation's external auditors and instructions issued by central government for the accounting of non-domestic rate. The amounts submitted have been included in a previous year's provision for bad debts in the annual outturn contribution form (NNDR3).

## Recommendation

Members are asked to:

- Approve the write off of irrecoverable non-domestic rates in the sum of £2,635,943 noting that £754,978 will be met by the City Corporation and £22,965 from the premium. The debt relates to 33 companies and two individuals dating back to 2012.

## **Main Report**

### **National Non-Domestic Rates**

1. The level of irrecoverable National Non-Domestic Rates in this report is £2,635,943. The total amount submitted for write off comprises debts that have arisen over several financial years. All available recovery procedures have been taken to recover these sums, but without success.
2. The debts are uncollectable primarily because the companies concerned have become the subject of insolvency proceedings or have ceased to trade and subsequently been struck off the Register of Companies and dissolved or the ratepayers concerned are bankrupt or have absconded. The proposed write offs take account of any dividend payments received after the realisation of any assets.

### **Options**

3. These debts have proved to be irrecoverable after exhaustive checks have been made. The City follows a statutory recovery process and where payment is not made a Liability Order is obtained at Magistrate's Court and enforcement action instigated. These companies are dissolved or in liquidation, the ratepayer is bankrupt or absconded and the only course of action now available is to write them off. If the debts are not written off there is a risk of non-compliance with the financial orders.

### **Proposals**

4. The table below sets out the amounts recommended for write off and for comparison purposes the amounts that were written off by Committee in the previous two financial years.
5. The total annual debit for each of these years is in excess of £900 million. The total write off amount is higher on this occasion when compared to the previous two years. This can be attributed to a single case. One ratepayer was in LPA (1925) receivership at the time they took the building back from tenants. The City Solicitor and Comptroller engaged early with the mortgagee's agents, but no positive outcome was achieved. The mortgagee held a floating charge over the assets, their agents disposed of the building as the borrower(ratepayer) were unable to fulfil their mortgage commitments. The ratepayer subsequently went into liquidation and was dissolved. This organisation accrued over £1,761,000 in unpaid empty property rates during this period. There was no action that could have been taken to recover the business rates and in the circumstances there is no alternative but to write the debt off.
6. The amounts written off, including amounts written off under delegated powers, as a percentage of the annual non-domestic rates debit, is less than 0.5% in each year.



<b>Reason for write off</b>	<b>Amount submitted for write off 2016/17</b> £	<b>Amount submitted for write off 2017/18</b> £	<b>Amount submitted for write off 2018/19</b> £
Dissolved companies	649,332	727,313	2,370,521
Companies in liquidation	281,411	264,782	233,785
Companies in administration	43,593	249,620	0.00
LPA Receiver appointed	0.00	0.00	0.00
Bankrupt individuals	15,416	0.00	19,381
Absconded individuals	117,318	20,992	0.00
Otherwise irrecoverable/uneconomic	14,075	96,771	12,256
<b>Total</b>	<b>1,121,145</b>	<b>1,359,478</b>	<b>2,635,943</b>

### Implications

7. All the amounts submitted for write off have previously been provided for as uncollectable in accordance with guidelines agreed with the City Corporation's external auditors and instructions issued by central government for the accounting of non-domestic rate. The amounts submitted have been included in a previous year's provision for bad debts in the annual outturn contribution form (NNDR3).
8. The attribution of the cost of the amounts submitted for write off is detailed below:

<b>Attribution of amounts of non-domestic rates to be written off as irrecoverable</b>	<b>Amount £</b>
Government's Central Share	1,191,413
City Corporation	754,978
GLA	566,968
Crossrail Supplement	99,619

City Premium	22,965
Total	<b>2,635,943</b>

9. The elements attributable to additional amounts levied by the City of London as a premium and under the Crossrail business rate supplement are borne wholly from the proceeds of the premium and supplement.

**Phil Black**

Head of Revenues

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<p><b>Committee(s):</b> Finance Committee – For information  Audit and Risk Management Committee – For Information</p>	<p><b>Date(s):</b>  <b>18/09/2018</b>  <b>25/09/2018</b></p>
<p><b>Subject:</b> 2017-18 City Fund and Pension Fund Financial Statements – Audit Completion Report</p>	<p><b>Public</b></p>
<p><b>Report of:</b> The Chamberlin</p>	<p><b>For Information</b></p>
<p><b>Report author:</b> Philip Gregory, Deputy Director, Financial Services Chamberlain’s</p>	

### Summary

The draft City Fund and Pension Fund financial statements were presented to both Committees during the July committee cycle. These statements have now been finalised following completion of the external audit conducted by BDO. The finalised statements were published on the City’s website on 31 July, meeting the statutory publication deadline.

The audit completion report for the City Fund and Pension Fund can be found in Appendix 1 and 2 which outline the changes made to the account along with the recommendations made.

### Recommendation(s)

Members are asked to note the report.

### Main Report

#### Background

1. The Audit and Accounts Regulations 2015 required the City to submit the draft statement of accounts for the City Fund and Pension Fund by 31 May, with the audit of these statements completed by 31 July. The 2017/18 statements were the first to abide by these earlier deadlines.

## **Current Position**

2. The audit of the City Fund and Pension Fund financial statements is now complete, with an unqualified opinion given to both. The audit completion reports can be found in appendix 1 and 2 of this report.
3. There were 2 recommendations made as part of the City Fund audit which were:
  - a. To review the settlement data relating to NNDR appeals against the 2017 list to ensure that the provision is based on expected settlements rather than worst case scenarios; and
  - b. The City should ensure that they carry out the proposed review of the Police MTFs and budget setting and monitoring process as soon as possible so that a confirmed position is available to enable plans to be drawn up to assist the force in moving forward on a solid financial footing.
4. Both recommendations are being actioned by the responsible officers as detailed in page 30 of appendix 1.
5. No audit recommendations were made for the Pension Fund.

## **Conclusion**

6. The City Fund and Pension Fund accounts were submitted and audited within the new earlier statutory deadlines. Work will now focus on addressing the 2 audit recommendations on the City Fund and reviewing our processes with the aim of producing the statements in the most efficient way.

## **Appendices**

Appendix 1 – CoL City Fund Audit Completion Report

Appendix 2 – CoL Pension Fund Audit Completion Report

## **Background Papers**

2017/18 Audited City Fund and Pension Fund Statement of Accounts – available on the City of London website click [here](#) for access.

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<b>Committee(s)</b>	<b>Dated:</b>
Finance Committee	18 September 2018
<b>Subject:</b> City Procurement Quarterly Progress Report (September 2018)	<b>Public</b>
<b>Report of:</b> The Chamberlain	<b>For Information</b>
<b>Report author:</b> Chris Bell, Commercial Director, Chamberlain's	

### Summary

The report updates Members on the work of City Procurement and the key areas of progress since our last report in May 2018.

#### **Members are asked to:**

Note the progress report on key strategic improvement projects and performance:

- i. Procurement savings at end of July 18 of £2.12m achieved against cumulative target of £2.04m.
- ii. Projecting year-end procurement savings of £6.79m against target of £6.52m.
- iii. Additionally, achieved Commercial Contract Management savings to date of £231k.
- iv. Purchase Order Compliance is at 97% for FY18/19 to date
- v. For the first 4 months of FY 18/19, 96% of all supplier payments are happening within 30 days whilst 80% of SME supplier payments are happening within 10 days. An action plan to improve and stabilise our 10-day payment performance has been devised.
- vi. Finally, 72% of invoices are currently received in True PDF format which is the compatible format required in preparation for a new e-invoicing system that should be in place by the end of FY 2018/19.
- vii. Waiver trends:
  - a) Number of waivers has reduced by 62% this year to date.
  - b) Non-compliant waivers have decreased by 64%.
  - c) 18 Procurement breaches recorded to date this year.

## Main Report

### Background

1. City Procurement has four main functions, Category Management/Sourcing, Commercial Contract Management, Accounts Payable and Policy and Compliance. This report updates on progress and current performance of delivery against the service KPIs set in the Chamberlain's Business Plan in April 2018.

### Efficiency and Savings

2. City Procurement is set an annual savings target at the start of each year based on the contracts to be let during the financial year that have the potential to make efficiency or cost savings and contracts let in previous years that are generating guaranteed savings in the current year. Each contract is reviewed by the relevant Category Board to set the targets: each contract target considers historic spend, scope changes, complexity, risk and industry benchmarks. The 2018/19 City Procurement target is £6.52m as approved at Finance Committee in June 2018.

### The Annual Savings Target elements

3. The 2018/19 annual savings target was set using two types of in-year savings:
  - a. **Previously let contracts generating savings (known as run-rate)** – Savings already guaranteed for the current financial year from contracts let in previous years. This is for contracts that span different financial years and is typically for service contracts that are let for a 2-7 year period when the savings are spread across the contract life.
  - b. **New contracts let generating savings** – Savings targeted to be generated from new contracts let during the current financial year.
4. The savings targets are for competitive price savings and are not inclusive of scope changes/service downgrades or other operational decisions which are treated as local department savings.

### Commercial Contract Management savings target

5. In addition to the City Procurement annual target, an additional savings target for Commercial Contract Management has been introduced. This relates to efficiencies and savings delivered within the duration of a contract. The 2018/19 Commercial Contract Management target is £1.27m.

### 2018/2019 Efficiencies and savings progress as at 31 July 2018

6. City Procurement to date has achieved £2.12m compared to the cumulative target of £2.04m for this period. In terms of the annual position, City Procurement is projecting a positive end of year position of realised savings totalling £6.79m against the target of £6.52m. Of the projected £6.79m total savings, £6.09m will be budget impact savings. (£829k new cashable this year).
7. Additionally, Commercial Contract Management efficiencies and savings have already been achieved this year. As a result, a total savings of £231k have contributed to the 2018/19 target of £1.27m. A regular update on Commercial Contract Management efficiencies and savings initiatives are to be reported at Procurement Sub-Committee.

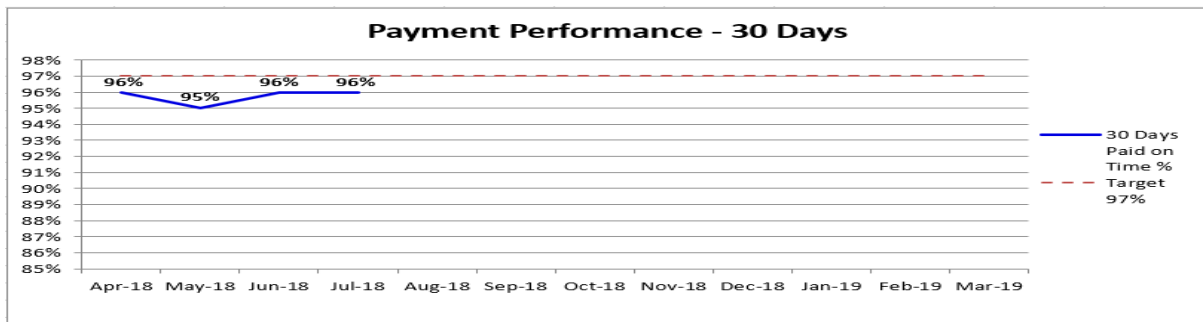
## Accounts Payable Performance - PO Compliance/No PO No Pay

- The Corporation's No PO No Pay Policy is now fully embedded, and we continue to achieve high levels of compliance. We achieved 97% compliance on average against our target for FY18/19 of 97% compliance as at end of July 2018.

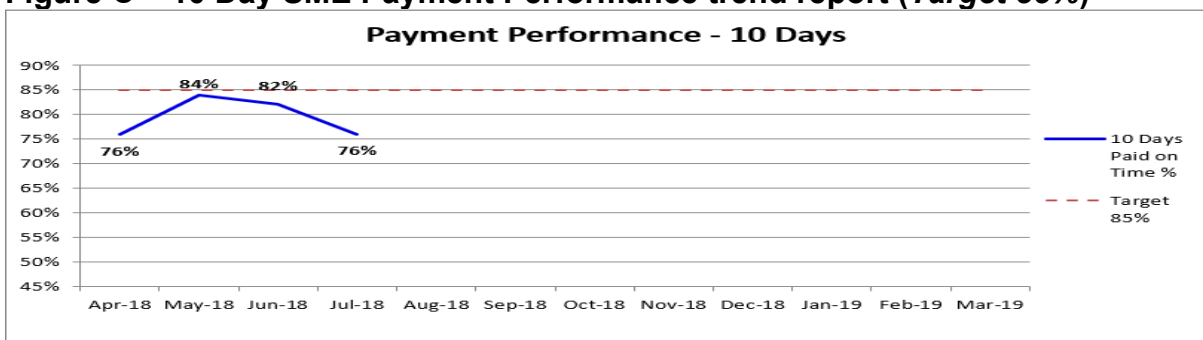
## Payment Performance

- The Corporation's 30-day invoice paid on time performance is currently 96% (target 97%).
- Our 10-day SME invoice payment performance is 80% (target 85%) as at end of July 2018. Unfortunately, the 10-day paid on time figure is just falling short of the target due to the backlog of invoices in the first 4 months of the year. An action plan is now being put in place to seek to achieve the target. This will be presented at Procurement Sub-Committee in November 2018.
- It should be noted that the 10-day SME target is a corporation aim and not a contractual obligation or government target, and that our average days for all payments in 16 days, so SMEs are still being paid well in advance in most cases of the contractual 30 days terms. Therefore, although it is disappointing we are not consistently hitting this target, performance still outstrips industry standards and there are no contractual or penalties associated.

**Figure B – 30 Day Payment Performance trend report (Target 97%)**



**Figure C – 10 Day SME Payment Performance trend report (Target 85%)**



## True PDF Invoices Received

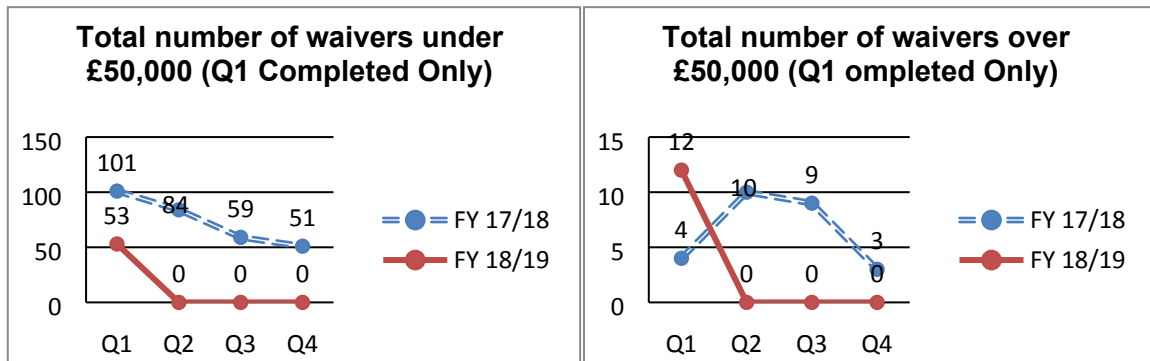
- Starting from FY2018/19 City Procurement have been monitoring the number of invoices received in 'True PDF format' which is the machine readable compatible format required in preparation for a new e-invoicing system that should be in place during FY 2018/19. The percentage of True PDF invoices being received as at end of July 2018 is 72% on average against the FY 2018/19

target of 80%. This new technology should see increased processing rates whilst reducing error rates as it eradicates the need for manual keying.

### Current Waiver performance

13. This part of the report sets out the quarterly trend update on the approval of waivers. The following graphs compare the trend of number of waivers from Q1 2017/18 and Q1 2018/19. Waivers under £50k require a Chief Officer approval, with those above requiring the approval of the appropriate spend Committee.

**Figure D – Total waivers (compliant and non-compliant) trend charts**



14. The total number of waivers so far this year is **65** (compared to 105 for same period in 2017/18), break down as follows:

- a. Compliant Waivers **37** – (value £2.07m)
- b. Non-Compliant Waivers **28** - (value £1.20m)
  - i. Procurement Breaches (subset of Non-compliant total) **18** (£843k)

15. Trends:

- a. Total number of waivers has reduced by 62% this year to date.
- b. Total number of non-compliant waivers has decreased by 64% compared to the same period in FY 2017/18.
- c. Non-compliant waivers make up 43% of all waivers this year to date.

### Freedom of Information Requests

16. City Procurement have responded to 11 FOI requests during the period of April to July 18 totalling 18 hours of officer time.

### Conclusion

17. City Procurement continues to achieve consistent performance, attaining the majority of its KPIs for this financial year to date. The 10-day payment target remains challenging due to our low performance year to date and our reliance on the business to goods receipt promptly, otherwise we are on track to achieve our service KPI's and over-achieve on Procurement Savings.

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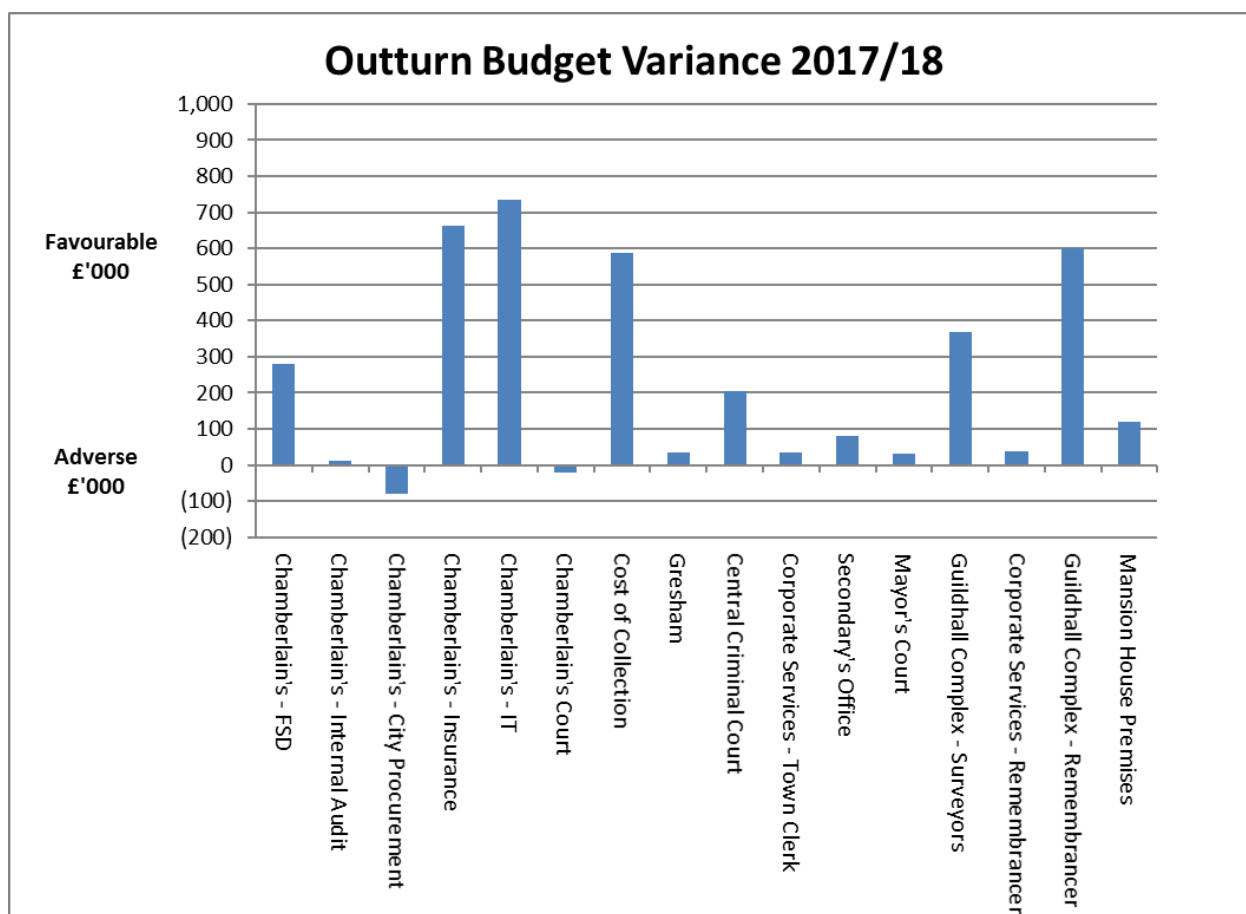


<b>Committee</b>	<b>Dated:</b>
Finance Committee	18 September 2018
<b>Subject:</b> Revenue Outturn 2017/18 – Finance Committee Operational Services	<b>Public</b>
<b>Report of:</b> The Chamberlain	<b>For Information</b>
<b>Report author:</b> Philip Gregory, Deputy Financial Services Director, Chamberlain’s Department	

## Summary

This report compares the revenue outturn for the operational services overseen by your Committee in 2017/18 with the final budget for the year. It also details the carry forward requests which have now been approved.

Total net expenditure on the operational services overseen by the Committee was £61.198m, whereas the total final budget was £64.884m, representing a favourable variance of £3.686m, which is detailed at Appendix 2 and summarised in the chart below.



The final budget of £64.884m is £6.156m higher than the original budget of £58.728m. The increase is analysed at Appendix 1, which shows most of the increase is due to supplementary revenue projects amounting to £4.629m.

The overall favourable outturn position against the final budget of £3.686m comprises variations on a number of services, the main ones being timing delays for Chamberlain's IT and reduced net costs across Chamberlain's Insurance, Cost of Collection, Guildhall Complex (Surveyors), Chamberlain's FSD, Central Criminal Court and Mansion House Premises with increased income from the Guildhall Complex (Remembrancer).

Agreed carry forwards amount to £1.048m and are listed at Appendix 3. These mainly relate to IT transformation work and other transformation projects across the City.

### **Recommendation**

Members are asked to:-

Note the revenue outturn for 2017/18 showing a favourable variance to budget of £3.686m of which £1.048m has been approved to be carried forward to 2018/19 as set out in Appendix 3.

### **Main Report**

#### **Budget Position for 2017/18**

1. The 2017/18 original budget for the services overseen by your Committee was £58.728m as endorsed by the Court of Common Council in March 2017. This has subsequently been increased to a final budget of £64.884m. An analysis of the increase of £6.156m is provided in Appendix 1.

#### **Revenue Outturn for 2017/18**

2. The 2017/18 actual net expenditure for the operational services overseen by your Committee totalled £61.198m, a favourable variance of £3.686m compared to the final budget of £64.884m. Appendix 2 provides analysis between Chief Officer's local risk budgets, central risk budgets and support services.
3. The most significant variations were:-
  - Chamberlain's – IT: £736,000 decrease - principally relates to ongoing timing delays in two areas, the Network Transformation Programme and the enhancement of cyber security systems. There is an approved carry forward of £500,000 to 2018/19 to cover these costs as the Transformation project progresses.

- Chamberlain's - Insurance: £664,000 decrease:
  - expenditure on premises and transport insurance premiums was less than budgeted by £688,000 due to changes in the property portfolio and valuations leading to overall lower premiums being due;
  - the number and value of claims settled during the year within the policy excesses met by the City Corporation were £275,000 less than budget;
  - expenditure on training was £9,000 less than budgeted due to less than anticipated need, partly offset by;
  - the dividend from the City Reinsurance Captive Company being £276,000 less than budgeted.
  
- Guildhall Complex – Remembrancer: £600,000 more net income than budgeted due to higher income from letting rooms in the Guildhall Complex. In addition to this, there was an underspend on the employee budget due to a staff vacancy and a reduction in overtime costs.
  
- Cost of Collection £587,000 decrease:
  - additional income of £307,000 received from the National non-domestic rates cost of collection allowance and contributions from the Cheapside Business Improvement District initiative;
  - ongoing staff vacancies saving £122,000;
  - the cost of Council Tax Reduction Scheme Discount was £57,000 less than budgeted due to a lower number of claimants than expected compared to previous years;
  - a decrease in central recharges of £46,000; and
  - reduced maintenance was required on the council tax and rates systems saving £40,000.
  
- Guildhall Complex – Surveyors: £367,000 decrease, which primarily relates to a rates rebate.
  
- Chamberlain's – FSD: £277,000 decrease largely relates to staff vacancies across the department, the majority of which have now been filled. In addition to this, there was an underspend on the transformation projects and a delay in the work of the Oracle Management Information programme, both of which have been carried forward to 2018/19.
  
- Central Criminal Court £205,000 decrease – primarily relates to a higher than budgeted recovery of costs from Her Majesty's Courts and Tribunals Services.
  
- Mansion House Premises £120,000 decrease – relates to an underspend on Surveyor's repairs and maintenance budgets.
  
- Secondary's Office £80,000 decrease – relates to the redundancy of the Secondary post partway through the year and various underspends across supplies and services.

## **Carry forwards to 2018/19**

4. Chief Officers can request underspends of up to 10% or £500,000 (£1m for the City Surveyor) of their local risk budgets, whichever is the lesser, to be carried forward so long as the underspends are not clearly fortuitous and the resources are required for a planned purpose. These thresholds apply to Chief Officer's total local risk budgets and many Chief Officers manage services overseen by a number of committees. Consequently, the outturn on services overseen by one committee may not represent the total position for a Chief Officer. Requests for carry forwards are considered by the Chamberlain in consultation with the Chairman and Deputy Chairman of the Resource Allocation Sub Committee.
5. The Chamberlain and The Remembrancer requested to carry forward local risk budgets of £594,000 and £20,000 respectively. The Chamberlain also requested to carry forward central risk budgets of £434,000. Details of the proposed use of the carry forwards are set out in Appendix 3.
6. These proposals amounting to £1.048m were agreed, and the amounts have been added to the Chamberlain and Remembrancer's budgets for 2018/19.

## **Appendices**

- Appendix 1 – Analysis of movements from the 2017/18 Original Budget to 2017/18 Final Budget
- Appendix 2 – Comparison of 2017/18 Revenue Outturn with Final Budget
- Appendix 3 – Agreed Carry Forwards to 2018/19

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## Appendix 1

<b>Analysis of movements from 2017/18 Original Budget to Final Budget</b>	<b>£000</b>
<b>Original Local Risk Budget (Chamberlain)</b>	<b>(22,960)</b>
Movement comprises provision for contribution pay and apprentice funding, partly offset by efficiency savings.	(762)
<b>Final Local Risk Budget (Chamberlain)</b>	<b>(23,722)</b>
<b>Original Local Risk Budget (Town Clerk)</b>	<b>(1,792)</b>
Net movements including employers pension contribution adjustment	(25)
<b>Final Local Risk Budget (Town Clerk)</b>	<b>(1,817)</b>
<b>Original Local Risk Budget (Surveyor)</b>	<b>(10,840)</b>
Adjustment to Surveyor's repairs and maintenance budgets due to profiling of Guildhall works programme over 3 years.	1,534
Efficiency savings	20
<b>Final Local Risk Budget (Surveyor)</b>	<b>(9,286)</b>
<b>Original Local Risk Budget (Remembrancer)</b>	<b>384</b>
Contribution pay adjustment and apprentice funding	(65)
<b>Final Local Risk Budget (Remembrancer)</b>	<b>319</b>
<b>Original Local Risk Budget (Private Secretary to the Lord Mayor)</b>	<b>(1,808)</b>
Movement on Surveyor's repairs and maintenance budgets following the implementation of the new contract	390
<b>Final Local Risk Budget (Private Secretary to the Lord Mayor)</b>	<b>(1,418)</b>
<b>Original Central Risk Budget (Chamberlain)</b>	<b>(10,334)</b>
Increase in supplementary revenue projects for IT services	(3,432)
Adjustment for increased insurance premiums	(754)
Central Risk carry forward from Chamberlain's underspend in 2016/17	(285)
Budget adjustment for lower City Reinsurance Captive Company dividend	(250)
Net other movements	54
<b>Final Central Risk Budget (Chamberlain)</b>	<b>(15,001)</b>
<b>Original Central Risk Budget (Town Clerk)</b>	<b>(1,066)</b>
Increase of supplementary revenue projects for the Central Criminal Court	(1,197)
Net other movements	(140)
<b>Final Central Risk Budget (Town Clerk)</b>	<b>(2,403)</b>
<b>Original Central Risk Budget (Surveyor)</b>	<b>(4,404)</b>
Increase to rates budget	(379)
<b>Final Central Risk Budget (Surveyor)</b>	<b>(4,783)</b>

<b>Original Central Risk Budget (Remembrancer)</b>	<b>(157)</b>
Central Risk carry forward from Remembrancer's underspend in 2016/17	(40)
Net other movements	6
<b>Final Central Risk Budget (Remembrancer)</b>	<b>(191)</b>
<b>Original Central Risk Budget (Private Secretary to the Lord Mayor)</b>	<b>(58)</b>
No change to budget	0
<b>Final Central Risk Budget (Private Secretary to the Lord Mayor)</b>	<b>(58)</b>
<b>Original Central Risk Budget (Director of Community &amp; Children's Services)</b>	<b>(108)</b>
Movement on employees budget	(4)
<b>Final Central Risk Budget (Director of Community &amp; Children's Services)</b>	<b>(112)</b>
<b>Original Support Services and Capital Charges Budget</b>	<b>(5,585)</b>
Net movements in central recharges	(827)
<b>Final Support Services and Capital Charges Budget</b>	<b>(6,412)</b>
<b>Total Original Budget</b>	<b>(58,728)</b>
Total increase	(6,156)
<b>Total Final Budget</b>	<b>(64,884)</b>

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

## Appendix 2

<b>Comparison of 2017/18 Revenue Outturn with Final Budget</b>			
	<b>Final Budget</b>	<b>Revenue Outturn</b>	<b>Variations (Increase) / Decrease</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>By Chief Officer</b>			
<b>Local Risk</b>			
The Chamberlain	(23,722)	(22,777)	945
The Town Clerk	(1,817)	(1,849)	(32)
The City Surveyor	(9,286)	(9,117)	169
The Remembrancer	319	919	600
The Private Secretary to the Lord Mayor	(1,418)	(1,279)	139
<b>Total Local Risk</b>	<b>(35,924)</b>	<b>(34,103)</b>	<b>1,821</b>
<b>Central Risk</b>			
The Chamberlain	(15,001)	(13,805)	1,196
The Town Clerk	(2,403)	(2,118)	285
The City Surveyor	(4,783)	(4,479)	304
The Remembrancer	(191)	(159)	32
The Private Secretary to the Lord Mayor	(58)	(77)	(19)
Director of Community & Children's Services	(112)	(80)	32
<b>Total Central Risk</b>	<b>(22,548)</b>	<b>(20,718)</b>	<b>1,830</b>
<b>Support Services &amp; Capital Charges</b>	<b>(6,412)</b>	<b>(6,377)</b>	<b>35</b>
<b>Committee Totals</b>	<b>(64,884)</b>	<b>(61,198)</b>	<b>3,686</b>
<b>By Division of Service</b>			
Chamberlain's - FSD	(8,865)	(8,588)	277
Chamberlain's - Internal Audit	(757)	(745)	12
Chamberlain's – City Procurement	(3,279)	(3,359)	(80)
Chamberlain's – Insurance	(13,198)	(12,534)	664
Chamberlain's – IT	(14,071)	(13,335)	736
Chamberlain's Court	(165)	(187)	(22)
Cost of Collection	(1,010)	(423)	587
Gresham	(219)	(184)	35
Central Criminal Court	(6,460)	(6,255)	205
Corporate Services – Town Clerk	(460)	(425)	35
Secondary's Office	(622)	(542)	80
Mayor's Court	(160)	(128)	32
Guildhall Complex - Surveyors	(13,968)	(13,601)	367
Corporate Services – Remembrancer	(334)	(296)	38
Guildhall Complex –Remembrancer	409	1,009	600
Mansion House Premises	(1,725)	(1,605)	120
<b>Division of Service Totals</b>	<b>(64,884)</b>	<b>(61,198)</b>	<b>3,686</b>

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

### Appendix 3

<b>Agreed Local Risk Carry Forwards by Chief Officer</b>	<b>£000</b>
<u>The Chamberlain (Guildhall Admin)</u>	
Funding required to support the Oracle management information-future developments programme.	35
Funding to investigate the ways in which the closing of accounts process can be closed earlier.	50
Funding required for an audit to be undertaken by Mazars LLP.	9
Funding to support the delivery of various IT Transformation Work.	500
<b>Total Chamberlain (Local Risk)</b>	<b>594</b>
<u>The Remembrancer (Guildhall Admin)</u>	
Funding for the hire of chairs for use at large profile events within Guildhall, owing to health and safety concerns over existing stock.	20
<b>Total Remembrancer (Local Risk)</b>	<b>20</b>
<b>Agreed Central Risk Carry Forwards</b>	<b>£000</b>
<u>The Chamberlain</u>	
Funding required to support transformation projects across the City of London.	394
Funding for financial modelling and legal advice on the financing requirements for large City's Cash projects.	40
<b>Total Chamberlain (Central Risk)</b>	<b>434</b>
<b>TOTAL APPROVED CARRY FORWARDS</b>	<b>1,048</b>



<b>Committee</b>	<b>Dated:</b>
Finance	18 September 2018
<b>Subject:</b> City Re Limited – Performance Monitoring	<b>Public</b>
<b>Report of:</b> The Chamberlain	<b>For Information</b>
<b>Report author:</b> Kate Limna – Chamberlain’s Department	

## Summary

The City established a Reinsurance Captive Insurance Company (the Captive), City Re Limited, on 24 December 2010, a separate legal structure which allows the City to share in the risks and benefits of insuring its property portfolio, whilst controlling the financial exposure.

This report provides information on the claims experience and Underwriting Profit and Loss Account for the seventh accounting period of the Captive, from 1 April 2017 to 31 March 2018, and advises that a retained profit of £248,161 was achieved.

At its meeting on 19 June 2018, the Board of City Re Limited declared this sum as a dividend for the 2017/18 financial year and this amount will be paid over to the City. The Company holds substantial claims reserves for the 2016/17 accounting period and also an ‘Incurred but not yet Reported’ reserve of £125,000.

The report also provides information on the governance arrangements for the captive and of various matters discussed at the last Board meeting on 19 June 2018, including the adoption of the accounts, the dividend policy with regard to the retained profit and the receipt of the auditors’ Management Letter and Compliance Reports. The auditors’ Management Letter and the signed, audited Directors’ Report and Financial Statements are attached to this report.

## Recommendation

Members are asked to note this report.

## Main Report

### Background

1. The Finance Committee, at its meeting on 26 October 2010, approved the principle of establishing a Reinsurance Captive Insurance Company (the Captive) and, on 24 December 2010, such an entity, City Re Limited, was created, based in Guernsey, where the optimum managerial and administrative expertise is located to operate such a company.
2. The Captive provides a separate legal structure which allows the City to share in the risks and benefits of insuring its property portfolio, whilst controlling the financial exposure. Effectively, the Captive allows the City to participate in its own insurance

placement and to capture underwriting profits with a known capped downside financial risk.

3. Since it was established in 2010, the City Captive has received £1.664 million per annum as the reinsurance premium from the main insurers. When the property insurance was tendered in 2016 it was on the basis that the minimum reinsurance premium payable to the City Captive would be £2.04m and that it would be fixed as a percentage (44.6%) of the annual underlying premium going forward. For the policy year December 2017- December 2018, the reinsurance premium was £2.30m.

### **Main Characteristics of the Captive**

4. The main elements of the Captive are set out below:
  - The City Captive covers the first £250,000 of each and every property claim, effectively leaving the main insurers, RSA and Aviva, to cover any greater losses.
  - From the insuring period (25 December to 24 December) for 2017/18 the City Captive received an initial reinsurance premium of approximately £2.30m (2016/17: £2.096m), against which payments are drawn down.
  - The maximum payable (downside) by the City Captive is limited to £250,000 per annum above the reinsurance premium received from RSA and Aviva i.e. for the 2017/18 insurance period this will be £2.55m i.e. £2.30m plus £250,000 ( 2016/17: £2.29m).
  - The Captive does not cover any terrorism risk which continues to be covered by RSA and Aviva and re-insured with Pool Re.

### **Financial Performance for period 1 April 2017 to 31 March 2018**

5. The audited Financial Statements for the seventh trading period of the Captive were submitted for approval and signing to a meeting of the Board of Directors held in Guernsey on 19 June 2018, and these are attached to this report. The City of London Corporation's Directors on the City Re Board, (the Chairman of the Finance Committee and the Chamberlain) attended the meeting via a conference call.
6. For the accounting period, City Re Limited achieved a retained profit of £248,161. The accounts also include an 'Incurred But Not Reported' (IBNR) loss reserve of £150,000 (2016/17: £250,000). The Directors consider, on an annual basis, whether to release the IBNR by the close of the following accounting period. At the Board meeting the Directors discussed in detail the level of the IBNR and whether the consistent, prudent but not excessive reserves policy of City Re Ltd remained appropriate. The Directors reviewed historical and current data and agreed to reduce the IBNR from £250,000 to £125,000 and to reconsider the overall level at the next meeting.
7. The Board of Directors declared a dividend of £248,161 in respect of the 2017/18 financial year and this sum will be paid over to the City. The dividends received in the previous financial years are set out below:

2016/17	£161,341
2015/16	£140,984
2014/15	£830,013
2013/14	£92,569
2012/13	£810,883
15 months to 31/03/12	£997,747

The dividend for 2017/18 has increased from 2016/17 and this is partly due to the increase in the reinsurance premium.

### **Auditor's Management Letter and Company Compliance**

8. The Board of Directors of City Re Limited received Moore Stephens's Management Letter which stated that there were no material issues arising during the course of their audit that required being brought to the attention of the Board.
9. As in previous years the audited Directors' Report and Financial Statements will be made available as a distinct item on the City of London Corporation's website following this Finance Committee Meeting.
10. In addition, the Board received a Compliance Monitoring Report from Active Compliance Services Limited showing an overall rating of "satisfactory", which is the highest rating available.

### **Conclusion**

11. At the 19 June Board meeting, the Directors of City Re Limited declared a dividend of £248,161 for the 2017/18 financial year and this amount will be paid over to the City.

### **Appendices**

- Appendix – Auditors' Management Letter and Accounts to 31 March 2018

### **Kate Limna**

Corporate Treasurer

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