



## Finance Committee

**Date:** TUESDAY, 22 JANUARY 2019

**Time:** 1.45 pm

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

**Members:**

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

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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 11 December 2018.  
**For Decision**  
(Pages 1 - 6)
4. **OUTSTANDING ACTIONS FROM PREVIOUS MEETINGS**  
Report of the Town Clerk.  
**For Information**  
(Pages 7 - 8)
5. **CHAMBERLAIN'S FORWARD PLAN**  
Report of the Chamberlain  
**For Information**  
(Pages 9 - 10)
6. **REPORT OF THE WORK OF THE SUB-COMMITTEES**  
Report of the Town Clerk.  
**For Information**  
(Pages 11 - 12)
7. **RISK MANAGEMENT - TOP RISKS**  
Report of the Chamberlain.  
**For Information**  
(Pages 13 - 28)
8. **CENTRAL CONTINGENCIES**  
Report of the Chamberlain.  
**For Information**  
(Pages 29 - 34)
9. **Q3 BUDGET MONITORING**  
Report of the Chamberlain  
**For Information**  
(Pages 35 - 46)
10. **PROVISIONAL LOCAL GOVERNMENT FINANCE AND POLICE FINANCE SETTLEMENTS**  
Report of the Chamberlain.  
**For Information**  
(Pages 47 - 50)
11. **POLICE ICT COMPANY GUARANTEE EXTENSION**

Report of the Chamberlain

**For Decision**  
(Pages 51 - 52)

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

Report of the Town Clerk.

**For Information**  
(Pages 53 - 54)

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

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

a) Council Tax Discounts and Premium for Empty Properties (Pages 55 - 60)

Report of the Chamberlain

15. **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**

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

To agree the non-public minutes of the meeting held on 11 December 2018.

**For Decision**  
(Pages 61 - 64)

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

Report of the Town Clerk.

**For Information**  
(Pages 65 - 66)

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

Report of the Town Clerk.

**For Information**  
(Pages 67 - 68)

19. **POLICE COMMITTEE RESOLUTION TO FINANCE COMMITTEE**

**For Information**  
(Pages 69 - 72)

20. **BORROWING - UPDATE**

Report of the Chamberlain.

**For Decision**  
(Pages 73 - 78)

21. **MAJOR CONSTRUCTION WORKS FRAMEWORKS – STAGE 2 AWARD**  
Joint Report of the Chamberlain and the City Surveyor.  

**For Decision**  
(Pages 79 - 86)
22. **MINOR WORKS FRAMEWORKS – STAGE 2 AWARD**  
Joint report of the Chamberlain and the City Surveyor.  

**For Decision**  
(Pages 87 - 92)
23. **CITY’S ESTATE - ANNUAL UPDATE & STRATEGY FOR 2019**  
Report of the City Surveyor  

**For Information**  
(Pages 93 - 94)
24. **CITY FUND - ANNUAL UPDATE AND STRATEGY FOR 2019**  
Report of the City Surveyor.  

**For Information**  
(Pages 95 - 96)
25. **STRATEGIC PROPERTY ESTATE (CITY FUND & CITY’S ESTATE) - ANNUAL UPDATE & STRATEGY FOR 2019**  
Report of the City Surveyor  

**For Information**  
(Pages 97 - 100)
26. **BRIDGE HOUSE ESTATES - ANNUAL UPDATE & STRATEGY FOR 2019**  
Report of the City Surveyor  

**For Information**  
(Pages 101 - 104)
27. **NON-PUBLIC DECISIONS TAKEN UNDER DELEGATED AUTHORITY AND URGENCY PROCEDURES**  
Report of the Town Clerk.  

**For Information**  
(Pages 105 - 108)
28. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
29. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**

## FINANCE COMMITTEE

Tuesday, 11 December 2018

DRAFT Minutes of the meeting of the Finance Committee held at Guildhall, EC2 on Tuesday, 11 December 2018 at 1.45 pm

### Present

#### Members:

Jeremy Mayhew (Chairman)	Michael Hudson
Deputy Jamie Ingham Clark (Deputy Chairman)	Deputy Wendy Hyde
Deputy Roger Chadwick	Deputy Clare James
Simon Duckworth	Alderman Alastair King
John Fletcher	Ian Seaton
Christopher Hill	James Tumbridge
Alderman Robert Howard	Deputy Philip Woodhouse

#### Officers:

John Cater	- Committee Clerk
Simon Latham	- Town Clerk's Department
Peter Kane	- Chamberlain
Caroline Al-Beyerty	- Chamberlain's Department
Christopher Bell	- Chamberlain's Department
Philip Gregory	- Chamberlain's Department
Michael Cogher	- Comptroller and City Solicitor
Paul Wilkinson	- City Surveyor
David Farnsworth	- Town Clerk's
David Drane	- City of London Police
Karen Atkinson	- Chamberlain's Department
Ian Dyson	- Commissioner of the City of London Police
Kevin Mulcahy	- Chamberlain's Department

#### 1. APOLOGIES

Apologies for absence were received from Randall Anderson, Nicholas Bensted-Smith, Sophie Fernandes, Chris Hayward, Gregory Lawrence, Tim Levene, Oliver Lodge, Paul Martinelli, Robert Merrett, Susan Pearson, Henry Pollard and James Thomson.

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

There were no declarations of interest.

3. **MINUTES OF THE PREVIOUS MEETING**

**RESOLVED** – That the public minutes of the meeting held on 13<sup>th</sup> November be approved as an accurate record.

4. **OUTSTANDING ACTIONS FROM PREVIOUS MEETINGS**

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

Crossrail delays

The Deputy Chamberlain confirmed that TfL had yet to invoice the Corporation for the next payment of £25m. Discussions would take place once the invoice was received.

Painting in the City's art collection

The painting was found to have been part of a bequest of a large collection; unfortunately, the provenance of this specific painting within that collection was unknown.

Meeting with the actuaries

The Deputy Chamberlain confirmed that the meeting with the actuaries had taken place late last month; the Chamberlain would return to Members in due course, if a contribution was needed to keep the pension deficit recovery plan on track.

Internal Legal Charging

The Chairman and the Deputy Chamberlain asked the Committee clerk to circulate the internal legal charging background note to all Members after the meeting.

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

5. **FINANCE COMMITTEE - WORK PROGRAMME 2018 AND 2019**

The Committee received a Report of the Chamberlain concerning the work programme for 2019.

The Chairman noted that given no major reports were scheduled for March or October, there was a strong likelihood that those months' meetings would be cancelled. The committee clerk would update Members in due course. The Chairman added that, given the work which had been devolved to the Sub-Committees in recent years, holding an average of eight Finance Committee meetings a year was likely to be sufficient.

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

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

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

The Chairman of the Finance Grants Oversight and Performance Sub-Committee noted that the Benefits-in-Kind (BIK) work was ongoing and officers were making good progress; in the past BIK had not been subject to sufficient and systematic scrutiny.

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

a) **Draft public minutes of the Finance Grants Sub-Committee held on 13 November 2018**

**RESOLVED** – That the draft public minutes of the Finance Grants Sub-Committee meeting held on 13 November 2018 be noted.

7. **RISK MANAGEMENT - TOP RISKS**

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

Focusing on CHB CP001 (Brexit risk to City Corporation procurement and supply Chains), the Chairman asked officers to ensure the Procurement Sub-Committee are able to scrutinise work undertaken within its remit.

On the wider outlook for Brexit, the City Surveyor informed Members that the investment property market remained buoyant.

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

8. **CENTRAL CONTINGENCIES**

The Committee considered 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.

9. **OVERVIEW OF CENTRAL RISK BUDGETS AND RELATIONSHIP TO CONTINGENCIES**

The Committee considered a Report of the Chamberlain concerning the Central Risk budgets and their relationship to contingencies.

The Chairman requested that a copy of the Report be circulated to all Chairmen and Chief Officers of the Grand Committees.

Additionally, the Chairman reminded officers that with the basic exception of carry forwards, in-year changes to budgets should be avoided; he reiterated that the core role of the Finance Committee is to monitor spending against the original budget, and requests for additional funding should be transparent and scrutinised.

A Member raised concerns that, inevitably, situations would arise where emergency funding would urgently be needed to mitigate problems. It was difficult to predict with much accuracy what level of resources would be

required when these events occurred, citing the frequent cases of fly tipping in Epping Forest, the quantity of which fluctuated from month-to-month. The Chairman reassured the Member that the Corporation would retain a common-sense approach to urgent calls on contingencies, and stressed that variances, where justified, would not be viewed unsympathetically.

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

- Agree that departments should, in the first instance, seek to re-prioritise local risk budgets when unexpected pressures arise; and that any calls on the Finance Committee contingency should be allocated towards the end of the financial year or in exceptional circumstances (see paragraph 3).
- Note the relationship between central risk and contingency arrangements - in particular that central risk budgets are known for volatile spend or income items; contingencies are for unforeseen items of spend.

10. **PROPOSED 2019/20 REVENUE BUDGETS FOR OPERATIONAL SERVICES**  
The Committee considered a Report of the Chamberlain concerning the revenue budgets for operational services in 2019/20.

Members asked for more clarity on whether this was for Finance Committee to approve and the Chairman queried whether this was in fact a matter for the Resource Allocation Sub-Committee; the Deputy Chamberlain responded that for the operational services budget, the Finance Committee was approving the submission into the budget-setting process. Separately, Finance Committee had oversight over the whole financial picture for the organisation and made recommendations to Court on the budget for the coming year and any tax proposals, following Resource Allocation Sub Committees and Policy Committees consideration and prioritisation of resourcing requests.

Members expressed caution that substantial increases were being slipped through. They requested officers to be clearer about the starting figures and any subsequent movement.

Turning to Appendix D, the Deputy Chairman requested that, going forward, more focus should be given to the capital side of the budget and less on the revenue side; big projects will be coming on stream shortly and the focus should reflect this.

The Deputy Chamberlain added that it was also important to keep in mind the knock-on effect i.e. extra financial consequences from capital decisions.

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

- Review and approve the proposed 2019/20 revenue budgets;



- authorise the Chamberlain to revise these budgets, as set out in paragraph 16, for potential changes to central and departmental support service apportionments and decisions of the Resource Allocation Sub Committee in relation to the Additional Works Programme;
- note the approved capital and supplementary revenue budgets.

**11. FINANCIAL REGULATIONS UPDATE**

The Committee considered a Report of the Chamberlain concerning financial regulations.

**RESOLVED** – that the Committee approved the updated Financial Regulations, Part 1 as detailed in paragraph 8 of the main report.

**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 13<sup>th</sup> November were approved as an accurate record.

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

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

a) **Draft non-public minutes of the Finance Grants Sub-Committee held on 13 November 2018**

The non-public minutes of the Finance Grants Sub-Committee meeting held on 13<sup>th</sup> November 2018 were noted.

**17. ACTION AND KNOW FRAUD CENTRE -CONTRACT**

The Committee received a Report of the Commissioner of the City of London Police concerning Action Know Fraud.

18. **MAJOR PROJECTS FINANCING**

The Committee considered a Report of the Chamberlain concerning financing for major projects.

19. **BRIDGE HOUSE ESTATES STRATEGIC REVIEW - UPDATE**

The Committee considered a Report of the Chamberlain concerning the strategic review for Bridge House Estates.

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

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

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

Members considered a non-public question relating to the work of the Committee.

22. **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.

23. **EMPLOYMENT MATTERS**

**The meeting ended at 3.30 pm**

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Chairman

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john.cater@cityoflondon.gov.uk**

## Finance Committee – Outstanding Public Actions

Item	Date	Item and Action	Officer responsible	To be completed/ progressed to next stage	Progress Update
1	24 <sup>th</sup> July 2018	<p><u>Chamberlain’s Department Risk Management – Quarterly Report</u> 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 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.</p>	Sean Green, the Comptroller	January 2019	<p>November meeting: In a response to a query concerning CR16 (Information Security), the Chamberlain reassured Members that it was prudent to keep the risk at red for now, with, all being well, a reduction to amber envisaged in January.</p> <p><b><i>The IT team continue work on a number of key security projects, they remain on track for completion in January when the risk score will be reassessed, with an expectation that it will move to an amber rating.</i></b></p>
2	11 <sup>th</sup> December 2018	<p><u>Contingency Funding Strategy</u> The Chairman queried why Central Risk seemingly contained little flexibility. It was inevitable that unexpected events would occur from time-to-time, referencing the recent fire at Epping Forest as a case in point. He informed Members that the Chamberlain would be presenting a Report later this year on contingency funding.</p> <p><b><i>At the 11<sup>th</sup> December 2018 meeting, the Chairman requested the Report was circulated to all Chairmen and Chief Officers of the Grand Committees</i></b></p>	Chamberlain	Post December meeting 2018	Report has been circulated.

Item	Date	Item and Action	Officer responsible	To be completed/ progressed to next stage	Progress Update
3	11 <sup>th</sup> December 2018	<p><u>Internal Charging</u> Members expressed concerns that the proposed new Case Management System could not be utilized by other departments. If the pilot was a success and roll out of internal charging to other departments was to commence, it was important, both from a cost perspective and for staff, to have one system that could be applied across the piece. The Chairman requested a paper come back to Members giving more granular detail on the proposed charging costs and to reassure Members that the system can be applied across departments.</p> <p><b><i>The Chairman asked the Committee Clerk to circulate the internal legal charging note to all Members after the meeting</i></b></p>	Chamberlain	Post December meeting 2018	Note was circulated post December meeting

**Finance Committee – Work Programme 2018 and 2019**

Meeting:	Dec	Jan	Feb	March	April	May	June	July	August	September	October	November
<b>Budget setting process and Medium-Term Financial Planning</b>												
		Provisional Financial settlement for Local Government and Police	City Fund Budget Report and Medium-Term Financial Strategy									
<b>Effective Financial arrangements for the Corporation</b>												
		Q3 Quarterly Budget Monitoring						Provisional Outturn Report  Q1 Quarterly Monitoring Report		Capital Outturn Report		Q2 Quarterly Monitoring Report
<b>Financial statements</b>												
							Draft City Fund and Pension Fund Statement of Accounts			City Fund and Pension Fund – Audit Completion Report		City's Cash Financial Statements  City's Cash Trust Funds and Sundry Trust Funds Annual Reports and Financial Statements
<b>Finance Committee as a service Cttee</b>												
					Final Departmental Business Plan 2019/20- Chamberlain's Department  Risk Management Review	Business Plan End of Year Update				Finance Committee Revenue Outturn		Risk Management Review

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# Agenda Item 6

<b>Committee:</b> Finance Committee	<b>Date:</b> 22 January 2019
<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 11<sup>th</sup> December 2018:

### **Procurement Sub Committee – 16 January 2019**

Verbal update

## Recommendations

The Committee is asked to note the report.

### **John Cater**

Senior Committee Services Officer, Town Clerk's Department

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<b>Committee(s)</b>	<b>Dated:</b>
Finance Committee – For Information	22/01/2019
<b>Subject:</b> Chamberlain’s Department Risk Management – Quarterly 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 management of risks faced by the Chamberlain’s department.

Risk is reviewed regularly by the departmental Senior Leadership Team as part of the ongoing management of the operations of the Chamberlain’s department.

The Chamberlain’s department currently has two corporate risks and seven departmental risks on its risk register. The most significant risks are:

- **CR16 – Information Security** (Current Status: **RED**)
- **CR23 – Police Funding** (Current Status: **RED**)
- **CHB CP001 - Brexit risk to City Corporation procurement and supply chains** (Current Status: **RED**)

The Senior Leadership Team continues to monitor closely the progress being made to mitigate these risks. The Information Security risk is likely to remain at red status until January when key security projects will be completed.

## Recommendation(s)

Members are asked to note the report and the actions taken in the Chamberlain's department to monitor and manage risks arising from our operations.

## 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.
2. Chamberlain’s risk management is reviewed on a monthly basis at Departmental Senior Leadership Team (SLT) meeting. Consideration is also given as to whether there are any emerging risks for inclusion in the risk register within Divisional updates on key issues from each of the Directors, ensuring that adequate consideration is given to operational risk.

3. Risk and control owners are regularly consulted regarding the risks for which they are responsible, with updates captured accordingly. Significant changes to existing risks are escalated to SLT when identified.

### **Summary of Risks**

4. The Chamberlain's department currently has two corporate risks and seven departmental risks on its risk register, attached as Appendix 1 to this report, assessed as 3 RED risks, 6 AMBER, risks. These are:

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

5. The IT team continue work on a number of key security projects, they remain on track for completion in January when the risk score will be reassessed, with an expectation that it will move to an amber rating.

#### **CHB IT 004 – Business Continuity/Disaster Recovery - planning and management (Current Risk: Amber – no change)**

6. This risk has been escalated to departmental level to ensure there is a focus to align IT and Business requirements. The disaster recovery response of the IT Division is unlikely to meet the needs of COL and COLP leading to significant business interruption and serious operational difficulties if no mitigating actions are carried out. The team are working on a number of actions, one of which is building an Applications Strategy which went to Strategic Resources Group and Summit Group in December for agreement.

#### **CHB IT 020 – Public Sector Network Compliance (Current Risk: Amber – no change)**

7. This risk has been escalated to departmental level while remediation actions are completed to ensure compliance. This work is to be completed by the end of January, when the risk level will be reviewed.

#### **CHB IT 025 Management of IT Managed Service Contracts (Current Risk: Amber – no change)**

8. Services are continuously monitored, and any issues remedied as per the standard Service Improvement Processes, which is reviewed on an ongoing basis. The team continues to review contracts to identify gaps or opportunities for improvements.

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

9. After use of the remaining police reserves, CoLP is forecasting a deficit of £5.4m in 2018/19. This has arisen from overspends on the pay bill, overtime and agency worker budgets. The overspend in payroll was masked until recently by a double count of income for the National and International Capital City grant.

10. The latest update to the Medium Term Financial Projections shows significant unmitigated annual deficits rising over the medium-term. Work is underway on mitigations to close the budget gap.
11. The Police Authority's response to the COLP financial position will be considered by the informal RASC meeting with Service Committee Chairmen in January.

**CHB FS005 – Brexit impact on City Corporation income streams (Current Risk: Amber– no change)**

12. An exercise is being carried out to identify the EU grant funding in the organisation, to assess where these are at risk of ceasing and the consequential impact on services. The impact on investment returns and retained business rates income, is closely monitored in light of market conditions, but has been assessed as relatively low in the short term.

**CHB CP001 – Brexit risk to City Corporation procurement and supply chains (Current Risk: Red – no change)**

13. City Procurement are liaising with key partners across the London Procurement Network and Home Office to create a consistent approach to assessing risk of key service categories, as well as key suppliers. A workshop was held in December with a consultancy organisation (Efficio Consulting), who are producing an EU Exit Risk assessment report on our key categories of spend. They aim to have a final draft of the report ready by the 21st December with a final published version in early January.
14. Thereafter we would propose to be in contact with our key suppliers requesting their mitigation plan for the risks identified in January.

**Other changes since last report to committee**

**CHB IT 022 Transformation Benefits Realisation (Current Risk: Amber – reducing)**

15. This risk has now been reduced to service level as the server and Infrastructure as a Service costs have decreased. The team will now monitor this risk at this level until the risk reaches green status which is expected to be the end of January 2019.

**Conclusion**

16. Members are asked to note the actions taken to manage these departmental and corporate risks in relation to the operations of the Chamberlain's Department.

**Appendices**

- Appendix 1 Chamberlain's Department Detailed Risk Register

**Background Papers**

Monthly Reports to Finance Committee: Finance Committee Risk

**Hayley Hajduczek**  
Chamberlain's Department

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# CHB Detailed risk register by risk category

Report Author: Hayley Hajduczek

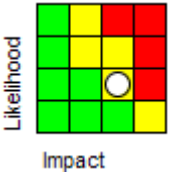
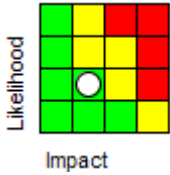

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Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
<p><b>CR23 Police Funding</b></p> <p>21-Nov-2016 Ian Dyson; Peter Kane</p>	<p><b>Cause:</b> Reduction in government funding, workforce costs and growing demand in Policing services leading to pressures for the City Fund -Police.</p> <p><b>Event:</b> Reduction in government funding. Failure to deliver VfM savings. Budget deficit forecast for next 5 years requiring action to balance the budget</p> <p><b>Effect:</b> Potential impact on security and safety in the City as need to make savings, prioritise activity, review funding City of London Police will be unable to maintain a balanced budget and current service levels as reflected in their Medium Term Financial Plan.</p>	<p>Likelihood</p> <p>Impact</p>	16	<p>After use of the remaining police reserves, there is a forecast CoLP deficit of £5.4m for 2018/19. This has arisen from overspends on the pay bill, overtime and agency worker budgets. The overspend in payroll was masked until recently by a double count of income for the National and International Capital City grant.</p> <p>The latest update to the medium-term financial plan shows the unmitigated annual deficit rising to £19.5m by 2023-24 (£79.4m cumulative deficit across MTFP period). Work is underway on mitigations to close the budget gap.</p> <p>The Police Authority's response to the COLP financial position will be considered by the informal RASC meeting with Service Cttee Chairmen in January.</p> <p><b>07 Jan 2019</b></p>	<p>Likelihood</p> <p>Impact</p>	12	31-Mar-2019	

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CR23a	Deliver the savings programme for currently identified	While savings plans were being pursued for 2018-19, the latest forecast has identified a £5.4m	Alistair	07-Jan-2019	31-Mar-

	savings in 2018/19.	deficit, due largely to significantly higher payroll costs than were assumed by the original budget. This was masked until recently by the erroneous double inclusion of the £4.5m National & International Capital City grant in income as well as funding when the budget was loaded onto the system. A range of tactical mitigations to this deficit, currently estimated to save c.£3m, are being worked up for delivery over the remaining months of the financial year.	Sutherland		2019
CR23b	Medium Term Financial Plan	An updated MTFP was presented to the December Police Committee. This showed a significant worsening of the in-year and cumulative (unmitigated) deficits, rising to £19.5m by 2023-24. Since then the draft Police Settlement has been received which improves the 2019/20 deficit from £11.8m to £8.7m and the 2023-24 position deficit to £19.5m (£79.4m cumulative deficit across MTFP period). CoLP has embarked on developing mitigation strategies, including current year tactical savings along with indicative savings arising from the Transform programme. The Police Authority's response to the COLP financial position will be considered by the informal RASC meeting with Service Cttee Chairmen as part of budget setting and agreeing the medium-term financial plan.	Alistair Cook	07-Jan-2019	31-Mar-2019
CR23c	A Transform Programme is underway to develop a revised Target Operating Model for CoLP to deliver greater effectiveness and financial stability. The Programme comprises eight work strands.	The Deloitte short term recommendations or 'quick wins' have been realised and are funding the core transformation project team.  Profiling of low, med, high confidence level of savings within Transform has taken place, and potential savings of £5.6m by the close of the MTFP.	Jane Gyford	07-Jan-2019	31-Mar-2019
CR23d	Consider increase in the business rates premium in future periods	Consider contribution levels from City Fund/ City's Cash as part of financial planning and budget setting for 2019/20, measures could include increasing the business rate premium, ongoing support for capital project shortfalls, or direct contribution from City Fund or City's Cash to support additional Policing service demands.	Caroline Al-Beyerty	07-Jan-2019	31-Mar-2019

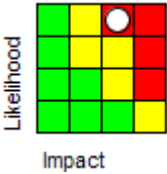
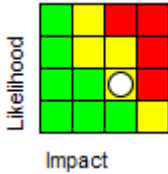

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score	Risk Update and date of update	Target Risk Rating & Score	Target Date	Current Risk score change indicator
<b>CHB FS005</b> <b>Brexit impact on City Corporation income streams</b>	<p><b>Cause:</b> The outcome of the Brexit negotiations disrupts funding streams in terms of both access to EU funding for UK-based organisations, and a potential downturn in investment in the City.</p> <p><b>Event:</b> The City Corporation fails to prepare adequately for the potential disruption to current income/funding streams</p> <p><b>Effect:</b> Potential disruption in ability to deliver or commit to services/projects; increased demand on City Corporation services and grant giving owing to reductions in funding to UK-based charitable organisations.</p>		<p><b>8</b></p> <p>An exercise is currently underway to establish the extent of EU grants across the organisation and potential impact.</p> <p>The risk of a reduction to rental income from the property investment portfolio is low in the short term with tenants tied to rental values in long lease agreements.</p> <p>Our non-property investments are mainly invested in pooled global securities and therefore very limited exposure to any potential deterioration or volatility in the FTSE index.</p> <p>Funding streams are more exposed to a fall in office space occupation and consequent reduction in retained business rate income. However, there is no current indication of a fall in occupation levels or demand for City office and retail space; and the</p>		<p><b>4</b></p> <p>29-Mar-2019</p>	

12-Nov-2018 Caroline Al-Beyerty				medium term financial plan only proposes spending business rate growth on one-off projects. <b>08 Jan 2019</b>				
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Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB FS005a	Loss of access to EU funding	Having reviewed the services in receipt of EU funding:  For most schemes affecting us:  <ul style="list-style-type: none"> <li>• Agriculture</li> <li>• Capital Projects</li> </ul> Funding is being guaranteed by the government or replacement funding planned; so exposure is limited to reductions over time.  Only the Barbican looks to be affected by specific grants and at £70k this is small.	Philip Gregory	08-Jan-2019	29-Mar-2019
CHB FS005b	A reduction in the demand for office and retail space in the City and West End leading to a reduction in market rental rates and a consequent reduction in rental income from the City's Property Portfolio.	There is a risk of a sharp fall in rental values especially if there is a "no transition no deal Brexit" but the City to some extent buffered from the immediate effect of this as our leases are long term with medium term specified break clauses. The City Surveyor has identified no current fall in demand for office accommodation and the Central London market, in particular, has up to now been buoyant. Forecast rental income is regularly reviewed and any potential reduction will be factored into the medium-term financial plan.	Nicholas Gill	08-Jan-2019	31-Mar-2020
CHB FS005c	A reduction on the FTSE leading to: <ul style="list-style-type: none"> <li>• a reduction in the value of pooled investments- reducing the ability to draw down income streams to fund City's Cash and Bridge House Estates Activities</li> <li>• a reduction in the actuarial valuation of pension fund investments and failure to meet the timetable for pensions deficit recovery. In this event, a consequent potential need to make an employer's contribution into the scheme from revenue resources.</li> </ul>	The risk is very low as the City has a blend of strategies to manage investment risk across the investment cycle – currently only approximately 17% of funds are invested in UK mandates; with the bulk of the portfolio invested in global mandates. We are a long-term investor and over time the value of the pooled securities moves with market cycles. The Financial Investment Board (FIB) reviews the performance of the fund managers and consequently the overall performance of the Funds at each meeting and receives regular reports from the Investment Consultant on the state of the markets.	Kate Limna	08-Jan-2019	31-Mar-2020
CHB FS005d	A reduction in demand for office space in the square mile, leading to lower occupation and business rate income. As the Corporation is currently benefitting from growth in business rates retained income of c£40m.	There is no indication of a fall in demand for office or retail space in the City.  Our financial plans currently only permit the growth in Business Rates retained income to be spent on one-off projects.	Phil Black; Philip Gregory	08-Jan-2019	31-Mar-2020

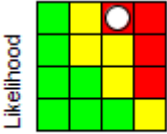
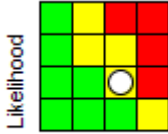



		There is a safety net in the Business Rates Retention scheme which limits our exposure should Business Rates fall below the amount set as our baseline funding amount. As part of the current London Business Rates Pool pilot scheme there is a no-detriment guarantee which limits our exposure to a fall in Business Rates (this is still to be confirmed for 2019/20).			
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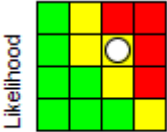
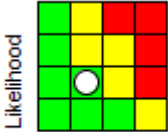

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score	Risk Update and date of update	Target Risk Rating & Score	Target Date	Current Risk score change indicator
<b>CHB CP001</b> <b>Brexit risk to City Corporation procurement and supply chains</b>  Nov-2018 Christopher Bell	<p><b>Cause:</b> The UK leaving the EU (Brexit) with no trading deals in place.</p> <p><b>Event:</b> The result of the Brexit negotiations could have a negative impact on the Corporation's supply chain, both with direct tier 1 suppliers and their sub-contractor network.</p> <p><b>Effect:</b> Brexit could effect changes to our direct suppliers and their supply chain, impacting negatively on the Corporation. A range of potential impacts are:</p> <ul style="list-style-type: none"> <li>• <b>Regulatory / Legal requirements</b> -existing supply contracts may be impacted by changes in regulation, or legal requirements.</li> <li>• <b>Assurance of Supply</b> - risk that a complete failure in supply of the goods / service (e.g. Carillion) from key suppliers could be felt.</li> <li>• <b>Quality</b>- quality of the goods / service impact due to changes in our Supply Chain.</li> <li>• <b>Service</b>- Service levels be impacted negatively by any changes in the Supply Chain or access to workers, particularly in low skilled categories.</li> <li>• <b>Financial risk</b> -Are any supply changes likely to drive up costs of the Goods / Services/Works in the short/medium/long term.</li> <li>• <b>Sustainability</b>- risk that will change the level of innovation or sustainability of the goods / service/work against expectations?</li> <li>• <b>Workload</b>- Will changes in the Supply Chain cause significant workload to the Procurement/Commercial/Legal teams due to change controls/re-negotiation of terms?</li> </ul>	 <p>16</p>	<p>City Procurement are liaising with key partners across the London Procurement Network and Home Office to create a consistent approach to assessing risk of key service categories, as well as key suppliers. A workshop has been held in December with with a consultancy organisation (Efficio Consulting), whom are producing a EU Exit Risk assessment report on our key categories of spend. They aim to have a final draft of the report to us by the 21st December with a final published version in early January.</p> <p>Thereafter we would propose to be in contact with our key suppliers requesting their mitigation plan for the risks identified in January.</p> <p><b>08 Jan 2019</b></p>	 <p>8</p>	31-Mar-2019	

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB CP001a	Work with London Councils and London Procurement Network to assess key risks by spend category. Sharing information and findings to assist key risks to the	A number of London Boroughs have shared materials on how they are assessing risks, the experience to date is that supply chains are unwilling to participate due to the unknown Brexit deal position, as they feel work is not prudent until the terms are known, therefore it is	Christopher Bell	08-Jan-2019	31-Mar-2019

	Corporation.	accepted that any assessments are for high level risk identification at present.			
CHB CP001b	Approach external consultancy for proposal to deliver a deep dive assessment of our key top 20 suppliers against the risks identified.	City Procurement requested a further revised proposal from consultancy firm which we received yesterday, just reviewing it but likely to appoint and with target date of January for the report to be finalised.	Christopher Bell	08-Jan-2019	31-Mar-2019
CHB CP001c	Finalise an approach for the Corporation to assess key supply chain risks, consistent with peers and in line with required assessment work to be completed for the Home Office.	The Home Office have shared an approach to assessing key supply chain risks for Policing. City Procurement are working with CoLP to complete and reviewing the process for its fitness for use Corporately.	Christopher Bell	08-Jan-2019	31-Mar-2019

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
<b>CR16 Information Security</b>  22-Sep-2014 Peter Kane	<b>Cause:</b> Breach of IT Systems resulting in unauthorised access to data by internal or external sources. Officer/ Member mishandling of information. <b>Event:</b> Cybersecurity attack - unauthorised access to COL IT systems. Loss or mishandling of personal or commercial information. <b>Effect:</b> Failure of all or part of the IT Infrastructure, with associated business systems failures. Harm to individuals, a breach of legislation such as the Data Protection Act 2018. Incur a monetary penalty of up to £500,000. Compliance enforcement action. Corruption of data. Reputational damage to Corporation as effective body.	 Likelihood	<b>16</b>  <b>Impact</b>	This risk will remain at Red until January 2019 when key security projects will be completed, and the 10 Steps maturity model had reached a level 4.  The team are on track to reduce this risk to Amber in January.  <b>08 Jan 2019</b>	 Likelihood	<b>8</b>  <b>Impact</b>	31-Jan-2019	




Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
Page 16k Page 24	Final stages of completing IT security projects which will mean that we can assure Members that the City of London Corporation has implemented all the national government recommended security practices and technology achieving a maturity level of 4.	IT Security projects on track for completing by year end to enable the risk to be updated to Amber as planned.	Gary Brailsford-Hart	08-Jan-2019	04-Feb-2019

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
<b>CHB IT 004</b> <b>Business Continuity / Disaster Recovery - planning and management.</b> 30-Mar-2017 Sean Green	<b>Cause:</b> A lack of clear understanding of Business need for Services and Applications. No procedure in place for regular reviews with business. <b>Event:</b> The IT Division cannot provide assurance of availability or timely restoration of core business services in the event of a DR incident or system failure. <b>Effect:</b> The disaster recovery response of the IT Division is unlikely to meet the needs of COL and COLP leading to significant business interruption and serious operational difficulties.	 Likelihood  Impact	12	This risk has been escalated to a Departmental Level risk to ensure there is a focus to align IT and Business requirements.  <b>08 Jan 2019</b>	 Likelihood  Impact	4	31-Mar-2019	

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB IT 004a	Plans developed in accordance with BIAs	This is being reviewed internally with IT and the wider business.	Sean Green	08-Jan-2019	28-Feb-2019
CHB IT 004f	Review Critical Applications list for a view of applications to be updated	Applications Strategy being agreed by SRG and Summit in December, work progressing on the Critical Applications list.	Matt Gosden	08-Jan-2019	31-Mar-2019
CHB IT 004g	Plan and implement DR Test	DR test being planned with business user.	Matt Gosden	08-Jan-2019	31-Jan-2019

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
<b>CHB IT 020 Public Service Network Compliance</b> 03-Nov-2017 Matt Gosden	<p><b>Cause</b> - PSN compliance is not achieved through non-submission or unsatisfactory submission.</p> <p><b>Event</b> - The SIRO or Town Clerk do not accept the risks of un-remediated vulnerabilities from the IT Health Check. Or are not satisfied with the remediation measures implemented.</p> <p>The Cabinet Office PSN team do not certify the City of London's PSN compliance application.</p> <p><b>Effect</b> - Reputational: The City of London received adverse attention due to an IT infrastructure deemed as unsecure.</p> <p>Operational: The City of London are unable to connect to PSN services, including the DWP and other Government agencies and bodies.</p>	<p>Likelihood</p> <p>Impact</p>	6	Escalated to departmental level risk, whilst PSN Remediation actions are completed to ensure compliance.  <b>08 Jan 2019</b>	<p>Likelihood</p> <p>Impact</p>	4	31-Mar-2019	

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB IT 020d	Define and implement plan to ensure continuous compliance	New IT Healthcheck completed with 9 critical actions that are now being remediated before the end of January 2019.	Matt Gosden	08-Jan-2019	31-Mar-2019

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
<b>CHB IT 025 Management of IT Managed Service Contracts</b>  06-Aug-2018 Matt Gosden; Samantha Kay	<b>Cause:</b> The Managed Service Contract is not fully embedded into BAU Processes. Contractual deliverables, are not currently being met or reported on from either party Service from top 5 IT Supplier partners (by value of spend) is not satisfactory. CoL do not have clear contract management processes <b>Event:</b> Services, projects or support are not delivered or managed according to the agreed contract. <b>Effect:</b> CoL not receiving the best commercial value from a large strategic contract Customers are dissatisfied with the IT service or the tools and services provided.	 Likelihood Impact	6	Service reviews in place for all Service Agreement.  Service continuous monitored and issues dealt with as per the standard Service Improvement Processes. This will be consistently reviewed.  <b>08 Jan 2019</b>	 Likelihood Impact	2	31-Mar-2019	

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB IT 025a	Ensure service reviews are in place and effective for all suppliers of a managed service	Next level down of service reviews are now in place starting W/c 19/11.	Matt Gosden; Samantha Kay	08-Jan-2019	31-Mar-2019
CHB IT 025b	Ensure the key supplier contracts are scoped to meet the business requirements	Contracts are being reviewed and several have actions identified to improve service level performance and responses.	Matt Gosden	08-Jan-2019	31-Mar-2019

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<b>Committee:</b> Finance Committee – For information	<b>Date:</b> 22 January 2019
<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 the 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 are no requests for funding elsewhere on the agenda.

2018/19 Contingencies – Uncommitted Balances at 4 January 2019				
	City's Cash	City Fund	Bridge House Estates	Total
	£'000	£'000	£'000	£'000
General Contingencies	271	277	46	594
National and International Disasters	30	0	0	30
<b>Uncommitted Balances</b>	<b>301</b>	<b>277</b>	<b>46</b>	<b>624</b>
Requests for contingency allocations	0	0	0	0
<b>Balances pending approval</b>	<b>301</b>	<b>277</b>	<b>46</b>	<b>624</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 the Central Contingencies uncommitted balances.

## Appendices

- Appendix 1 – Allocations from 2018/19 contingencies

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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>	<b>Dated</b>
Finance Committee	22 January 2019
<b>Subject:</b> Revenue Budget Monitoring to December 2018	<b>Public</b>
<b>Report of:</b> Chamberlain	<b>For Information</b>
<b>Report author:</b> Philip Gregory, Deputy Financial Services Director	

## Summary

The overall forecast year-end position at Quarter Three (Q3) is £2.0m worse than budget. This comprises an adverse variance of £2.8m on Chief Officer Cash Limited Budgets partially offset by a favourable variance of £0.8m on Central Risk Budgets.

### Chief Officer Cash Limited Budgets

The year-end forecast at the end of the third quarter is £2.8m (1%) worse than the latest approved budget of £222.2m and represents a worsening position of £2.2m compared to the forecast position at Quarter Two (Q2).

The key cause is in relation to a highly adverse movement in the City of London Police's (CoLP) forecast; from a forecast underspend of £0.7m in Q2 to a forecast overspend, prior to mitigation, of £5.1m in Q3. This was caused mainly by a £5.8m increase in pay costs compared to the original budget, as a result of the budget significantly underestimating the costs of employing the planned workforce numbers, combined with spend on overtime and 'agency' resourcing. The increase has been largely masked until recently by an erroneous double inclusion by the Force of the £4.5m National & International City Grant, in income as well as funding, when loading the 2018-19 budget onto the system (NB it was not counted as income in the approved budget). £2.8m of forecast in-year mitigations have been incorporated, which reduces the overspend to £2.3m. This net overspend position is in line with the Police Authority's expectation, however it should be stressed that a detailed forecast is in preparation for February Police Committee and is not yet with Police Authority Finance for review.

### Central Risk Budgets

Year-end Central Risk Budgets are forecast to be better than budget by £0.8m against the latest approved central risk budget of £83.9m. This principally relates to Corporate Income from Interest on Cash Balances which is forecast to be £0.7m better than budget at year-end.

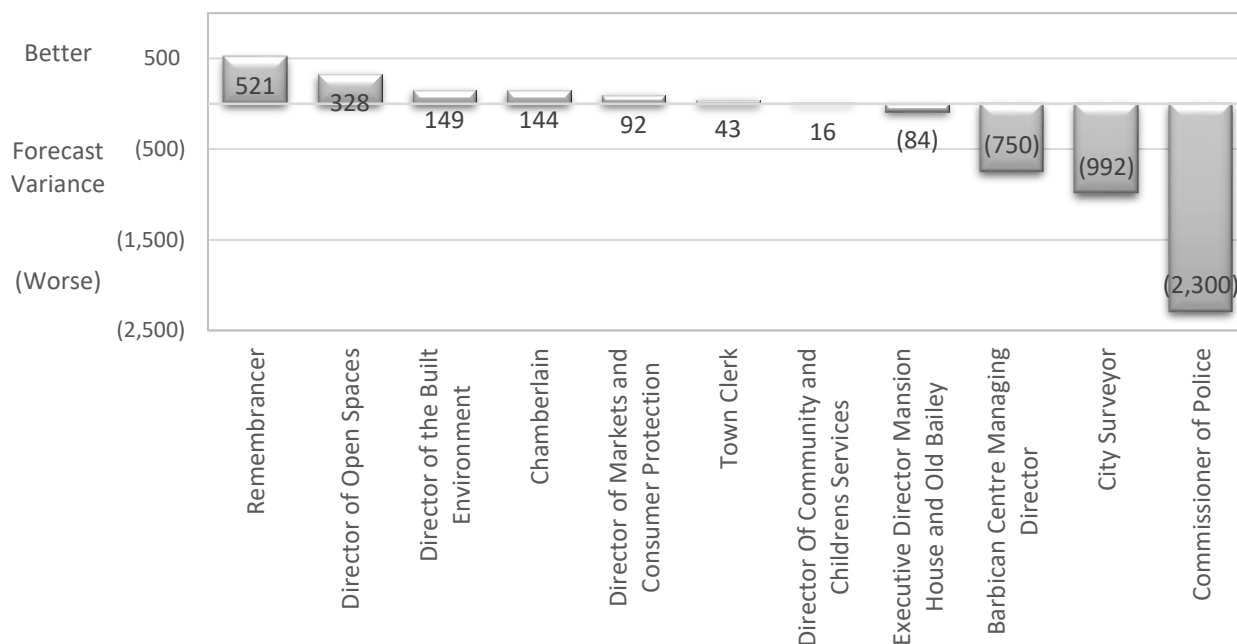
## Recommendation

Members are asked to note the report.

## Main Report

### Chief Officer Cash Limited Budgets

- The year-end forecast is £2.8m worse than the latest approved budget of £222.2m. Chief Officer variances against net local risk budgets are shown in the chart below. This represents a worsening position of £2.2m compared to the forecast overspend position of £0.6m at the end of the second quarter. Appendix 1 provides a comparison to the previous quarter for Chief Officers by Fund.



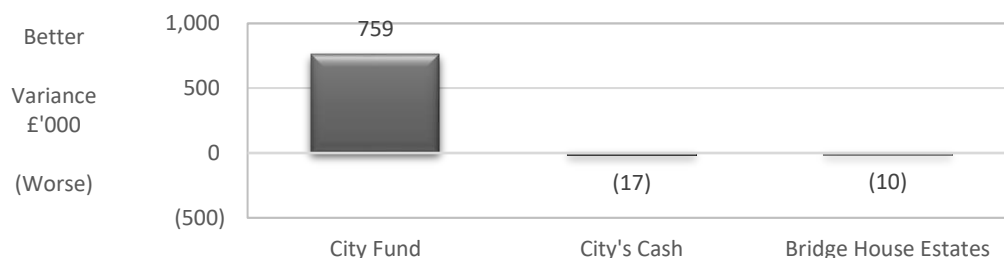
- The forecast position comprises an adverse variance of £4.2m against budgeted income of £262.6m partially offset by a favourable variance of £1.4m against budgeted expenditure of £483.8m. Appendix 2 provides income and expenditure budget variances by Chief Officer.
- The CoLP's forecast is a highly adverse movement from a forecast underspend of £0.7m in Q2, to a forecast overspend, prior to mitigation, of £5.1m in Q3. This was caused mainly by a £5.8m increase in pay costs compared to the original budget, as a result of the budget significantly underestimating the costs of employing the planned workforce numbers, combined with spend on overtime and 'agency' resourcing. The increase has been largely masked until recently by an erroneous double inclusion by the Force of the £4.5m National & International City Grant, in income as well as funding, when loading the 2018-19 budget onto the system (NB it was not counted as income in the approved budget). £2.8m of forecast in-year mitigations have been incorporated, which reduces the overspend to £2.3m. This net overspend position is in line with the Police Authority's expectation, however it should be stressed that a detailed forecast is in preparation for February Police Committee and is not yet with Police Authority Finance for review.

4. At Q3 the City Surveyor is forecasting a year-end adverse variance of £992k which has improved by £755k from the forecast provided at the end of the second quarter. This improvement is in part due to the net budget allocation of £515k for the Building Repairs and Maintenance asset verification and £150k for security savings that can no longer be made due to a change in the business model. Savings in other areas have been made, but to date this is being offset by increased reactive repairs spend – particularly on the Guildhall. The Surveyor is continuing to bear down on costs and efforts are being made to minimise the overspend at year-end. The total projected overspend comprises two main areas:
  - Guildhall Administration Expenditure £868k – Overspending principally relates to additional expenditure on employee costs, energy and on repairs and maintenance. The extra staffing costs relate mainly to additional security staff, whilst the energy costs reflects the 30% increase in energy prices from October under the new contract. The extra repairs and maintenance spend is due to a higher level of essential reactive maintenance and quoted works undertaken than had been anticipated in the budget.
  - City's Cash Income £192k - An anticipated shortfall in City Surveyor fee income due to a reduced number of major property deals.
5. The Barbican Centre are forecasting an adverse variance of £0.8m at year-end which comprises a shortfall on income of £1.1m partially offset by an underspend on expenditure of £0.4m. The forecast for income reflects the uncertainty of filling international touring slots, the risk of securing Corporate Sponsorship and potential shortfall in retail income generation. These result in direct cost expenditure savings, which are partially offset by an overspend on maternity pay and delay in the delivery of the buildings SBR target.
6. Due to Community and Children's services changes in client circumstances which affects their contributions towards care, income is forecast to be £0.1m under budget. This is offset by an underspend of £0.1m on expenditure for various Community and Children's Services contracts which are not finalised until part way through the year.
7. A year-end favourable variance of £0.1m is forecast for the Director of Built Environment. This comprises an underspend of £0.2m for Planning and Transportation in relation to a credit note from the previous electricity supplier LASER and an expected underspend on salary savings within Town Planning and Highway Services. This is partially offset by a shortfall on income of £0.1m due to reductions in Building Regulation fee income and lower than anticipated public convenience toilet barrier income.

8. Previously at Q2, the Director of Markets and Consumer Protection was anticipating a £0.3m overall overspend, however, due to additional income now forecast of £0.4m, an overall underspend of £0.1m is projected at Q3. The additional income relates to increased trade throughput at the Ports and Heathrow Animal Reception Centre and increased traffic volumes from Smithfield car park. The overspend principally relates to the Coroner's Office due to an increased volume of inquests, and the Ports to meet the increased trade volumes.
9. The income forecast for Open Spaces is anticipated to be £0.4m above target at year-end. The Superintendent at the Cemetery forecasts income to be slightly lower than last year's actual of £5.3m leading to a year-end surplus of £0.3m. Tower Bridge experienced a very positive performance during the month of December resulting in forecast additional income of £0.1m at year-end.
10. Income from Guildhall lettings for the Remembrancer is forecast to be £0.5m by year-end due to an increased number of event bookings.

### Central Risk Budgets

11. The forecast for Central Risk Budgets at Q3 is a better than budget position of £0.8m against the latest approved budget of £83.9m. Appendix 3 provides the Central Risk forecast variances by Chief Officer. This comprises a favourable variance of £1.6m against budgeted income of £271.8m partially offset by an adverse variance of £0.8m against budgeted expenditure of £187.9m. The key budget areas are addressed in the following paragraphs.
12. Property Investment income at Q3 is in line with budget which reflects the latest rental forecast of £132.1m. This represents a movement from a better than budget position reported at Q2 against the original budget of £122.4m.
13. Interest on cash balances are anticipated to be £6.5m at year-end which is £0.7m above the budget of £5.9m. This reflects a favourable movement of £1.2m compared to the forecast at Q2 and is due to the move of Bank of England base rate. Appendix 4 provides further information on the Corporate Income Budgets.





14. Forecast full year grant commitments for the City Bridge Trust are expected to be £0.2m ahead of the £21.5m budget, with the additional commitments coming from the amounts held within the designated grant-making fund. Grants under the Anniversary Programme – Infrastructure Support are expected to be £1.7m, based on the outcome of the recent Cornerstone Fund panel meeting, subject to good second stage applications, and is higher than originally budgeted.

## **Conclusion**

15. Members are asked to note the forecast year-end position at Quarter 3 of £2.0m worse than budget position comprising an adverse variance of £2.8m on Chief Officer Cash Limited Budgets partially offset by a favourable variance of £0.8m on Central Risk Budgets.

## **Appendices**

- Appendix 1: Chief Officers Cash Limited Budgets by Fund – Comparison with the previous quarter
- Appendix 2: Chief Officers Cash Limited Budgets – Income and Expenditure Budget Variances
- Appendix 3: Central Risk Budgets
- Appendix 4: Central Risk Budgets - Corporate Income Budgets
- Appendix 5: Chief Officer Cash Limited Budgets – Budget changes during the Quarter

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Revenue Budget Monitoring to December 2018 - Appendices

Appendix 1

Chief Officer Cash Limited Budgets by Fund - Comparison with the Previous Quarter									
Original Budget £'000	Chief Officer	Full Year Forecast as at 30th September 2018				Full Year Forecast as at 31st December 2018			
		Latest Budget	Forecast	Variance Better / (Worse)		Latest Budget	Forecast	Variance Better / (Worse)	
		£'000	£'000	£'000	%	£'000	£'000	£'000	%
	<b>City Fund</b>								
(1,951)	Chamberlain	(1,951)	(1,658)	293	15%	(1,959)	(1,780)	179	9%
(4,831)	City Surveyor	(5,405)	(5,463)	(58)	(1%)	(5,475)	(5,463)	12	0%
(10,662)	Director of Community and Children's Services	(11,092)	(11,114)	(22)	(0%)	(11,273)	(11,275)	(2)	(0%)
(2,253)	Director of Markets and Consumer Protection	(2,461)	(2,559)	(98)	(4%)	(2,552)	(2,562)	(10)	(0%)
606	Director of Open Spaces	554	1,025	471	85%	512	834	322	63%
(15,768)	Director of the Built Environment	(16,164)	(16,064)	100	1%	(16,466)	(16,345)	121	1%
(428)	Executive Director Mansion House and Old Bailey	(468)	(468)	0	0%	(574)	(579)	(5)	(1%)
(15,954)	Managing Director, Barbican Centre	(18,435)	(18,886)	(451)	(2%)	(18,437)	(19,187)	(750)	(4%)
(12,274)	Town Clerk	(13,288)	(13,290)	(2)	(0%)	(13,362)	(13,381)	(19)	(0%)
<b>(63,515)</b>	<b>Total City Fund (excluding Police)</b>	<b>(68,710)</b>	<b>(68,477)</b>	<b>233</b>	<b>0%</b>	<b>(69,586)</b>	<b>(69,739)</b>	<b>(153)</b>	<b>(2%)</b>
	<b>City's Cash</b>								
(97)	Chamberlain	(97)	(96)	1	1%	(99)	(99)	0	0%
(14,535)	City Surveyor	(15,171)	(15,858)	(687)	(5%)	(15,692)	(15,939)	(247)	(2%)
(595)	Director of Community and Children's Services	(613)	(595)	18	3%	(613)	(595)	18	3%
(657)	Director of Markets and Consumer Protection	(1,529)	(1,693)	(164)	(11%)	(1,625)	(1,523)	102	6%
(10,825)	Director of Open Spaces	(11,019)	(11,068)	(49)	(0%)	(11,179)	(11,283)	(104)	(1%)
(3,193)	Executive Director Mansion House and Old Bailey	(3,253)	(3,250)	1	0%	(3,332)	(3,411)	(79)	(2%)
(970)	Head, City of London Boy's School	(970)	(970)	0	0%	(947)	(947)	0	0%
(16)	Headmaster, City of London Freemen's School	(16)	(16)	0	0%	22	22	(0)	(1%)
(209)	Headmistress, City of London School for Girls	(209)	(209)	0	0%	(192)	(192)	0	0%
(6,100)	Principal, Guildhall School of Music and Drama	(6,100)	(6,100)	0	0%	(6,363)	(6,363)	0	0%
(1,189)	Remembrancer	(1,213)	(1,240)	(27)	(2%)	(1,228)	(1,213)	15	1%
(50)	Town Clerk	(116)	(128)	1	1%	(116)	(115)	1	1%
<b>(38,436)</b>	<b>Total City's Cash</b>	<b>(40,306)</b>	<b>(41,223)</b>	<b>(906)</b>	<b>(2%)</b>	<b>(41,364)</b>	<b>(41,658)</b>	<b>(294)</b>	<b>(1%)</b>
	<b>Bridge House Estates</b>								
(2,488)	City Surveyor	(2,537)	(2,595)	(58)	(0)	(2,450)	(2,387)	63	3%
(101)	Director of Open Spaces	(338)	(347)	(9)	(3%)	(353)	(243)	110	31%
(257)	Director of the Built Environment	(257)	(257)	0	0%	(257)	(229)	28	11%
(2,261)	Town Clerk	(2,207)	(2,108)	99	4%	(2,232)	(2,170)	62	3%
<b>(5,107)</b>	<b>Total Bridge House Estates</b>	<b>(5,339)</b>	<b>(5,307)</b>	<b>32</b>	<b>1%</b>	<b>(5,292)</b>	<b>(5,029)</b>	<b>263</b>	<b>5%</b>
	<b>Guildhall Administration</b>								
(21,197)	Chamberlain	(22,400)	(22,715)	(315)	(2%)	(22,530)	(22,565)	(35)	(0%)
(6,601)	City Surveyor	(6,983)	(7,927)	(944)	(14%)	(7,552)	(8,372)	(820)	(11%)
(3,263)	Comptroller and City Solicitor	(3,533)	(3,532)	1	0%	(3,533)	(3,533)	0	0%
342	Remembrancer	303	904	601	198%	299	805	506	169%
(6,529)	Town Clerk	(6,927)	(6,927)	0	0%	(6,927)	(6,927)	0	0%
<b>(37,248)</b>	<b>Total Guildhall Administration</b>	<b>(39,540)</b>	<b>(40,197)</b>	<b>(657)</b>	<b>(2%)</b>	<b>(40,243)</b>	<b>(40,592)</b>	<b>(349)</b>	<b>(1%)</b>
<b>(144,306)</b>	<b>Grand Total (excluding Police)</b>	<b>(153,895)</b>	<b>(155,203)</b>	<b>(1,297)</b>	<b>(1%)</b>	<b>(156,485)</b>	<b>(157,017)</b>	<b>(532)</b>	<b>(0%)</b>
(65,685)	Commissioner of Police (City Fund)	(65,700)	(64,980)	720	1%	(65,700)	(68,000)	(2,300)	6%
<b>(209,991)</b>	<b>Grand Total</b>	<b>(219,595)</b>	<b>(220,183)</b>	<b>(577)</b>	<b>(0%)</b>	<b>(222,185)</b>	<b>(225,017)</b>	<b>(2,832)</b>	<b>(1%)</b>

Chief Officer Cash Limited Budgets - Income and Expenditure Budget Variances					
Chief Officer	Latest Gross Income / (Expenditure) Budgets £'000	Forecast Income / (Expenditure) £'000	Variance Better / (Worse)		Cause / Action
			£'000	%	
Barbican Center Managing Director	(44,184)	(43,812)	372	1%	Predominantly savings in direct costs in line with income shortfalls in certain areas, as listed under income section below. A large portion of the expenditure savings have been offset by additional costs related to increased maternity pay and an increase to the pay award above what was originally budgeted, as these have not been covered by resources. They have also been offset by a delay to the delivery of the buildings SBR target.
	25,747	24,625	(1,122)	(4%)	The forecast for Barbican International Enterprises (BIE) has been reduced to reflect the risk that not all international touring slots may be filled. A new strategy is being implemented in retail to improve income generation – this is taking time to develop so we've reduced the forecast to reflect a potential shortfall. The forecast has been reduced to reflect risk in Development around unrestricted Corporate Sponsorship.
Chamberlain	(25,141)	(24,944)	197	1%	Staff restructure in Cost of Collection resulting in underspend in staff salaries.
	553	500	(53)	(10%)	Anticipated reduction in income from recovered council tax and business rates costs.
City Surveyor	(46,542)	(47,819)	(1,277)	(3%)	Overspending principally relates to additional expenditure on employee costs, energy and on repairs and maintenance. The extra staffing costs relate mainly to additional security staff, whilst the energy costs reflects the 30% increase in energy prices from October under the new contract. The extra repairs and maintenance spend is due to a higher level of essential reactive maintenance and quoted works undertaken than had been anticipated in the budget.
	15,373	15,658	285	2%	Additional drawdown in dilapidations to cover increased employee costs partially offset by a shortfall in City Surveyor fee income due to a reduced number of major property deals.
Comissioner of Police	(128,815)	(126,615)	2,200	2%	The CoLP's forecast is a highly adverse movement from a forecast underspend of £0.7m in Q2, to a forecast overspend, prior to mitigation, of £5.1m in Q3. This was caused mainly by a £5.8m increase in pay costs compared to the original budget, as a result of the budget significantly underestimating the costs of employing the planned workforce numbers, combined with spend on overtime and 'agency' resourcing. The increase has been largely masked until recently by an erroneous double inclusion by the Force of the £4.5m National & International City Grant, in income as well as funding, when loading the 2018-19 budget onto the system (NB it was not counted as income in the approved budget). £2.8m of forecast in-year mitigations have been incorporated, which reduces the overspend to £2.3m. This net overspend position is in line with the Police Authority's expectation, however it should be stressed that a detailed forecast is in preparation for February Police Committee and is not yet with Police Authority Finance for review.
	63,115	58,615	(4,500)	(7%)	

Chief Officer	Latest Gross Income / (Expenditure) Budgets £'000	Forecast Income / (Expenditure) £'000	Variance Better / (Worse)		Cause / Action
			£'000	%	
Comptroller and City Solicitors	(4,395)	(4,395)	0	0%	No Variance
	862	862	0	0%	
Director of Community and Childrens Services	(31,028)	(30,880)	148	0%	Underspend due to various Community and Children's Services' contracts not finalised until partway through the year whereas the budget is for the full year and savings on Salaries which may be used towards a career fair. This is partially offset by an overpend on repair works at Artizan St Library, which are hoped to be reclaimed by year-end.
	19,142	19,010	(132)	(1%)	Less than anticipated Income due to changes in client cirmcustances which affects their contributions towards care.
Director of Markets and Consumer Protection	(24,272)	(24,569)	(297)	(1%)	The additional expenditure principally relates to the Coroner's Office due to the additional costs of two full time agency staff, backdated changes to the Senior Coroner pay guidance and running costs due to an increased volume of inquests. It was originally anticipated that the cost of one agency post would be met from the Police but that is no longer the case. Further overspends relate to staff costs at the Ports to meet the increased trade volumes and the impact of the higher than budgeted pay award on the Department.
	20,095	20,484	389	2%	The forecast additional income relates to £0.3m expected at the Ports and Heathrow Animal Reception Centre due to increased trade throughput and £0.1m from Smithfield car park due to increased traffic volumes.
Director of Open Spaces	(27,339)	(27,445)	(106)	(0%)	Overspend on salary costs before apprenticeships budget allocation and overspend due to the cost of Oak Processionary Moth treatment.
	16,319	16,753	434	3%	Although income at the Cemetery is currently on target with the expected position at the end of December 2018, the Superintendent is concerned that income has slowed against last year's actuals and expects that total income will be around £50K below last year's total of £5.3m, leading to a favourable variance of £343,000 at year-end. Forecast variance at Tower Bridge is expected to be a year-end surplus of income of £100K following a very positive performance during the month of December, the forecasted surplus replacese the previous on target forecast. This is offset by a forecast deficit of income at Monument of £39K, where, similar to many other central London attractions as reported by industry bodies, and most notable given its close proximity to the 2017 London Bridge attack, the Monument is struggling to recover in terms of visitors and income, this has been reduced from the £60K due to the positive performance in December.
Director of the Built Environment	(33,767)	(33,557)	210	1%	An underspend is forecast for Planning and Transportation which relates to a credit note from the previous electricity supplier LASER in connection with street lighting bills, which is due to be refunded and is currently being dealt with by C&CS. A further underspend is also expected on salary savings within Town Planning and Highway Services.
	17,044	16,983	(61)	(0%)	The shortfall on income is due to reductions in Building Regulation fee income due to slippage of expected fees and uncertainty in the current Brexit economic climate, plus lower than anticipated public convenience toilet barrier income due to reduced usage levels.

Chief Officer	Latest Gross Income / (Expenditure) Budgets £'000	Forecast Income / (Expenditure) £'000	Variance Better / (Worse)		Cause / Action
			£'000	%	
Executive Director Mansion House and Old Bailey	(8,093)	(8,207)	(114)	(1%)	Overspend due to additional staff required over and above the budgeted establishment, which will be partly offset by anticipated additional income from increased usage of Mansion House and Old Bailey
	4,187	4,216	29	1%	Minor Variance
Head of the Boys School	(19,514)	(19,514)	0	0%	No Variance
	18,567	18,567	0	0%	
Headmaster of City of London Freemens School	(18,368)	(18,368)	(0)	(0%)	No Variance
	18,390	18,390	0	0%	
Headmistress of City of London School for Girls	(16,129)	(16,129)	0	0%	No Variance
	15,937	15,937	(0)	(0%)	
Principal Guildhall School of Music and Drama	(30,074)	(30,074)	0	0%	No Variance
	23,711	23,711	0	0%	
Remembrancer	(2,545)	(2,534)	11	0%	Minor Variance
	1,616	2,126	510	32%	Increase in anticipated income from Guildhall lettings.
Town Clerk	(24,563)	(24,528)	35	0%	Underspend within staff costs as new roles were budgeted for as part of Bridging Divides but have either not been filled or filled later than originally planned.
	1,926	1,935	9	0%	Minor Variance
<b>Total</b>	<b>(484,769)</b>	<b>(483,389)</b>	<b>1,380</b>	<b>0%</b>	
	<b>262,584</b>	<b>258,372</b>	<b>(4,212)</b>	<b>(2%)</b>	
<b>Grand Total</b>	<b>(222,185)</b>	<b>(225,017)</b>	<b>(2,832)</b>	<b>(1%)</b>	

Central Risk Budgets				
Chief Officer	Latest Gross Income/ (Expenditure) Budget £'000	Forecast £'000	Variance Better / (Worse)	
			£'000	%
Chamberlain	(96,629)	(96,614)	15	0%
Chamberlain	88,797	89,541	744	1%
<b>Total Chamberlain</b>	<b>(7,832)</b>	<b>(7,073)</b>	<b>759</b>	<b>10%</b>
City Surveyor	(8,425)	(8,275)	150	2%
City Surveyor	142,314	142,249	(65)	(0%)
<b>Total City Surveyor</b>	<b>133,889</b>	<b>133,974</b>	<b>85</b>	<b>0%</b>
Comptroller and City Solicitors	200	200	0	0%
<b>Total Comptroller and City Solicitors</b>	<b>200</b>	<b>200</b>	<b>0</b>	<b>0%</b>
Director of Community and Children's Services	(11,415)	(11,910)	(496)	(4%)
Director of Community and Children's Services	9,389	9,711	323	3%
<b>Total Director of Community and Children's Services</b>	<b>(2,026)</b>	<b>(2,199)</b>	<b>(173)</b>	<b>(9%)</b>
Director of Markets and Consumer Protection	(554)	(502)	52	9%
Director of Markets and Consumer Protection	6,333	6,394	61	1%
<b>Total Director of Markets and Consumer Protection</b>	<b>5,779</b>	<b>5,892</b>	<b>113</b>	<b>2%</b>
Director of Open Spaces	(1,066)	(1,063)	3	0%
Director of Open Spaces	1,836	1,841	5	0%
<b>Total Director of Open Spaces</b>	<b>770</b>	<b>778</b>	<b>8</b>	<b>1%</b>
Director of the Built Environment	(14,826)	(15,096)	(270)	(2%)
Director of the Built Environment	19,774	20,246	472	2%
<b>Total Director of Built Environment</b>	<b>4,948</b>	<b>5,150</b>	<b>202</b>	<b>4%</b>
Executive Director Mansion House and Old Bailey	(2,873)	(2,883)	(10)	(0%)
Executive Director Mansion House and Old Bailey	1,547	1,556	9	1%
<b>Total Executive Director Mansion House and Old Bailey</b>	<b>(1,326)</b>	<b>(1,327)</b>	<b>(1)</b>	<b>(0%)</b>
Managing Director, Barbican Centre	(3,789)	(3,789)	0	0%
Managing Director, Barbican Centre	530	530	0	0%
<b>Total Managing Director, Barbican Centre</b>	<b>(3,259)</b>	<b>(3,259)</b>	<b>0</b>	<b>0%</b>
Principal Guildhall School of Music and Drama	(3,415)	(3,415)	0	0%
<b>Total Guildhall School of Music and Drama</b>	<b>(3,415)</b>	<b>(3,415)</b>	<b>0</b>	<b>0%</b>
Remembrancer	(1,833)	(1,846)	(14)	(1%)
Remembrancer	204	204	0	0%
<b>Total Remembrancer</b>	<b>(1,629)</b>	<b>(1,642)</b>	<b>(14)</b>	<b>(1%)</b>
Town Clerk	(43,101)	(43,343)	(242)	(1%)
Town Clerk	894	941	47	5%
<b>Total Town Clerk</b>	<b>(42,207)</b>	<b>(42,401)</b>	<b>(194)</b>	<b>(0%)</b>
<b>Total</b>	<b>(187,925)</b>	<b>(188,736)</b>	<b>(812)</b>	<b>(0%)</b>
<b>Total</b>	<b>271,818</b>	<b>273,413</b>	<b>1,596</b>	<b>1%</b>
<b>Grand Total</b>	<b>83,893</b>	<b>84,677</b>	<b>784</b>	<b>1%</b>

## Appendix 4

Central Risk - Corporate Income Budgets				
	Original Budget	Forecast Outturn	Variance Better / (Worse)	
	£'000	£'000	£'000	%
<b>Property Investment Income</b>				
City Fund	49,429	49,429	-	-
City's Cash	57,791	57,791	-	-
Bridge House Estates	24,853	24,853	-	-
<b>Total Property Investment Income</b>	<b>132,073</b>	<b>132,073</b>	-	-
<b>Interest on Cash Balances</b>				
City Fund	5,500	6,259	759	12
City's Cash	300	283	(17)	(6)
Bridge House Estates	100	90	(10)	(11)
<b>Total Interest on Cash Balances</b>	<b>5,900</b>	<b>6,632</b>	<b>732</b>	<b>11</b>
<b>Grand Total</b>	<b>137,973</b>	<b>138,705</b>	<b>732</b>	<b>1</b>

## Appendix 5

Chief Officer Cash Limited Budgets - Budget changes		
	£'000	£'000
<b>Original Budget</b>		<b>(209,991)</b>
Previously reported budget movements in Quarter 2		(9,604)
		<u>(219,595)</u>
Allocation for Holiday Pay and Contribution Pay	(1,084)	
Additional Budget for BRM asset verification and contribution towards costs	(515)	
Allocation for Apprenticeship Scheme	(424)	
Budget adjustment for transfer to Schools Reserves	244	
Adjustments for Inflation	(202)	
Additional Budget Allocation for CII Building	(197)	
Net budget adjustment for Schools increased pupil numbers	(197)	
Additional Budget for Security costs	(150)	
Additional Budget for Bridges Endowment Officer	(50)	
Allocation to Epping Forest and Commons	120	
Base Budget Adjustment	103	
Allocation from Finance Contingencies	(80)	
Allocation from Priorities Investment Pot	(88)	
Adjustment for Cheapside acquisition net running costs	(74)	
Adjustment for Car Parking Rate Revaluation	(70)	
Budget Transferred to Capital Project	59	
Approved Local Risk Carry Forwards	(40)	
Carry forward of previous year underspend	42	
Minor Adjustments	13	
		<u>(2,590)</u>
<b>Latest Approved Budget</b>		<b>(222,185)</b>



<b>Committee(s):</b> Finance Committee – For information	<b>Date(s):</b> 22 January 2019
<b>Subject:</b> Provisional Local Government Finance and Police Finance Settlements	<b>Public</b>
<b>Report of:</b> The Chamberlain	<b>For Information</b>
<b>Report author:</b> Philip Gregory, Chamberlain’s Department	

## Summary

The provisional Local Government Finance and Police Finance settlements for 2019/20 were announced by Government on 13 December 2018 following the Budget. The settlements document the funding allocations for 2019/20 which will benefit City Fund.

## Recommendation(s)

Members are asked to:

- Note the report.

## Main Report

### Background

1. The provisional Local Government Finance and Police Finance settlements for 2019/20 were announced by Government on 13 December 2018 following the Budget. The settlements document the funding allocations for 2019/20 which will benefit City Fund.

### Current Position

#### City Fund

2. The impact of the Local Government Settlement for the City Corporation is set out in the following paragraphs.
3. 2019/20 will be the final year of the multi-year agreement where Government agreed to a 4 year funding deal in return for publishing a corresponding efficiency plan. There remains a great deal of uncertainty regarding Local Government funding after March 2020.
4. The London 75% business rates retention pilot has been confirmed alongside 15 new 75% business rates retention pilots for 2019-20, and the 5 existing pilots will continue in devolution deal areas. The City Corporation will act as Lead Authority

for the London business rates retention pilot which includes all London boroughs and the Greater London Authority.

5. The estimated benefit in 2019/20 for the City Corporation of the business rates retention pilot is £8.4m, albeit based on 75% rates retention rather than 100% in 2018/19 where the estimated benefit is £11.6m.
6. The Council Tax referendum threshold remains 3%. A 3% increase in Council Tax would raise c£200k for the City Corporation.
7. The Adult Social Care (ASC) precept is limited to 2% in 2019/20. A 2% ASC precept would raise c£135k for the City Corporation.
8. Baseline funding (including Revenue Support Grant) is £22.6m in 2019/20 (£23.6m in 2018/19, a 4.2% reduction in comparison to a 6.5% decrease for London Boroughs and nationally). RSG included in the Baseline Funding is £6.2m in 2019/20 (£7.5m in 2018/19, a 17.3% reduction)
9. In addition there are some small changes to other grants:
  - A reduction of £0.4m in New Homes Bonus funding.
  - An increase of £0.3m in Levy Account Surplus grant (a one-off adjustment).
  - An increase of £0.1m in Adult Social Care/Winter Pressures grants.
10. There is currently a consultation from MHCLG on the Fair Funding Review and we expect a consultation of Business Rates Retention changes in summer 2019. The 2019 Spending Review will be critical to set out the future direction of travel for local government funding.

## **Police**

11. The Home Office has announced the police funding settlement for 2019/20. The outcome for City of London Police (CoLP) was better than had been previously assumed when the Police Force MTFP was updated in December, with:
  - a) the core (HO and ex-DCLG) grant increasing by £1m, to £52.3m;
  - b) National & International Capital City Grant increasing from £4.5m to £4.8m;
  - c) Precept Grant increasing to £2.7m;
  - d) Additional pensions grant of £0.8m, which is aimed to fully offset the increase in pension deficit contributions in 2018/19;
12. This will go some way to improving the forecast deficits across the planning period but will not close the gap. The medium-term financial projection has been modified to take account of the improved funding settlement for 2019/20. We still await the outcome of the allocation of the additional CT monies, to see if CoLP will benefit from this.

## **Conclusion**

13. The provisional settlements for City Fund and CoLP have been announced. The City Fund settlement is broadly in line with expectations as part of the 4 year funding deal. The CoLP grant funding has increased though there still remains a significant funding deficit.

## **Appendices**

- None

## **Philip Gregory**

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<b>Committee(s)</b>	<b>Date(s):</b>
Finance Committee – For Decision	22 <sup>nd</sup> January 2019
<b>Subject:</b> Police ICT Company Guarantee Extension	<b>Public</b>
<b>Report of:</b> The Chamberlain	<b>For Decision</b>
<b>Report author:</b> Sean Green, IT Director	

### Summary

This report requests agreement from Members to changes to the operating articles of the Police ICT Company.

The Police ICT company is a national body that works on behalf of all Police forces to implement improvement programmes with a national perspective. The Police ICT company is an agency of the Home Office. The Police ICT company has no assets and therefore, is unable to enter into contracts to supply goods and services for the benefit of Police forces. The Police ICT company currently relies on individual Police forces entering into contracts on their behalf, as the City of London Police force has for the National Enabling Programme to proceed.

To mitigate this issue the Police ICT company has suggested that all Police and Crime Commissioners (PCC) (and the City of London Corporation acting as Police Authority) could either provide a financial guarantee or a cash loan. The preferred option is to provide a financial guarantee which is a legal agreement without the need for cash backing.

The Finance Committee previously agreed this at an amount of £25,000. The request is to increase this commitment from the City of London Police Authority to £27,653.00.

**Members are asked to:**

- a) Agree the increased guarantee provided to the Police ICT Company from £25,000 to £27,653.00.

## Background

1. The Police ICT Company was incorporated in 2012 and started operating in 2015 with the aim to support and enable policing and associated bodies to make the best use of technology to deliver efficient, effective policing and improve public safety. The Company's aim has been to deliver more in benefit than it costs policing to run and this has been achieved with a benefit validated by CIPFA, of £13m being realised in 2017/18. The Company has now reached a point where there is an opportunity to grow and build new capacity and capability to meet the need of policing for a contracting authority to support the delivery of National ICT Programmes.
2. The National Enabling Programmes (NEP) and Digital Policing Portfolio (DPP) are moving from development to the delivery phase. This has brought the issue of a contracting authority to the fore with a need for policing to address this collectively to ensure the success of nationally commissioned investment on behalf of the service. The contracting authority role includes the negotiation and management of contracts, charging and payment arrangements supported by the necessary governance. To undertake this role any contracting authority needs access to enough reserves.

## Current Position

3. In July 2018 the Finance Committee agreed that the City of London Police Authority would along with all the other regional forces agree a financial guarantee of £25,000. A new request has been received from the Chair of the Police ICT Company that we increase this guarantee to £27,653.00.

## Proposals

4. Increase the Financial guarantee from the City of London Police Authority to £27,653.00.

## Implications

5. The commitment that is being asked of each PCC's is based on a collective guarantee of £5m with each PCC guarantee based on the net budget requirement. The risk will only materialise in the unlikely event that subscribers to the contracts fail to pay their invoices within the payment terms set out. Most subscribers are Police Forces and Company members. Chief Financial Officers have already agreed to become actively involved where there are delays. Having this guarantee in place will help to satisfy potential suppliers of the financial stability of the Company while it grows and builds its own reserves.

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<b>Committee:</b> Finance Committee	<b>Date:</b> 22 January 2019
<b>Subject:</b> Report of Action Taken - Public Decision taken under Delegated Authority since the last meeting of the Committee	<b>Public</b>
<b>Report of:</b> Town Clerk	<b>For Information</b>
<b>Report author:</b> John Cater, Town Clerk's Department	

### Summary

This report advises Members of urgent action taken by the Town Clerk since the last meeting of the Committee, in consultation with the Chairman and Deputy Chairman, in accordance with Standing Order No. 41(b) relative to a donation of £30,000 to Save the Children UK's Indonesia Tsunami Appeal.

### Recommendation

Members are asked to note the report.

### Main report

#### Background

On 22 December 2018 a further devastating tsunami has led to the deaths of hundreds of more people, with over 16,000 displaced from their homes. This came weeks after a deadly earthquake struck Indonesia in late September 2018 and triggered a tsunami, which surged inland, destroying almost everything in its wake. Families were left in desperate need of food, water, shelter and medical treatment. At the time action was taken the DEC had not launched an appeal for the December tsunami.

#### Action Taken

1. The Town Clerk, in consultation with the Chairman and Deputy Chairman of the Finance Committee, gave approval to a donation of £30,000 from the International Disasters Fund to support Save the Children UK, as recommended by the Central Grants Unit, in providing humanitarian support to communities affected by the Indonesian earthquake and Tsunami.

#### Contact:

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<b>Committee:</b>	<b>Date:</b>
Finance Committee	22 January 2019
<b>Subject:</b>	<b>Public</b>
Council Tax Discounts and Premium for Empty Properties	
<b>Report of:</b>	<b>For Decision</b>
The Chamberlain	

## Summary

The Finance Committee agrees the level of council tax discount applicable for empty properties as part of the budget setting process each February. This Committee last agreed changes to council tax discounts for empty properties in June 2014 with changes effective from the financial year 2015/16.

There have been some recent council tax legislation changes relating to council tax empty and unoccupied property that makes this an appropriate time to review the level of discounts that are awarded and consider the impact of any potential changes.

For council tax purposes, empty is defined as unoccupied and substantially unfurnished. Currently long-term empty properties, those empty over 6 months do not receive any discount and a full council tax is charged. The level of discount for unfurnished properties up to 6 months remains the maximum permitted amount (100%). The level of discount for uninhabitable properties up to 12 months remains the maximum permitted amount (100%). Each billing authority has the discretion to give a discount of any amount from 0% to 100% in respect of empty properties.

Billing authorities are also permitted to set a long-term empty property premium for properties that have been empty for at least two years. The maximum premium for 2018/19 is an additional 50% of the council tax charged. The City has not previously levied a long-term empty premium. From 2019/20 the maximum permitted premium has increased to 100%. There are also increases in the maximum permitted premium for subsequent financial years where properties have been left empty for over five or ten years.

This report considers removing the discount for unfurnished and uninhabitable properties and introducing a long-term empty premium.

### Recommendation

- It is recommended that, in accordance with the options set out in this report, the current 100% discount awarded to unoccupied and unfurnished and uninhabitable dwellings is reduced to zero (0%) for the financial year 2019/20. This will result in additional income of between £50,000 and £60,000 per annum.
- It is recommended that a premium is levied on long-term empty property for 2019/20 at the maximum permitted level of 100%. The resulting charge will be 200% of the standard council tax. This will result in additional income of approximately £20,000 in a typical year.

- It is recommended that, having regard to the Government guidance issued, the Chamberlain be given the discretion, delegated to the Head of Revenues to reduce or waive the long-term empty premium charge in exceptional circumstances.

## Main Report

### Background

### Empty Property

1. For council tax purposes a property is defined as empty if it is unoccupied and substantially unfurnished. Property that is furnished is treated as a second home and these properties are not included in this review as discounts for these properties were removed in April 2014.

### Long-Term Empty Property Premium

2. The empty property premium was introduced in 2013/14 to encourage landlords to bring long-term empty property back into use. This gave billing authorities the discretion to charge an additional 50% council tax on properties left empty for more than two years. The City has not previously exercised the discretion to charge a long-term empty premium and all properties empty over two years are charged a full council tax.
3. From 2019/20 the maximum permitted premium has increased to 100% for properties empty over two years. In subsequent years the maximum permitted premiums will rise as follows:

#### **2020/21**

Properties empty between 2 years - 5 years:	100%
Properties empty over 5 years:	200%

#### **2021/22**

Properties empty between 2 years - 5 years:	100%
Properties empty between 5 years - 10 years:	200%
Properties empty over 10 years:	300%

A decision on the levels of premium from 2020/21 onwards is not required at this time as this would be dealt with as part of the budget setting process for future financial years.

### Current Position

4. The Local Government Finance Act 2012 introduced wider discretionary powers in relation to empty property from 2013/14. The discretion to amend the level of empty discount for both empty and uninhabitable properties has

not been exercised by the City and empty dwellings continue to be awarded a 100% discount.

5. Since 1 April 2015 the following council tax discounts have been applicable:

<b>Period empty</b>	<b>Discount</b>	<b>Council tax payable</b>
up to 6 months	100%	Nil
more than 6 months	0%	100%
uninhabitable up to 12 months	100%	Nil

6. The City has not exercised the discretion to levy a long-term empty property premium of 50% for properties that have been empty for more than two years.
7. The number of properties in receipt of an empty discount can vary widely, and this means the exact level of discount cannot be accurately predicted for future financial years. The number of awards across the last three financial years are provided in paragraph 12 below.
8. There are very few uninhabitable properties in the City of London. In October 2018 there were none. It should be noted that where properties are considered in such a state of repair then taxpayers may seek to have the property removed from the council tax Valuation List by the Valuation Office Agency, part of the Inland Revenue responsible for council tax banding.
9. The City did not issue a consultation when previously considering the removal of the long-term empty discount (properties empty for over 6 months duration) from April 2015. Due to the relatively small number of empty properties it is not considered necessary to undertake a full consultation exercise at this time. The position has been checked with the Comptroller and City Solicitor who has confirmed that there is no legal requirement to carry out a consultation.
10. A review of other London authorities has been undertaken and it has been established that most authorities have now removed all discounts for empty properties.
11. The City does not currently charge the additional 50% long-term empty property premium but almost all London authorities do now charge the 50% premium for properties left empty for over two years. If a decision is made to introduce a long-term empty property premium the City will be able to charge the maximum permitted premium for the relevant financial year. For the financial year 2019/20 this would be a premium of 100%.

## **Financial Considerations**

12. The number of cases and the amounts awarded for the three financial years are set out below:

	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18*</b>

Amount of empty discount granted	£61,000	£53,000	£140,000
Number of awards	349	317	586
Average number days discount granted	52	50	72
Average amount of discount	£174	£170	£240

\* In 2017/18 the figure was inflated by many flats being vacated at the same time. The levels for 2015/16 and 2016/17 are therefore more typical.

13. For the last full financial year, the amount of discount given to unoccupied property totalled £140,000. This is equivalent to 150 properties at a band D charge of £933.41.
14. The introduction of a long-term empty home premium for properties that have been empty in excess of two years would allow the City to charge a premium up to 100% of the council tax charge.
15. If the maximum premium of 100% was adopted for 2019/20 it could result in additional income of £20,000 based on the current number of properties that have been empty for more than 2 years. During 2019/20 further properties may fall within the criteria for a long-term empty property premium if they remain unoccupied and unfurnished. An estimate of additional income that may be generated is provided below:

16.

<b>Estimated Income from Empty Property Premium 2019/20</b> (assuming a maximum permitted empty premium of 100% and that properties remain empty for the whole year)		
	Number of properties	Estimated maximum income from premium
existing properties empty over two years	20	£20,000
properties that may become empty over two years in 2019/20	158	£170,000
<b>Total</b>		<b>£190,000</b>

A maximum additional income of £190,000 from the empty property premium detailed above cannot be guaranteed and will be determined by the factors relating to specific properties during 2019/20. These properties could be reoccupied (with discounts granted) or redevelopments commenced at any time. It should also be noted that the current number of empty properties is exceptional and is unlikely to be replicated in future financial years. A more typical income level for the empty property premium would be £20,000.

16. The Guidance issued by the then Department of Communities and Local Government in May 2013 "Council Tax - Empty homes premium - Guidance for properties for sale and letting" expected billing authorities to consider the

reasons why properties are unoccupied and unfurnished, including whether they are available for sale or rent, and decide whether they wish such properties to be included in their determination. Having regard to the guidance issued it is recommended that the Chamberlain be given the discretion to reduce or waive the long-term empty premium charge in exceptional circumstances and that this discretion is delegated to the Head of Revenues. This would be in cases where there is clear documentary evidence showing a genuine, continuous and realistic action to bring the property into occupation.

17. A decision to implement the changes set out in this report would act as an incentive for owners to bring unused empty property back into full use. It should be noted that if the aim of reducing the amount of long-term empty property is achieved, the additional premium income noted within this report will reduce in future financial years.
18. Changes can only be made at the beginning of a financial year. Any change will form part of the council tax setting process to be approved by this Committee and included in the council tax resolution to be passed by Court of Common Council in March 2019.

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Background papers:

Report to Finance Committee - Council Tax – Discounts for Empty Properties 25  
June 2014

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