



## Finance Committee

**Date:** TUESDAY, 23 JULY 2019

**Time:** 1.45 pm

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

**Members:**

Jeremy Mayhew (Chairman)	Andrew McMurtrie
Deputy Jamie Ingham Clark (Deputy Chairman)	Deputy Robert Merrett
Rehana Ameer	Andrien Meyers
Randall Anderson	Deputy Hugh Morris
Nicholas Bensted-Smith	Benjamin Murphy
Chris Boden	Alderman Sir Andrew Parmley
Deputy Roger Chadwick	Susan Pearson
Dominic Christian	William Pimlott
John Fletcher	Deputy Henry Pollard
Michael Hudson	James de Sausmarez
Deputy Wendy Hyde	John Scott
Deputy Clare James	Ian Seaton
Alderman Gregory Jones QC	Graeme Doshi-Smith
Alderman Alastair King	Sir Michael Snyder
Gregory Lawrence	Deputy James Thomson
Tim Levene	Deputy Philip Woodhouse
Oliver Lodge	Deputy Catherine McGuinness (Ex- Officio Member)
Alderman Nicholas Lyons	Simon Duckworth (Ex-Officio Member)
Paul Martinelli	Deputy Tom Sleigh (Ex-Officio Member)

**Enquiries:** John Cater  
tel. no.: 020 7332 1426  
[john.cater@cityoflondon.gov.uk](mailto:john.cater@cityoflondon.gov.uk)

Lunch will be served for Members in Guildhall Club at 1pm  
NB: Part of this meeting could be the subject of audio video recording

John Barradell  
Town Clerk and Chief Executive

# **AGENDA**

## **Part 1 - Public Agenda**

1. **APOLOGIES**
2. **MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA**
3. **MINUTES OF THE PREVIOUS MEETING**  
To agree the public minutes of the meeting held on 18 June 2019.  
  
*To follow.*  
  
**For Decision**
4. **OUTSTANDING PUBLIC ACTIONS**  
Report of the Town Clerk.  
  
**For Information**  
(Pages 1 - 2)
5. **FINANCE COMMITTEE - WORK PROGRAMME 2019 AND 2020**  
Report of the Chamberlain.  
  
**For Information**  
(Pages 3 - 4)
6. **REPORT OF THE WORK OF THE SUB-COMMITTEES**  
Report of the Town Clerk.  
  
**For Information**  
(Pages 5 - 8)
7. **AMENDMENT TO CORPORATE ASSET SUB-COMMITTEE'S TERMS OF REFERENCE**  
Report of the Town Clerk.  
  
*To follow.*  
  
**For Decision**
8. **DRAFT 2018-19 CITY FUND AND PENSION FUND FINANCIAL STATEMENT**  
Report of the Chamberlain.  
  
*Appendices circulated separately.*  
  
**For Decision**  
(Pages 9 - 14)
9. **DRAFT BRIDGE HOUSE ESTATES STATEMENT OF ACCOUNTS**  
Report of the Chamberlain.  
  
*To follow.*  
  
**For Decision**

10. **PROVISIONAL OUTTURN 2018-19**  
Report of the Chamberlain.  
**For Information**  
(Pages 15 - 22)
11. **CAPITAL AND SUPPLEMENTARY REVENUE PROJECTS - 2018/19 OUTTURN AND PRUDENTIAL INDICATORS**  
Report of the Chamberlain.  
**For Information**  
(Pages 23 - 28)
12. **MAJOR WORKS MAINTENANCE FORECASTING AND GAP FUNDING - OPERATIONAL PROPERTY PORTFOLIO**  
Report of the City Surveyor.  
**For Information**  
(Pages 29 - 38)
13. **INITIATION & IMPLEMENTATION OF CHARITIES REVIEW**  
Report of the Chief Grants Officer & Director of City Bridge Trust.  
**For Decision**  
(Pages 39 - 42)
14. **REVENUE BUDGET MONITORING TO JUNE 2019**  
Report of the Chamberlain.  
**For Information**  
(Pages 43 - 52)
15. **CHAMBERLAIN'S DEPARTMENT RISK MANAGEMENT - QUARTERLY REPORT**  
Report of the Chamberlain.  
**For Information**  
(Pages 53 - 72)
16. **CENTRAL CONTINGENCIES 2019/20**  
Report of the Chamberlain.  
**For Information**  
(Pages 73 - 76)
17. **REPORT OF ACTION TAKEN - PUBLIC DECISIONS TAKEN UNDER DELEGATED AUTHORITY/URGENCY PROCEDURES SINCE THE LAST MEETING OF THE COMMITTEE**  
Report of the Town Clerk.  
**For Information**  
(Pages 77 - 80)
18. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
19. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**

20. **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**

21. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**  
To agree the non-public minutes of the meeting held on 18 June 2019.  
  
*To follow.*

**For Decision**

22. **OUTSTANDING NON-PUBLIC ACTIONS**  
Report of the Town Clerk.

**For Information**  
(Pages 81 - 82)

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

**For Information**  
(Pages 83 - 86)

24. **BUSINESS TRAVEL & ACCOMMODATION SERVICES PROCUREMENT STAGE 2 AWARD**  
Report of the Chamberlain.

**For Decision**  
(Pages 87 - 90)

25. **IT SERVICE 2020 CONTRACT - SOURCING**  
Report of the Chamberlain.

**For Decision**  
(Pages 91 - 110)

26. **BRIDGE HOUSE ESTATES STRATEGIC REVIEW - UPDATE TWO**  
Report of the Town Clerk & Chief Executive.

**For Information**  
(Pages 111 - 116)

27. **REPORT OF ACTION TAKEN - NON-PUBLIC DECISIONS TAKEN UNDER DELEGATED AUTHORITY/URGENCY PROCEDURES SINCE THE LAST MEETING OF THE COMMITTEE**  
Report of the Town Clerk.

**For Information**  
(Pages 117 - 124)

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**

This page is intentionally left blank

## Finance Committee – Outstanding Public Actions

Item	Date	Item and Action	Officer responsible	To be completed/ progressed to next stage	Progress Update
1	18 <sup>th</sup> June 2019	<u>FINANCE COMMITTEE'S FORWARD PLAN</u> The Chairman asked officers to expand the plan to include additional items that either: i) returned for consideration by the Committee on a cyclical basis or ii) had a clear project timeline, where officers were able to estimate which month it would be submitted to Finance Committee.	Chamberlain/Town Clerk	July 2019	Amended Report to be submitted to the Finance Committee meeting on 23.07.19
2	18 <sup>th</sup> June 2019	<u>PUBLIC QUESTIONS</u> A Member asked about the procedure for accessing Business Rate Reliefs and Reductions in Rateable Values.  The Deputy Chamberlain would ask officers to compile a response for all Members, the Town Clerk would circulate this in the next few days.	Chamberlain/Town Clerk	June 2019	The response was circulated to all Members on 21 <sup>st</sup> June

This page is intentionally left blank



**Finance Committee – Work Programme 2019 and 2020**

Meeting:	July	August	September	October	November	December	January	Feb	March
BUDGET SETTING PROCESS & MEDIUM-TERM FINANCIAL PLANNING							Provisional Financial settlement for Local Government and Police	City Fund Budget Report and Medium-Term Financial Strategy	
EFFECTIVE FINANCIAL MANAGEMENT ARRANGEMENTS FOR THE CITY CORPORATION	Provisional Outturn Report  Q1 Quarterly Monitoring Report		Capital Outturn Report  Irrecoverable Non-Domestic Rates		Q2 Quarterly Monitoring Report		Q3 Quarterly Budget monitoring		
FINANCIAL STATEMENTS	Draft City Fund and Pension Fund Statement of Accounts  Draft BHE 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				
FINANCE COMMITTEE AS A SERVICE COMMITTEE	Central Contingencies  Risk Management Quarterly Report		Finance Committee Revenue Outturn  Central Contingencies  Risk Management – Monthly Report  Chamberlain's Key Work Streams and Business Plan Update  City Procurement Q Update  IT Division Q Update	Central Contingencies  Chamberlain's Department Risk Management - Quarterly Report  Financial Services Division Quarterly Update	Central Contingencies  Chamberlain's Risk Management Monthly Report  Chamberlain's Key Work Streams and Business Plan Update  City Procurement Q Update  2020 IT Services Programme	Central Contingencies  Risk Management Monthly Report  IT Division Q Update	Proposed Revenue and Capital Budgets for Finance Committee Operations  Central Contingencies  Risk Management Monthly Report	Central Contingencies  Risk Management Monthly Report	

This page is intentionally left blank

<b>Committee:</b> Finance Committee	<b>Date:</b> 23 July 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 18<sup>th</sup> June 2019:

### **Corporate Asset Sub-Committee – 11 July 2019**

The City Surveyor presented an update on the Guildhall complex and Walbrook Wharf current and re-prioritised future major works arising from the Forward Maintenance Plans.

These works sit outside the Cyclical Works Programme (CWP) of minor works and were taken from the 20 year Forward Maintenance Plans. The works were required to address the upkeep of cyclical works and the backlog of deferred works (Guildhall complex currently at £13.6m), and ensure the operational assets remain in a good, safe and statutory compliant condition, as outlined in the Corporate Property Asset Management Strategy 2017/18.

The Sub Committee decided to approve the current prioritisation of major projects that were recommended to proceed set out in Appendix 1 with an estimated project value of £17.59m, including 20/21 Aldermanbury building refurbishment, Walbrook Wharf electrical infrastructure upgrade and St Lawrence Jewry Church refurbishment, with one project deferred; and defer a decision on future major works with an estimated total cost of £10.52m pending further clarification of resource allocation priorities.

### **Efficiency & Performance Sub-Committee – 2 July 2019**

The Chairman proposed that, given the ongoing discussions around the Fundamental Review, the agenda for the E&P session scheduled on 13<sup>th</sup> September could be altered to incorporate an in-depth discussion for Members outlining the FR's implications across departments and services.

The usual specific departmental reports from Chief Officers would return for the following meeting in November.

### **Digital Services Sub-Committee – 5 July 2019**

IT currently holds 2 risks on the Corporate Risk Register, whilst feeding in to the GDPR Corporate risk which is owned by Comptrollers.

## Summary of the Corporate Risks

CR 16 (AMBER) – Information Security - Following review with A&R Committee and DSSC, it was agreed that further steps were required to achieve maturity level that could bring the score to its target

CR 25 – GDPR Regulation Compliance (AMBER) – Will continue to be monitored following the closure of the formal project.

CR 29 – Information Management (AMBER) – The Information Management strategy has been agreed subject to a more detailed action plan and metrics to track performance. Progress is being made in developing a draft retention and disposal policy.

### **Procurement Sub-Committee – 10<sup>th</sup> July 2019**

City Procurement currently has four departmental AMBER risks (there are currently no RED risks). These are:

#### **CHB CP001 – Brexit risk to City Corporation procurement and supply chains (Departmental Level - Current Risk: Amber)**

City Procurement liaised 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. An approach to key suppliers to request their mitigation plans in relation to Brexit will be conducted at the appropriate time [when we know more regarding Britain's exit date]. There have been no substantial changes or actions take for this risk since the last update.

#### **CHB CP004 – City accelerate delays and impact on income levels (Service Level - Current Risk: Amber)**

City Procurement, in conjunction with our commercial partner, recently reviewed how the City Accelerate was assessed as part of the tender process. Standard procurement documents have been updated to assess participation in City Accelerate and other commercial offerings as part of commercial evaluation. Any discounts or rebates will be accounted for and the net price used to score bidders. This keeps the scheme voluntary, rewards participation but allows flexibility for our bidders. The Commercial Contract Manager assigned to review the programmed will continue to monitor participation.

#### **CHB CP005 – Impact on procurement resources (Service Level - Current Risk: Amber)**

City Procurement continues to see an increase in unplanned procurements and with key vacancies in the team this is causing additional pressure on City Procurement. This risk is being managed and recruitment for key posts continues. A conditional offer for the Assistant Director of Sourcing and Category Management has been extended and there are number of adverts live or about to commence interviews.

#### **CHB CP003 – VAT loss through use of Purchase Cards (Service Level - Current**

**Risk: Amber)**

City Procurement have long monitored VAT recovery as part of our duties administering purchase cards (P-cards). It is also part of each Chief Officer's quarterly P-card report of which results are reported to Procurement Sub Committee. The quarter three results went to the last Procurement Sub Committee with comments from two of the top departments for potential VAT loss. We are still seeking clarification from the City of London Police. City Procurement, along with Lloyds Bank (our P-card supplier), continue to review the potential to import data for Level 2 and Level 3 suppliers which would negate the need for a VAT receipt. This contract ends May 2020. The Head of Accounts Payable will set up a working group to discuss VAT import data and other lessons learned in advance of specification writing for the new contract.

**Recommendations**

The Committee is asked to note the report.

**John Cater**

Senior Committee Services Officer, Town Clerk's Department  
[john.cater@cityoflondon.gov.uk](mailto:john.cater@cityoflondon.gov.uk)

This page is intentionally left blank

<b>Committee(s):</b>  Audit and Risk Management – For decision Finance Committee – For decision	<b>Date(s):</b>  <b>16-07-2019</b> <b>23-07-2019</b>
<b>Subject:</b> 2018-19 City Fund and Pension Fund Financial Statement	<b>Public</b>
<b>Report of:</b> The Chamberlain	<b>For Decision</b>
<b>Report author:</b> Philip Gregory, Chamberlain's Department	

## Summary

The City Fund and Pension Fund Statement of Accounts are required to be published by 31 July as set out in the Account and Audit Regulations 2015, subject to approval by your Committee. The latest version of the 2018-19 City Fund and Pension Fund accounts is appended to this report which reflects changes agreed with BDO, our external auditors.

BDO will be submitting their audit progress report at this meeting. The audit is progressing well, and it is anticipated that an unqualified opinion will be issued.

At the time of writing, there is one material unresolved issue relating to the 'McCloud case' which relates to changes made to public sector pension schemes which has now been deemed discriminatory on the grounds of age. Work is still on-going to assess the impact and agree the changes required to the City Fund accounts to reflect this decision.

## Recommendation(s)

The Audit and Risk Management Committee are asked to:

- Consider the content of BDO's audit progress report (to follow);
- Recommend approval of the 2018-19 City Fund and Pension Fund Statement of Account to Finance Committee; and
- Delegate authority to the Chamberlain, in consultation with the Chairman and Deputy Chairman of the Audit and Risk Management Committee, approval of any material change to the financial statement required before the signing of the audit opinion by BDO, which is expected by the end of July.

The Finance Committee are asked to:

- Consider the resolution from the Audit and Risk Management Committee and, if appropriate, approve the 2018-19 City Fund and Pension Fund Statement of Accounts; and

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

## **Main Report**

### **Background**

1. The 2018-19 City Fund and Pension Funds Statement of Accounts are set out in Annex 1.
2. The Accounts and Audit Regulations 2015 require the approval and publication of the City Fund and Pension Funds Statement of Account for the year to 31 March 2019 to take place as soon as reasonably practicable, and in any event by 31 July 2019.
3. Approval of each year's financial statements has been delegated by the Court of Common Council to Finance Committee.
4. The statements are prepared in accordance with proper accounting practice as set out in the Code of Practice on Local Authority Accounting 2018-19 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), supported by International Financial Reporting Standards (IFRS).

### **Summary of 2018-19 City Fund Accounts**

#### **Revenue**

5. The provisional net expenditure for spend against Committee budgets is £7.5m better than budget. More detailed analysis of the outturn compared to budget is currently being submitted to spending committees. Bringing in funding from taxation and grants, the City Fund was £24.3m better than budget.
6. In accordance with the City's budget management arrangements, requests for the carry forward of City Fund resources totalling £0.5m have been approved by the Chamberlain, in consultation with the Chairman and Deputy Chairman of the Resource Allocation Sub-Committee. This will increase the call on the City Fund General Reserve in 2019-20. In addition, £2.3m of projects and works programmes have slipped and/or been re-phased to 2019-20.

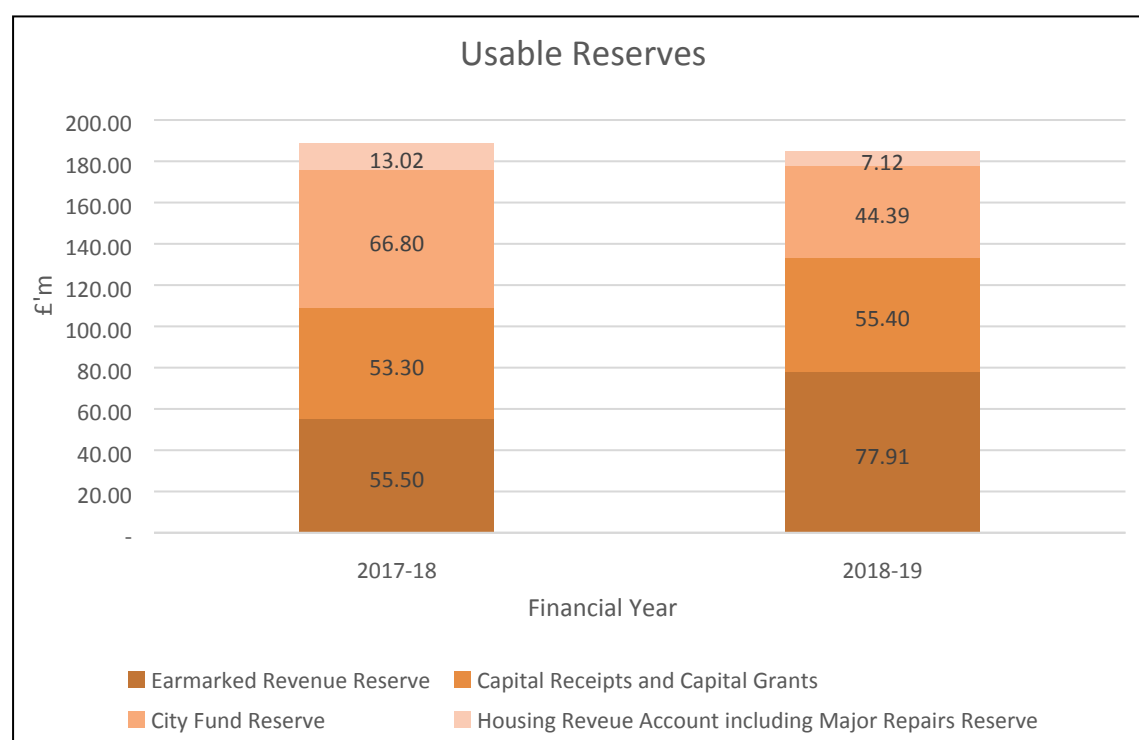
#### **Balance Sheet**

7. The Balance Sheet net assets have increased by £67.1m from £1,346.7m to £1,413.8m.
8. The increase in net assets of £67.1m is reflected in a decrease in usable reserves of £3.8m and an increase in unusable reserves of £70.9m.
9. Usable reserves are those relatively liquid reserves that can be applied to fund expenditure or reduce local taxation. They are required over the medium term for



the funding of the capital programme and includes sums earmarked, either by statute or as agreed by Members, for specific purposes such as spend on Highways, the Housing Revenue Account and the Police.

10. Unusable reserves hold unrealised gains and losses and differences between the accounting basis and statutory basis for preparing local authority financial statements.
11. The £3.8m decrease in usable reserves reflects the use of the City Fund balances to fund major project spend, which totalled £38.4m in 2018-19. A breakdown of usable reserve is show below.



12. The £70.9m year on year increase in unusable reserves from £1,158.1m to £1,229.0m is analysed further in note 30 to the City Fund financial statements. The most significant items contributing to this increase was the increase in investment (£32.9m) and operational property valuations (£27.4m). These increases were offset by an increase of £38.4m in the negative pension reserve to match the increase in estimated pension liabilities.

### Pension Liability

13. The City Fund's total net assets of £1,413.8m are after having deducted net pension liabilities totalling £1,299.2m. The comparator for 31 March 2018 is £1,260.7m. The liabilities arise from applying the requirements of International Accounting Standard (IAS) 19. This accounting standard is complex but is based on the principle that an organisation should recognise liabilities for pension benefits as they are earned, even if the payment of such benefits will be many years into the future. The estimated net liabilities are calculated by independent actuaries, Barnett Waddingham. A breakdown of the liability between the 3 pension schemes operating under City Fund is shown below.

<b>Net Pension Liability breakdown by scheme</b>	<b>31 March 2018</b>	<b>31 March 2019</b>
City of London LGPS Scheme - City Fund	(302.4)	(310.5)
Police Pension Schemes	(955.7)	(985.8)
Judges Pension Scheme	(2.6)	(2.9)
<b>Total</b>	<b>(1,260.7)</b>	<b>(1,299.2)</b>

14. The Police and Judges' schemes are wholly accounted for by the City Fund but the Local Government Pension Scheme (LGPS), which is open to all other staff who don't qualify for the other schemes, is apportioned between the City Corporations 3 funds (City Fund, City's Cash and Bridge House Estates) so to present a fairer view of the funds' financial positions than if the deficit were excluded.
15. An apportionment has been made based on employer's annual contributions to the fund which meant the City Fund accounted for 51% of the overall deficit which is the same proportion as the previous year.
16. Pension fund deficits (or surpluses) are relatively sensitive to movements in the underlying assumptions. Whilst there have been changes in these assumptions from the previous year, these have been offsetting and the overall deficit has remained similar to last year. Details of these changes can be found in note 23 of the accounts.
17. It should be noted that the employer's pension contribution rate is a separate issue from the IAS19 calculations. It is considered and determined by Finance Committee following each triennial valuation (updated by any subsequent interim valuations). The triennial valuation considers the period over which the pension deficit should be recovered through employer's contributions and the City Corporation is consulted on the assumptions used by the actuary for these valuations. Following the triennial valuation as at 31 March 2016, Finance Committee agreed to increase the employer's contribution rate from 17.5% to 21% for the years 2017-18 to 2019-20 in order to recover the pension fund deficit over a period of 17 years.
18. Work on the triennial valuation covering the period 2020-21 to 2022-23 has begun and the outcomes will be brought to the November Finance Committee for decision on future employer contribution rates.

### **McCloud Judgement**

19. The above analysis of the City Fund Pension Liability excludes the impact of the recent McCloud judgement. This case relates to action being brought against the Government by members of the Judges' and Firefighter pension schemes challenging the transitional protections given as part of pension reforms enacted in 2015.

20. In December 2018 the Court of Appeal ruled that the transitional protections were unlawful. On 27 June 2019, the Supreme Court refused the Government's request to appeal.
21. The likely impact of this decision is an increase in the liabilities in all public sector pension schemes. The scale of the impact will only be known when the Government confirms its response to the judgement. It is not clear when this decision will be made. The City Fund accounts have disclosed this issue as a contingent liability. We are in discussions with BDO and our actuary regarding changes to the accounts required to reflect this judgement. An update will be provided at your Committee with the latest position on this issue.

### **Audit Progress**

22. BDO commenced its audit on 3 June 2019. At the time of writing the audit was still underway. It is anticipated that the audit will be concluded satisfactorily to enable BDO to issue unqualified opinions. Representatives from BDO will be in attendance at the Audit and Risk Management Committee to present their progress reports and to clarify any points or issues.

### **Conclusion**

23. BDO is expecting to sign its audit opinion by the end of July. Should any material adjustments to the financial statements be required before that position is reached, it is recommended that authority to approve such amendments should be delegated to the Chamberlain in consultation with the Chairmen and Deputy Chairmen of the Audit and Risk Management and Finance Committees.
24. As soon as reasonably possible after the conclusion of the audit, and in any event by 31 July 2019, the City is required to publish the 2018-19 City Fund and Pension Fund Financial Statements including the Audit Opinion on its website. Copies of the published statements will be placed in the Members' Reading Room. The final management letters from BDO on its audit will be presented to the Court of Common Council for information.

### **Appendices**

Appendix 1 – 2018-19 Statement of Accounts for the City Fund and the Pension Fund

Appendix 2 - BDO's City Fund Progress Report

Appendix 3 - BDO's Pension Fund Progress Report

### **Philip Gregory**

Deputy Director, Financial Services  
Chamberlain's

T: 020 7332 1284

E: [Philip.Gregory@cityoflondon.gov.uk](mailto:Philip.Gregory@cityoflondon.gov.uk)

This page is intentionally left blank

<b>Committee(s):</b> Finance Committee	<b>Date(s):</b> 23 July 2019
<b>Subject:</b> Provisional Outturn 2018-19	<b>Public</b>
<b>Report of:</b> The Chamberlain	<b>For Information</b>
<b>Report author:</b> Philip Gregory, Deputy Director, Financial Services	

## Summary

The 2018-19 provisional net expenditure outturn position of £151.9m represents a better than budget position of £36.6m comprising £7.9m and £28.7m respectively for City Fund and City's Cash and a balanced position for Bridge House Estates. Further detailed analyses and explanations will be included in revenue outturns to the relevant service committees.

Of the £36.6m, some £23.7m (65%) relates to timing differences – mainly the costs of projects/initiatives that have been re-phased into 2019-20. The final benefit to reserves will be the £12.9m balance. This includes budgets agreed for carry forward following assessment by the Chamberlain in consultation with the Chairman and Deputy Chairman of the Resource Allocation Sub Committee. Requests for carry forward of £6.0m have been approved.

The 2018-19 provisional outturn position shows continued caution being exercised in the budget setting and forecasting of some income budgets. There are also a number of centrally funded projects that have suffered from slippage from one year to the next (including a £25m payment to Crossrail). The ongoing implications of 2018-19 variances will be taken into account in developing future financial plans and the development of the medium-term financial strategy especially with regard to the fundamental review.

The outturn detailed in this report is subject to external audit by BDO. The final audited Bridge House Estates, City Fund and Pension Fund accounts will be presented to the Audit and Risk Management and Finance Committees in July. The final audited City's Cash and various Trust financial statements will be presented to those Committees in autumn.

## Recommendation(s)

Members are asked to:

- Note the provisional outturn for the year ended 31 March 2019.

## Main Report

### Background

1. The original revenue budget was set by Court of Common Council and has been monitored throughout the year. The final approved budget for 2018-19 following carry-forward requests and in-year budget adjustments was £188.4m.
2. Further detailed analyses and explanations of the outturn position will be included in revenue outturn reports to the relevant service committees. This report summarises the overall revenue budget outturn for the City Corporation as a whole.

### Current Position

3. The net expenditure outturn position of £151.9m represents a better than budget position of £36.6m, a 19.4% variance on the final budget of £188.4m. This is summarised in Table 1 below comparing the net budget and provisional outturn for City Fund, City's Cash and Bridge House Estates.
4. The outturn detailed in this report is still subject to external audit by BDO. The final audited Bridge House Estates, City Fund and Pension Fund accounts will be presented to the Audit and Risk Management and Finance Committees in July. The final audited City's Cash and various Trust financial statements will be presented to those Committees in autumn.

**Table 1: City Corporation summary outturn 2018-19**

2018-19 Budget v Outturn - By Fund					
Net (Expenditure)/Income					
	Budget Net	Provisional Outturn	Variation Better/(Worse)		
			Total	Local Risk	Central Risk/ Support Services
	£m	£m	£m	£m	£m
City Fund	(121.9)	(114.0)	7.9	2.3	5.8
City's Cash	(54.7)	(26.0)	28.7	2.4	26.0
Bridge House Estates	(11.8)	(11.9)	0.0	0.8	(0.9)
<b>Total</b>	<b>(188.4)</b>	<b>(151.9)</b>	<b>36.6</b>	<b>5.5</b>	<b>30.9</b>

5. Within the £36.6m budget variation are the costs of projects and schemes that have been re-phased into 2019-20 and other items over and above service related underspends. Included within this outturn position is a £9.5m overspend on Supplementary Revenue Projects where project expenditure has not qualified as capital expenditure (the overall capital outturn was a £46.2m underspend. The capital outturn position is the subject of another paper on the committee's agenda.
6. Eliminating these items from the provisional outturn results in a £12.9m balance which will be a benefit to reserves (compared to £25.8m last year). This is illustrated in the table below.

**Table 2: Identification of underlying underspend in outturn position**

Provisional outturn	36.6
Supplementary Revenue Projects	9.5
Crossrail payment deferral	(25.0)
Central contingencies not required	(2.2)
Approved Carry Forward requests	(6.0)
<b>Underlying underspend</b>	<b>12.9</b>

7. The underlying underspend position above includes budgets agreed for carry forward following assessment by the Chamberlain in consultation with the Chairman and Deputy Chairman of Resource Allocation Sub Committee. Requests for carry forward totalling £6.0m (£1.3m local risk and £4.7m central risk) were approved. Unspent contingency fund balances of £2.2m have been carried forward including the £1.8m balance of the Brexit Contingency Fund.
8. Throughout the year forecast expenditure is monitored by Chief Officers to ensure that expenditure and income received is in line with budget and to highlight variances as they occur. The outturn position for the cash limited budget for each department by fund is shown at Appendix 1.
9. The provisional outturn has been compared to the local risk forecast as at 31 Dec 2018. This shows significant movements between the forecast produced in December and the final outturn shown in the table below. Overall, the local risk outturn improved from the position reported in December by £2.4m (1.1%).

**Table 3: Variance in forecast between Dec 2018 and Outturn**

<b>Chief Officer</b>	Variance between December forecast and Outturn Better/(Worse)	% of total final budget
Chamberlain	507	2.1%
City Surveyor*	462	1.1%
Commissioner of Police**	56	0.1%
Comptroller and City Solicitor	(176)	(4.7%)
Director of the Built Environment	(122)	(0.7%)
Director of Community & Children's Services	96	0.8%
Director of Markets & Consumer Protection	67	1.6%
Director of Open Spaces	347	3.3%
Head, City of London School	(45)	(1.1%)
Headmaster, City of London Freeman's School	(31)	(3.3%)
Headmistress, City of London School for Girls	(110)	500%
Managing Director, Barbican Centre	(42)	(21.9%)
Principal, Guildhall School of Music & Drama	271	1.4%
Private Secretary & Chief of Staff to the Lord Mayor	(23)	(0.4%)
Remembrancer	218	23.9%
Town Clerk	969	4.3%
<b>OVERALL:</b>	<b>2,444</b>	<b>1.1%</b>

10. The Chamberlain continues to take steps to improve the quality of financial management information across the City Corporation. Increased utilisation of our Oracle system to collect and report on data is helping in this regard. In addition, support from each department will continue to be required to ensure that realistic forecasts are produced on a regular basis throughout 2019-20.
11. Where budget lines perform consistently better or worse than budget on a year on year basis budget holders will be challenged to amend these as part of the budget setting process for 2020-21. Where fundamental review proposals are implemented in 2020-21 the budgets will be amended accordingly.
12. Whilst it is recognised that some budget lines can be volatile, e.g. trading income, a balance must be struck between prudence and ambition. Service budgets should not include elements of contingency as contingency funds are available from Finance Committee should they be required during the year.
13. The following tables show each fund in turn and compares net budget with outturn position by committee, with summaries of the main variances set out below each table. More detailed analyses and explanations will be included in outturn reports to the various service committees.

## CITY FUND

**Table 4: City Fund summary outturn 2018-19 by committee**

2018/19 Budget v Outturn - City Fund Summary by Committee						
Net (Expenditure)/Income	Budget Net	Provisional Outturn	Variation Better/(Worse)			
	£m	£m	Total	Local Risk	Central Risk	Support Services
	£m	£m	£m	£m	£m	£m
Barbican Centre	(29.8)	(29.3)	0.5	0.7	0.0	(0.2)
Barbican Residential	(3.3)	(3.4)	(0.1)	0.0	0.0	0.0
Community and Children's Services	(13.8)	(13.7)	0.1	0.1	0.0	0.0
Culture Heritage and Libraries	(26.8)	(30.8)	(4.0)	0.0	(3.7)	(0.3)
Finance	23.2	30.6	7.4	0.1	6.4	0.9
Licensing	(0.1)	(0.2)	(0.1)	0.0	0.0	(0.1)
Markets	0.8	0.9	0.1	0.0	0.1	0.0
Open Spaces	(1.8)	(1.7)	0.1	0.1	0.0	0.0
Planning and Transportation	(15.4)	(15.1)	0.3	0.3	0.1	(0.1)
Police	(74.1)	(74.1)	0.0	(1.1)	1.3	(0.2)
Policy and Resources	(7.8)	(7.0)	0.8	0.7	0.5	(0.4)
Port Health and Environmental Services	(14.7)	(14.1)	0.6	0.4	0.1	0.1
Property Investment Board	41.7	43.9	2.2	1.0	1.5	(0.2)
<b>City Fund requirement to be met from government grants, local taxation and transfers to/(from) reserves.</b>	<b>(121.9)</b>	<b>(114.0)</b>	<b>7.9</b>	<b>2.3</b>	<b>6.3</b>	<b>(0.5)</b>

14. The net better than budget position of £7.9m includes the following significant variances:

£m                      Driver



	£m	Driver
• Cash limited local risk budgets:		
○ Reduction in operating costs across services, including employee costs	1.0	Non-Spend
○ Increased income in Port Health from Animal Reception Centre, Cemetery and Crematorium	0.4	Higher Income
○ Repairs & Maintenance	1.1	Non-Spend
• Central Contingencies not required in 2018-19	2.6	Non-spend
• Investment Income	1.1	Higher Income
• Repairs & Maintenance (AWP/CWP)	3.5	Slippage
• Property Investment Board income	1.4	Higher Income
• On-Street Parking income	3.7	Higher Income

15. Where the driver above is 'non-spend' this may be indicative of careful management throughout the year. An underspend on operating costs of 0.3% of the total City Fund budget demonstrates that services are being managed prudently within budget.

16. Income budgets require a focus on more realistic forecasting and a more optimistic view being taken. It is clear that budgets are set with prudence in mind although care should be taken to ensure that assumptions are not over-cautious in the forthcoming year. Central risk budgets, including many income budgets, are being reviewed as part of the fundamental review and will be adjusted from 2020-21 where appropriate.

## CITY'S CASH

**Table 5: City's Cash summary outturn 2018-19 by committee**

Net (Expenditure)/Income	Budget Net	Outturn	Variation Better/(Worse)			
			Total	Local Risk	Central Risk	Support Services
	£m	£m	£m	£m	£m	£m
Culture, Heritage & Libraries	(0.4)	(0.4)	0.0	0.3	(0.3)	0.0
Education Board	(2.4)	(2.3)	0.1	0.0	0.0	0.0
Finance	(42.6)	(22.2)	20.4	0.8	17.8	1.8
G. P. Committee of Aldermen	(4.4)	(4.2)	0.2	0.1	0.1	0.0
Guildhall School of Music and Drama	(11.7)	(11.2)	0.5	0.3	0.2	(0.1)
Markets	(1.0)	(0.3)	0.7	0.5	0.1	0.1
Open Spaces :-	0.0	0.0	0.0	0.0	0.0	0.0
Open Spaces Directorate	0.0	(0.2)	(0.2)	(0.2)	0.0	0.0
Epping Forest and Commons	(8.6)	(7.8)	0.8	0.6	0.1	0.1
Hampstead, Queen's Park and Highgate	(7.7)	(7.5)	0.2	0.3	0.0	0.0
Bunhill Fields	(0.4)	(0.4)	0.0	0.0	0.0	0.0
West Ham Park	(1.4)	(1.2)	0.2	0.1	0.1	0.0
Policy and Resources	(18.7)	(15.5)	3.2	0.0	3.2	(0.1)
Property Investment Board	48.8	51.3	2.5	(0.3)	3.3	(0.5)
Schools :-						
City of London School	(1.7)	(1.6)	0.1	0.0	0.0	0.0
City of London Freeman's School	(1.8)	(1.8)	0.0	(0.1)	0.0	0.1
City of London School for Girls	(0.7)	(0.7)	0.0	0.0	0.0	0.0
<b>(Deficit)/Surplus (from)/to reserves</b>	<b>(54.7)</b>	<b>(26.0)</b>	<b>28.7</b>	<b>2.4</b>	<b>24.6</b>	<b>1.4</b>

17. The net better than budget position of £28.7m includes the following significant variances:

	£m	Driver
• Cash limited local risk budgets:		
○ Reduction in operating costs across services, including employee costs	0.6	Non-Spend
○ Repairs & Maintenance	2.8	Non-Spend
• Central Contingencies not required in 2018-19	3.5	Non-Spend
• Investment Income	(0.1)	Lower Income
• Repairs & Maintenance (AWP/CWP)	2.8	Slippage
• Catering	0.3	Non-Spend
• Property Investment Board income	2.6	Higher Income
• Repairs & Maintenance (AWP/CWP)	2.8	Slippage
• Crossrail contribution	25.0	Slippage

18. The Central Risk Budget for 2018-19 included a £25m payment to Crossrail. HM Government have not invoiced the City Corporation for this contribution and it is expected that the request will be forthcoming in a later year. The 2019-20 budget includes a £25m payment for Crossrail and it is expected that the 2018-19 payment will be rephased to 2020-21. The medium-term financial strategy includes both the payment of Crossrail contributions and a corresponding drawdown from investments. This will be updated to reflect the change in the phasing of these payments.

## BRIDGE HOUSE ESTATES

**Table 6: Bridge House Estates summary outturn 2018-19 by committee**

2018/19 Budget v Outturn - Bridge House Estates Summary by Committee						
Net (Expenditure)/Income	Budget Net	Outturn	Variation Better/(Worse)			
			Total	Local Risk	Central Risk	Support Services
	£m	£m	£m	£m	£m	£m
The City Bridge Trust	(23.5)	(23.0)	0.5	0.4	0.1	(0.1)
Culture, Heritage and Libraries	0.5	0.9	0.4	0.4	0.0	0.1
Finance	(3.8)	(5.2)	(1.4)	0.0	(1.4)	0.0
Planning and Transportation	(4.9)	(4.9)	0.0	0.0	0.0	(0.0)
Property Investment Board	19.9	20.4	0.5	0.0	1.0	(0.6)
<b>(Deficit)/Surplus (from)/to reserves</b>	<b>(11.8)</b>	<b>(11.8)</b>	<b>0.0</b>	<b>0.8</b>	<b>(0.2)</b>	<b>(0.6)</b>

19. The balanced outturn position includes the following significant variances:

	£m	Driver
• Cash limited local risk budgets:		
○ Increase in operating costs across services, including employee costs	0.2	Higher Spend
○ Tower Bridge Tourism	0.7	Higher Income
• Thames Bridges repairs, maintenance and major works	0.7	Slippage
• Interest received	0.3	Higher Income

	£m	Driver
• Dividend Income	1.8	Lower Income
• Property Investment Board income	0.9	Higher Income

20. The City Bridge Trust currently awards grants to charitable causes in London (£23m in 2018-19) made under the Bridging Divides scheme. The grant awards must demonstrate a contribution to reducing inequality and enabling representation within the following programmes: connecting the capital, positive transitions and advice & support.

21. Income from Tower Bridge Tourism and Investment Property Income was better than expected in 2018-19, although dividend income was lower than expected. Forecasts during 2019-20 and budgets for 2020-21 will be assessed to ensure that these are amended where appropriate.

## Conclusion

22. The 2018-19 provisional outturn position shows particular caution being exercised in the budget setting and forecasting of some income budgets. There are also a number of projects that are funded centrally that have suffered from slippage from one financial year into the next, in particular the £25m payment to Crossrail.

23. The underlying underspend of £12.9m is significantly lower than in previous years and local risk budgets are being carefully managed within the context of the 'flat cash' approach to inflation and efficiency.

24. The fundamental review will offer a further opportunity to review budgets, particularly income budgets and corporate contingencies to ensure that each fund is being managed effectively.

## Appendices

- Appendix 1 – Outturn position by department

### Philip Gregory

Deputy Director, Financial Services

T: 020 7332 1284

E: [Philip.Gregory@cityoflondon.gov.uk](mailto:Philip.Gregory@cityoflondon.gov.uk)

<b>Original Budget £'000</b>	<b>Chief Officer Cash Limited Budgets</b>	<b>Final Budget £'000</b>	<b>Provisional Outturn £'000</b>
	<b>City Fund</b>		
(1,951)	Chamberlain	(1,919)	(1,546)
(12,972)	City Surveyor	(9,302)	(7,251)
(15,768)	Director of the Built Environmental	(16,631)	(16,439)
(10,662)	Director of Community and Children's Services	(11,368)	(11,207)
(2,253)	Director of Markets and Consumer Protection	(2,662)	(2,663)
606	Director of Open Spaces	573	779
(428)	Executive Director Mansion House and Old Bailey	(589)	(711)
(15,954)	Managing Director Barbican Centre	(18,793)	(18,916)
(12,274)	Town Clerk	(13,392)	(12,853)
<b>(71,656)</b>	<b>Total City Fund (excluding Police)</b>	<b>(74,083)</b>	<b>(70,807)</b>
	<b>City's Cash</b>		
(97)	Chamberlain	(94)	(88)
(20,551)	City Surveyor	(21,955)	(19,577)
(595)	Director of Community and Children's Services	(613)	(567)
(657)	Director of Markets and Consumer Protection	(1,623)	(1,355)
(10,825)	Director of Open Spaces	(10,872)	(11,128)
(3,193)	Executive Director Mansion House and Old Bailey	(3,392)	(3,324)
(970)	Headmaster of the City of London Boys School	(947)	(978)
(16)	Headmaster City of London Freeman's School	22	(88)
(209)	Headmistress City of London School for Girls	(192)	(234)
(6,100)	Principal Guildhall School of Music and Drama	(6,386)	(6,386)
(1,189)	Remembrancer	(1,226)	(1,210)
(50)	Town Clerk	(116)	(50)
<b>(44,452)</b>	<b>Total City's Cash</b>	<b>(47,394)</b>	<b>(44,985)</b>
	<b>Bridge House Estates</b>		
(2,488)	City Surveyor	(2,450)	(2,452)
(257)	Director of the Built Environmental	(257)	(257)
(101)	Director of Open Spaces	(349)	4
(2,153)	Town Clerk	(2,232)	(1,846)
<b>(4,999)</b>	<b>Total Bridge House Estates</b>	<b>(5,288)</b>	<b>(4,551)</b>
	<b>Guildhall Admin</b>		
(21,197)	Chamberlain	(22,564)	(22,303)
(9,371)	City Surveyor	(8,658)	(9,277)
(3,263)	Comptroller and City Solicitor	(3,714)	(3,709)
342	Remembrancer	314	1,020
(6,529)	Town Clerk	(7,043)	(6,875)
<b>(40,018)</b>	<b>Total Guildhall Administration</b>	<b>(41,665)</b>	<b>(41,144)</b>
<b>(161,125)</b>	<b>Grand Totals (excluding Police)</b>	<b>(168,430)</b>	<b>(161,487)</b>
(60,852)	Commissioner of Police	(63,296)	(64,396)
<b>(221,977)</b>	<b>Grand Totals</b>	<b>(231,726)</b>	<b>(225,883)</b>

<b>Committee(s):</b>	<b>Date(s):</b>
Finance Committee	23 July 2019
<b>Subject:</b> Capital and Supplementary Revenue Projects – 2018/19 Outturn and Prudential Indicators	<b>Public</b>
<b>Report of:</b> The Chamberlain	<b>For Information</b>
<p style="text-align: center;"><b>Summary</b></p> <p>This report provides details of the 2018/19 outturn for capital and supplementary revenue projects (SRPs) together with the Prudential Indicators for the City Fund.</p> <p>Actual capital and SRP expenditure in 2018/19 amounted to £271.8m, a net £46.2m less than the approved budget of £318m. This reduction was largely due to the re-phasing of £50m of expenditure to later years, including the £25m delayed Crossrail contribution.</p> <p>The CIPFA Prudential Code provides the statutory framework for ensuring that capital expenditure is affordable, prudent and sustainable and requires the calculation of certain prudential indicators in respect of City Fund capital activities only. The 2018/19 actual indicators, drawn from the end of year balance sheet, highlight that the City Fund held no external debt as at 31 March 2019.</p> <p><b>Recommendation(s)</b></p> <p>Members are asked to note the contents of this report.</p>	

## Main Report

### Background

1. In March each year, the Court of Common Council approves the Capital and SRP budgets as part of the annual budget setting process.
2. Chief Officers, in liaison with the Town Clerk's Programme Office, provide regular reports on the progress of individual schemes against milestones.
3. Capital expenditure generally results in an increase in asset values and typically relates to acquisitions and enhancements, whereas supplementary revenue projects are one-off items which do not fulfil the capital criteria e.g. feasibility and option appraisal costs, major cyclical repairs and maintenance.
4. The capital controls which apply to the City Fund restrict the use of capital reserves (derived from the sale of assets) for financing of capital expenditure (or repayment of debt). In this context, grants to third parties for capital purposes, such as the City Fund contribution to the Museum of London for the relocation project, qualifies as capital expenditure. Crossrail contributions are also included as project items.

5. The Court of Common Council has delegated to me authority to determine the methods of financing capital and supplementary revenue project expenditures. In making such decisions consideration is taken of the strategic and tactical interests of the three funds.
6. The purpose of this report is to provide details of the 2018/19 actual expenditure against the budgets approved by the Court of Common Council in March and to set out the actual Prudential Indicators for the City Fund.

## 2018/19 Outturn

7. Significant items of Capital and Supplementary Revenue Project expenditure in 2018/19 include three major acquisitions – power companies in Barking to provide the potential site for the markets consolidation project, an investment property on the Fleet Street Estate to complete the site for the new development and the ex-Chartered Insurance Institute building at 20/21 Aldermanbury to add to the Guildhall complex footprint. Other expenditure on operational assets include highways and public realm improvements, HRA dwelling cyclical works and new construction, police decant accommodation, enhancements to the Central Criminal Court and the schools together with funding for the Museum of London relocation and associated landlord enabling works.
8. The total expenditure incurred in 2018/19 was £271.8m which was £46.2m less than the approved capital and SRP budgets of £318m. A breakdown of expenditure analysed by fund is set out below:

2018/19 Actual Capital and Supplementary Revenue Project Expenditure and Financing							
		City Fund	City's Cash	Bridge House Estates	Total	March 2019 Approved	Variation
		£m	£m	£m	£m	£m	£m
<b>Capital/SRP Expenditure</b>							
	Investment	0.9	4.0	1.1	6.0	9.6	-3.6
	Major Projects	39.8	140.4	0.0	180.2	177.5	2.7
	Contribution to Crossrail	0.0	0.0	0.0	0.0	25.0	-25.0
	Other Operational expenditure	53.1	31.5	1.0	85.6	105.9	-20.3
	<b>Total Expenditure</b>	<b>93.8</b>	<b>175.9</b>	<b>2.1</b>	<b>271.8</b>	<b>318.0</b>	<b>-46.2</b>
<b>Funded by:</b>							
	External Grants & contributions	18.7	0.1	0.0	18.8	26.0	-7.2
	Internal Resources:						
-	Borrowing - Loan	0.0	125.0	0.0	125.0	125.0	-
-	Reserves and balances	75.1	50.8	2.1	128.0	167.0	- 39.0
	<b>Total Funding Requirement</b>	<b>93.8</b>	<b>175.9</b>	<b>2.1</b>	<b>271.8</b>	<b>318.0</b>	<b>- 46.2</b>
<b>March 2019 Approved Budgets</b>		<b>110.0</b>	<b>205.6</b>	<b>2.4</b>	<b>318.0</b>		
<b>Variation</b>		<b>- 16.2</b>	<b>- 29.7</b>	<b>- 0.3</b>	<b>- 46.2</b>		

9. The following table analyses the variations between budgeted and actual expenditures and the resulting impact on financing in 2018/19.

**2018/19 Analysis of Variations compared with Approved Budget**

	City Fund	City's Cash	BHE	Total
	£m	£m	£m	£m
<b>Expenditure Variations</b>				
Net rephasing of expenditure to later years	- 19.7	- 30.8	0.1	- 50.4
Cost increases/savings (-)	3.5	1.1	- 0.4	4.2
<b>Total Reduction in Expenditure</b>	- 16.2	- 29.7	- 0.3	- 46.2
<b>Impact of variations on Financing</b>				
External Contributions	- 6.9	- 0.3	-	- 7.2
Internal Funds	- 9.3	- 29.4	- 0.3	- 39.0
<b>Total Reductions in Financing</b>	- 16.2	- 29.7	- 0.3	- 46.2

The net variation of £46.2m is largely comprised of deferred expenditure of £50.4m, partially offset by net cost increases of £4.2m.

10. The deferred project expenditure of £50.4m, which is expected to be incurred in subsequent years, relates mainly to:
- Payment to Crossrail - £25m
  - highways and public realm - £7m
  - Investment property refurbishments £4m
  - Housing schemes - £4m
  - Police Accommodation - £3m
  - Security schemes - £2m

The net cost increases of £4.2m relate to budget increases approved late in the year on various projects including the Richard Cloudesley Site housing and the Smithfield Market preservation works - £5.6m in aggregate, partially offset by unspent contingencies - £1.4m.

11. Of the £46.2m underspend, £7.2m was to be funded from external contributions and £39m from internal sources.

**Prudential Indicators**

12. The CIPFA Prudential Code<sup>1</sup> provides a framework for ensuring that capital expenditure and financing (in particular borrowing) is affordable, prudent and sustainable, and requires the calculation and monitoring of certain prudential indicators in respect of only City Fund capital activities.

13. In addition to setting indicators for the forthcoming year during each budget cycle, the Code requires authorities to calculate certain indicators drawn from the end of year balance sheet. The appendix contains the actual indicators for 2018/19, including commentaries which highlight, in particular, that there was no underlying need to borrow externally.
14. The City Fund total expenditure figures used for the indicators vary from the figures in the tables above as the indicators relate only to capital, not supplementary revenue expenditure.
15. In the context of borrowing, it should be noted that City's Cash had a loan of £125m as at 31 March 2019.

**Appendix: 2018/19 Actual Prudential Indicators**

**Caroline Al-Beyerty**  
**Financial Services Director**

T: 020-7332 1113

E: [caroline.al-beyerty@cityoflondon.gov.uk](mailto:caroline.al-beyerty@cityoflondon.gov.uk)

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



**PRUDENTIAL INDICATORS - 2018/19 OUTTURN**

The tables below detail the four prudential indicators applicable to 2018/19 which have been derived from the 2018/19 City Fund published accounts. These 'actual' indicators have been compared to the appropriate 'estimate' indicators. The **original** estimate indicators were prepared in February 2017 at the time of setting the 2017/18 budget and the **revised** estimate indicators were prepared to inform the setting of the 2019/20 budget in February 2019.

**1. Actual capital expenditure 2018/19**

	HRA	Non-HRA	Total
Estimate of capital expenditure ( <b>Original</b> )	£35.957 m	£116.594 m	£152.551 m
Estimate of capital expenditure ( <b>Revised</b> )	£24.161 m	£92.961 m	£117.122 m
<b>Actual Capital Expenditure</b>	<b>£10.854 m</b>	<b>£67.199 m</b>	<b>£78.053 m</b>

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

**2. Actual capital financing requirement 2018/19**

	HRA	Non-HRA	Total
Estimate of Capital Financing Requirement ( <b>Original</b> )	£9.500 m	£68.104 m	£77.604 m
Estimate of Capital Financing Requirement ( <b>Revised</b> )	£3.141 m	£43.804 m	£46.945 m
<b>Actual Capital Financing Requirement</b>	<b>£0.000 m</b>	<b>£43.592 m</b>	<b>£43.592 m</b>

The capital financing requirement (CFR) is an indicator of the underlying need to borrow, including 'internal borrowing'. The majority of the £43.592m CFR relates to internal borrowing, reflecting the use of cash received from the sale of long leases (treated as deferred income in accordance with accounting standards) to finance capital expenditure, including most notably an element of the 2016/17 Crossrail payment. No additional internal borrowing was required in 2018/19 due to slippage in the capital programme.

The zero balance for the HRA reflects its current debt-free status, pending further planned borrowing to fund the decent homes improvement programme. The borrowing assumed in the original and revised estimates was not required due to slippage in the HRA capital programme.

The method of calculating the HRA and non-HRA elements is prescribed under statute, with the overall figures derived directly from the balance sheet.

**3. Actual External Debt as at 31.03.2019**

	Borrowing	Other Long Term Liabilities	Total
<b>Actual External Debt</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>

The City Fund currently remains free of external debt.

**4. Actual Ratio of Financing Costs to Net Revenue Stream 2018/19**

	HRA	Non-HRA	Total
Ratio of Financing Costs to Net Revenue Stream ( <b>Original</b> )	0.84	-0.23	-0.14
Ratio of Financing Costs to Net Revenue Stream ( <b>Revised</b> )	0.61	-0.09	-0.04
<b>Actual Ratio of Financing Costs to Net Revenue Stream</b>	<b>0.29</b>	<b>-0.49</b>	<b>-0.41</b>

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

The actual HRA ratio of 0.29 means that financing costs, which include depreciation charges and contributions towards funding of capital expenditure, account for some 29% of the HRA's net revenue stream.

The City Fund is a net lender in its treasury operations and is in receipt of significant rental income from investment properties and therefore the Non-HRA and Total ratios are negative. The increase over the estimate has arisen mainly as a result of funding of the major projects from earmarked reserves instead of being charged

This page is intentionally left blank

<b>Committee(s)</b>	<b>Dated:</b>
Corporate Asset Sub-Committee – For Decision Finance Committee – For Information	11 July 2019 23 July 2019
<b>Subject:</b> Major Works Maintenance Forecasting and Gap Funding – Operational Property Portfolio	<b>Public</b>
<b>Report of:</b> City Surveyor (CS.277/19)	<b>For Information</b>
<b>Report author:</b> Paul Friend, City Surveyor's Department	

## Summary

Cyclical renewal and maintenance across the operational portfolio is addressed through the Cyclical Works Programme (CWP) or 'minor works' maintenance for non-ring-fenced assets. If the maintenance works are over a value threshold of £250k they are dealt with separately via a bid through the Gateway process for individual funding for 'major works' maintenance.

This report provides an overview of 'major works' maintenance across the operational estate (excluding Housing) with a prioritised list of works due in 2020/21. The recommended major works required for 2020/21 are confined to the London Metropolitan Archives (LMA) at an estimated cost of circa £3.22m (including fees). All other cyclical maintenance across the operational estate (excluding Guildhall and Walbrook Wharf which is the subject of a separate report to this committee) will be bid for as part of the annual Cyclical Works Programme (CWP) except for the ring-fenced properties.

This report also provides an overview of 'major works' maintenance required across the portfolio over the next 5 years. The 'major works' maintenance items are taken from the same 20 year Forward Maintenance Plans which inform the CWP and bid for annually. The proposed major works for 2020/21 and subsequent years is currently unfunded.

The major works programme across the operational estate is complex with implications on service delivery, sustainability and potential business disruption where major capital items need repair or replacement. Further detailed analysis will be required, including consideration of alternative options and resource implications for delivery before future 'major works' maintenance can be finalised for Member approval. The report reaffirms the requirement for a strategy of rationalisation of the operational estate to reduce running costs, including maintenance liability, going forward.

Member approval is sought in principle for the major works maintenance for 2020/21 which will form part of the new Annual Bid Process. Members are also requested to note the full potential liability of all 'major works' maintenance projects across the

operational estate over the next 5 years, not visible or possible to implement through the CWP due to current budget availability.

### **Recommendation(s)**

Members are asked to:

- Note the potential funding requirement for the prioritised major works maintenance across the operational estate due from 2020/2021 and within the next 5 years which will be subject to future prioritisation and the subsequent Annual Bid Process.
- Approve in principle a major works maintenance bid for the LMA at an estimated sum of £3.22m which will be subject to the Annual Bid Process this year and subject to the Fundamental Review
- Note a further report on CWP minor works maintenance will follow in the Autumn this year
- Reaffirm the requirement for a strategy of rationalisation of the operational estate to help reduce the potential running costs, including maintenance liability going forward.

### **Main Report**

#### **Background**

1. The Cyclical Works Programme (CWP) provides maintenance forecast for repairs across the operational estate (excluding Housing) under a threshold of £250k based on 20 year Forward Maintenance Plans. These works are reviewed and prioritised, and a budget allocation provided annually (next to be reported to this committee in the Autumn). At present there is no equivalent forecast for major works maintenance across the operational estate (excluding Housing) i.e. routine revenue projects or capital projects over £250k for the same period.
2. The annual bid for the CWP is usually approximately £12 million per annum and identified in the medium-term financial forecast as an appropriate level of spend. However, each year the list of maintenance requirements far exceeds this amount and projects are deferred to the following year.
3. Members have previously been advised on the total backlog of maintenance (circa £79m – see Appendix 1 Backlog of Cyclical Maintenance Update – July 2019) across the operational estate (excluding Housing) in a report to this committee in September 2018. An update on the current level will be reported to Resource Allocation Sub Committee at the next Away Day. By way of confirmation, this report concerns forthcoming major works maintenance only.
4. Currently, major works maintenance items above the £250k threshold are dealt with separately i.e. they are brought forward only when there is a compelling operational priority and/or sufficient availability of resources (staff and finance) to

deliver. It is recognised that such a gap represents a risk in terms of financial forecasting and in turn the ability to report on the financial sustainability of the entire operational portfolio.

5. Accordingly, due to the Fundamental Review and an annual bid process officers have proposed that a prioritised major works maintenance list for 2020/21 be considered for approval in principle in order that further due diligence be undertaken to prepare a detailed brief, associated works programme and options analysis prior to refined estimated costs for final approval. The total estimated cost of the works recommended to be undertaken from 2020/21 is £3.22m and is confined to the London Metropolitan Archives (LMA). All other recommended maintenance from the 20 year Forward Maintenance Plans due in 2020/21 will be included in the CWP bid process and reported later this year for approval.
6. The City is already making a significant investment in its operational estate. The CWP has an annual programme of £12m pa and in addition there is a £4m pa programme of additional funding for City Fund projects. Schemes are prioritised and whilst not everything makes the cut for funding, a reserve list is maintained to allow substitution should one of the agreed projects not go ahead. There are some projects that are not being progressed but there is sufficient funding to allow all urgent projects to be tackled
7. The major works maintenance recommended by the City Surveyor at the LMA is estimated as follows. Subject to comments provided in paragraphs 17 and 18 below and to be confirmed on submission of the actual bid, partial recovery of the eventual cost of the works is expected via the service charge with the tenant of part (Finsbury Business Centre): -
  - a. External Decoration - £300,000
  - b. Fire Alarm Replacement - £300,000
  - c. Landlords Lighting and Power Rewire - £500,000
  - d. Heating System Replacement - £1.7 million
  - e. Professional fees and Surveys - £422,000

Estimated total (excluding Risk) - £3.22m

8. Officers estimate the total unfunded major works maintenance across the entire operational assets over the next 5 years to be approximately £35m as detailed in Appendix 2. At this stage this is a provisional estimate and again further detailed analysis of the specific repair or replacement of items is required before a funding request can be made. No financial provision for the above backlog is currently recorded. However, as reported in the Asset Management Service Based Review (AM SBR) there is a need to deliver better asset management information to support financial sustainability across the operational estate.
9. The major works maintenance programme across the operational estate is complex with implications on service delivery, sustainability and potential business disruption where major capital items need repair or replacement. Further detailed analysis will be required, including the impact of potential business disruption on service delivery i.e. due to possible need to temporarily

decant, consideration of alternative options and resource implications for delivery before a prioritised list can be offered for member approval.

10. Partial mitigation of the total outstanding major works maintenance is provided by planned capital projects currently in the Gateway process e.g. Guildhall Masterplan, City of London School for Boys' Masterplan, Conversions of Barbican Exhibition Halls, Markets Consolidation Project, City of London Freeman's, Police Accommodation and New Courts Facility etc. However, these projects are not yet in the delivery phase and the extent to which they mitigate the specific maintenance backlog is difficult to estimate without further substantial detailed assessment as highlighted in paragraph 6 above.
11. Given the funding gap and the likelihood that all works will be required at some point within the next 5 years it is proposed that this potential liability be communicated to Resource Allocation Sub-Committee as part of the Annual Bid Process. The intention being to provide members with better asset management information to support financial sustainability across the operational estate.
12. A separate report that includes major works maintenance due at Guildhall and Walbrook Wharf is on this committee's agenda. Given these works along with those listed above for the LMA represent all the major works maintenance bids for 2020/21, i.e. no further prioritisation, it is recommended all works are approved in principle.

### **Corporate & Strategic Implications**

13. The ability to accurately forecast capital requirements across the operational estate assists with financial sustainability and resource (both staff and capital) planning. Greater visibility of future capital projects also helps plan major works across the operational estate. The Corporate Property Asset Management Strategy currently states that assets will be maintained in 'good' condition. However, if funding is not available annually to maintain all assets to that standard officers will continue to have to prioritise maintenance, inevitably with some not capable of meeting the stated corporate standard.
14. This proposal is consistent with the current Corporate Property Asset Management Strategy and the recommendation within the Asset Management Service Based Review (AM SBR) to identify and deliver better asset management information to support financial sustainability across the operational estate.

### **Financial Implications**

15. There are significant potential capital commitments across the operational estate, which because of the limits on resources, are unlikely to be all funded over the current planning and choices will need to be made. This underlines the need to review the operational estate and where possible rationalise it to reduce future maintenance liability and Members are asked to continue to endorse this view.

16. It is noted that the future liabilities are across both City Fund and City Cash assets. Those responsible for authorising maintenance on ring fenced assets are advised annually via the CWP process of minor works maintenance due that year. This report now identifies major works maintenance over the 5 year forecast, noting however works are funded separately due to funding source e.g. City of London schools, City of London Police etc.

## **Next steps**

17. Officers need to further review the implications of the major works maintenance included in Appendix 2 before forming part of the future Annual Bid Process. This review will require input from the relevant department service managers and City Surveyors in order to agree a potential programme of investment.
18. Given the complex nature of major works repair or replacement, it is proposed that building specific officer groups (to include the relevant asset manager, facilities manager, project manager and service department representative) are set up for priority ranked projects (if approved in principle) with the specific objective of considering options prior to bids in the Annual Bid Process. For works in 2020/21 this is confined to the LMA but will be relevant in future years.
19. It is further proposed that any major works items recommended to be undertaken by the City Surveyor but deferred at the request of the relevant service department due to operational reasons, will be reported back to this committee to provide corporate oversight of deferred maintenance and liability backlog.
20. The proposed works in 2020/21 are subject to the Annual Bid Process and the Fundamental Review. The implications of not undertaking the works, in terms of maintaining the operational status of the facility and/or contractual obligations to the tenant of the LMA will be outlined in the actual bid.

## **Conclusion**

21. Currently there is no approved major works maintenance programme across all the operational estate. Capital maintenance is currently dealt with via the Gateway process as and when capital replacement items or routine revenue projects over £250k are necessary. Consequently, whilst the CWP provides financial forecasting for minor works across the operational estate there is no equivalent for major works items. This report provides a prioritised major works maintenance forecast for works due in 2020/21.
22. The report also provides corporate oversight of major works maintenance across the operational estate over the next 5 years that will assist capital and resource planning. This report aligns with the AM SBR recommendation to deliver better asset management information to support financial sustainability across the operational estate.

## **Appendices**

- Appendix 1 – Backlog of Cyclical Maintenance Update – July 2019
- Appendix 2 – List of all Major Works Maintenance Forecast due across the operational estate (excluding Housing) in the next 5 years

### **Paul Friend**

Head of Corporate Asset Management, City Surveyor's Department

T: 020 7332 1497

E: [paul.friend@cityoflondon.gov.uk](mailto:paul.friend@cityoflondon.gov.uk)



## Appendix 1 - Backlog of Cyclical Maintenance Update – July 2019

This report is to give Members an update on the backlog of cyclical maintenance since the previous report was presented to Corporate Asset Sub Committee on the 5<sup>th</sup> September 2018.

### Overall Position

Portfolio	Backlog Maintenance
Corporate	£37.5 million
Ring Fenced	£9.6 million (1)
Barbican	£31.6 million (2)
Total	£78.7 million

- (1) Some of this amount will be addressed through other initiatives such as the Police Accommodation project, Markets Consolidation and Freeman's Masterplan.  
 (2) £15 million is for the Conservatory which is deferred works

### Corporate Estate

The current position for the Corporate Estate is:

	City Cash	City Fund	Guildhall	Total
Major Works	11,397,000	11,329,000	9,353,500	<b>32,079,500</b>
Deferred Works	1,953,200	1,742,600	1,972,500	<b>5,668,300</b>
Backlog Works	882,800	3,764,200	822,200	<b>5,469,200</b>
<b>Total</b>	<b>14,233,000</b>	<b>16,835,800</b>	<b>12,148,200</b>	<b>43,217,200</b>

### Barbican

The current position for the backlog of cyclical maintenance for the Barbican Centre is £31.6 million which includes £15 million for works required on the conservatory which are deferred works.

### Ring Fenced

The current position of the backlog of cyclical maintenance in 2018/19 for ring fenced properties is:

	Boys School	Girls School	Freemen School	Markets	Police	Total
Major Works	470,000	0	0	393,500	1,652,000	£2,515,500
Backlog Works	179,000	220,000	1,244,700	1,710,700	3,803,500	£7,157,900
<b>Total</b>	<b>649,000</b>	<b>220,000</b>	<b>1,244,700</b>	<b>2,104,200</b>	<b>5,455,500</b>	<b>£9,673,400</b>

This is the same as presented in September 2018 for the following reasons:

- The level of Cyclical Works Programme (CWP) funding has remained consistent at circa £12 million per annum
- There has been slower than expected delivery in some projects funded through the additional resources for City Fund Properties, these however are likely to be delivered within the year 19/20 so once delivered will reduce some of the backlog
- The majority of capital works still remain unfunded and are now on hold due to the fundamental review so this figure is unlikely to go down in the near future and could well increase

For reference the definitions are:

- Major Works – projects over £250,000 sit outside of the Cyclical Works Programme (CWP) umbrella and need to be funded through capital resources
- Deferred Works – projects deferred to allow the City to ‘sweat’ its assets within legislative and operational parameters
- Backlog Works – projects that require completing but insufficient funding has been made available for the works to proceed

## **Appendix 2 - Major Works Maintenance Forecast - operational estate (excluding Housing) in the next 5 years**

<b>Location</b>	<b>Project</b>	<b>20/21</b>	<b>21/22</b>	<b>22/23</b>	<b>23/24</b>	<b>24/25</b>
GSMD	Silk Street – Lakeside Studio Ventilation			£350,000		
GSMD	Whole School BMS controls				£300,000	
GSMD	Silk Street – Air Handling Extract					£650,000
Barbican Centre	Ex Hall Roofs					£960,000
Barbican Centre	Ex Hall BMS replacement					£455,000
Barbican Centre	Conservatory Roof including Arid House					£3,807,000
Barbican Centre	Terrace Tile renewal			£402,000		
Barbican Centre	Replace sprinklers serving Car Park 2				£682,000	
Barbican Centre	Lighting Control (Foyer and Back of House)		£1,727,000			
Barbican Centre	Replace Theatre Foyer Lighting				£547,000	
Barbican Centre	Replace BMS site wide (excluding Ex Hall)				£1,464,000	
Barbican Centre	Replace Flying system in Concert Hall		£450,000			
Barbican Centre	Repair all expansion joints			£1,500,000		
Barbican Centre	External Decoration (site wide)				£350,000	
Barbican Centre	Replace Fire Shutters (site wide)		£750,000			
LMA	Heating Replacement	£1,700,000				
LMA	Fire Alarm Replacement	£300,000				
LMA	Lighting and Power rewire	£500,000				
LMA	External Redecoration	£300,000				
Charterhouse Street Bridge	Replace Waterproof Decking				£1,280,000	
Mansion House	Roof Replacement			£3,015,050		
Mansion House	Electrical Installation Upgrade				£900,000	
LCM - Underground Car Park	Supply & Extract Ductwork Replacement		£1,440,000			

LCM - East Meat Trader	Chilled/Condenser Water Replacement		£934,150			
LCM - East Meat Trader	Heating Pipework Replacement		£468,000			
LCM - West Meat Trader	Sprinkler Replacement					£458,000
LCM - West Meat Trader	Luminaires Replacement		£336,000			
LCM - West Meat Trader	Chilled/Condenser Water Replacement					£965,000
LCM - West Meat Trader	Heating Pipework Replacement					£460,000
LCM - West Meat Trader	Ductwork Replacement					£1,468,000
LCM - General	Supply & Extract Cleaning					£504,000
City of London (Boys) School	Roof Replacement		£934,000			
	Subtotal	<b>£2,800,000</b>	<b>£7,039,150</b>	<b>£5,267,050</b>	<b>£5,523,000</b>	<b>£9,727,000</b>

<b>Major Works estimate for next 5 years</b>	<b>£30,356,000</b>
<b>Professional Fees and Surveys @15%</b>	<b>£4,553,430</b>
<b>Total (excl. VAT)</b>	<b><u>£34,909,630</u></b>

## Notes

1. It is assumed works to the London Central Market (LCM) will be deferred in the event of major refurbishment/redevelopment as part of the Markets Consolidation Project
2. Works to the City of London school will be met by school reserves.
3. Partial recovery of the eventual cost of works is expected through tenant service charge payments at LCM and LMA. This will be confirmed on submission of the actual bid.

<b>Committees:</b>	<b>Date(s):</b>
General Purposes Committee of Aldermen	2 July 2019
Policy and Resources	4 July 2019
Finance Committee	23 July 2019
<b>Subject:</b> Initiation & Implementation of Charities Review	<b>Public</b>
<b>Report of:</b> Chief Grants Officer & Director of City Bridge Trust (CGO)	<b>For Decision</b>

## Summary

The City of London Corporation has a long history and considerable experience of working with and through charities. The City Corporation is trustee of, or has powers of nomination or appointment to, c.100 charities, including Bridge House Estates (1035628) (BHE) ('the City charities'). The City Corporation hosts and manages many of these charities whilst also funding a further c.400 charities at any one time through City's Cash and the City charities - and whether through the work of City Bridge Trust (CBT) which is funded from BHE, the Central Grants Programme (CGP), or other charities for which it is trustee, etc.

This paper seeks approval to undertake, implement and resource a review of the City charities (the Review) to allow the recommendations from previous corporate Reviews to be properly implemented to ensure full regulatory compliance; demonstrate leadership by modelling current good practice; and achieve the most positive impact for our communities. The Review will: be mindful of latest Charity Commission guidance; and build on the success of previous corporate Reviews and the current BHE governance review, as well as the work of CBT and Central Grants Unit (CGU) co-located with the CBT Team which oversees the CGP. The Review will complement the City Corporation's Corporate Plan, Philanthropy Strategy objectives and the current Fundamental Review, and is intended to further develop the Chief Grants Officer's (CGO) Team as the corporate centre of charitable excellence.

The proposed Review will be overseen by a cross-departmental officer working group chaired by the CGO and include key representation from the Chamberlain's, Comptroller and City Solicitor's and Town Clerk's Departments. The Review will include an investigation and an implementation phase, and additional project management, financial and legal resources will be needed, working with and under the direction of in-house expertise.

## Recommendations:

1. To agree that a comprehensive Charities Review should be undertaken and implemented: led by the CGO and overseen by an appropriate cross-departmental officer working group, with Members being regularly updated and their input sought at relevant committees/charity boards during the course of the Review; and
2. To agree to delegate authority to the Town Clerk, in consultation with the Chairman and Deputy Chairman of the Finance Committee, to take the decision as to the allocation of resources for the Review through a request by the CGO to the Finance Committee Contingency Fund held within City's Cash.

## **Main Report**

### **Background**

1. The City of London Corporation has a long history and considerable experience of working with and through charities: including governance, management, funding and the provision of benefits in kind. The City of London Corporation is trustee of, or has powers of nomination or appointment to, c.100 charities, including BHE - the 7th largest charity in the UK.
2. The City charities comprise a diverse and somewhat disparate portfolio, reflecting the City Corporation's unique constitution and history. In most cases the City Corporation undertakes this work in its general corporate capacity and thus the City's administration of and other governance support for the various charities has been principally funded from City's Cash. Around a decade ago substantive work was undertaken to rationalise a significant number of the 100's of charities associated with the City Corporation. Those outcomes were in the main very successful in reducing the number of charities and in simplifying administration of many of the remaining charities. However, subsequent work to properly implement the governance and administration changes arising, as well as other good practice, has not been as successful for want of financial resources and co-ordinated corporate oversight/expertise.
3. In 2015, the City Corporation undertook a review of its grant-making activities across its various functions (excluding BHE). The aim of the Grants Service Based Review (Grants SBR) was to increase the strategic impact of grant-making, ensure that the grants were managed more efficiently and effectively, improve the consistency and quality of the customer experience and so bring consequential reputational benefits. The Grants SBR sought to also identify internal administrative improvements required to deliver the aims of the Review, which outcomes included changes to committee structures and financial recording, and better capture and reporting of "benefits in kind". It also sought to identify where the general recommendations for better grant-making by the City Corporation had relevance for the various City charities and made associated recommendations for the various trustee/s to consider. Since then as resources permit, governance changes have been progressed on a case by case basis for individual charities. Similarly, with the earlier Charities Review, no resources were set aside for implementation of the recommendations.
4. In March 2016, the Resource Allocation (Policy & Resources) Sub-Committee and the Policy and Resources Committee received a report outlining the work arising from the Grants SBR which led to the establishment of a CGP with four themes approved by Policy & Resources Committee, each led by a Service Committee with the appropriate expertise, and which encompassed City's Cash as well as charitable funding. It was agreed that the CGU should be established, which could draw on the considerable existing charitable funding expertise of the CBT Team, and help create a centre of excellence for the City's grants administration, charitable and non-charitable.
5. In 2017, the usual 5-year strategic review was undertaken for BHE which led to a new charitable funding strategy 'Bridging Divides' being approved by the Court of Common Council for the City Corporation as trustee of the charity, which activities are delivered in the name of CBT. As part of this new strategy is

was agreed that the City Corporation should look to be the best possible trustee of BHE to support delivery of this strategy. The current BHE governance review has therefore been initialised to: ensure that this leading charity efficient and effective in its governance and management and that it can achieve the most impact for communities within Greater London; and demonstrate leadership in the sector by modelling good practice for others.

6. In 2018, the Philanthropy Strategy was agreed by the City Corporation both for itself, and in its capacity as the corporate trustee of BHE. This further commits the City Corporation to modelling good practice.
7. A restructure of Officer roles was also completed in 2018 which led to additional strategic capacity and expertise in delivery of charitable and philanthropic work by the City Corporation. The CGO role was extended to undertake a 'Head of Profession' function across all of the City Corporation's charitable activities, which complements the Chamberlain's Head of Charity & Social Investment Finance role, the Director of Philanthropy role, the Head of the CGU role and the Corporate Charity Business Manager - all of whom report to the CGO (whether directly or indirectly). This breadth of expertise has also been recently augmented by a new senior communications post to support the philanthropic work of the City Corporation, including as trustee of BHE.
8. The external operating environment for charities in the UK is one of heightened scrutiny and reduced public trust. The sector's regulator, The Charity Commission, has therefore launched a Revitalising Trust programme. This programme is targeting charities in England and Wales that are dormant, ineffective or inactive.

### **The Proposed Review**

9. Progress has been made in making more of the City Corporation's charitable and philanthropic activity. However, there is much more work to be done to achieve the full impact and better communicate that impact - commensurate with the experience and scale of the City of London Corporation's activity in this area.
10. The external and internal context for the Review is propitious. The Review will be mindful of latest Charity Commission guidance, alongside the Charity Governance Code (issued in July 2017); and will include an investigation and an implementation phase focused on modern regulatory compliance and opportunities to increase the efficiency & effectiveness of the various City charities' governance and management within the context of the corporate Fundamental Review.
11. The potential outcomes of the Review, subject to the agreement of the relevant Committees and trustees, will be:
  - a. A charities portfolio that has been fully reviewed to ensure regulatory compliance;
  - b. A charities portfolio that is drawing on good practice at governance and managerial levels;
  - c. A charities portfolio which has been rationalised to ensure exceedingly small, dormant or inactive charities are closed down or merged;

- d. A charities portfolio which is efficient in its management and governance, making the most of any potential operational economies of scale;
  - e. A charities portfolio which is effective in delivery: making the most of strategic connections; quantifying and communicating its impact;
  - f. Implementation of systems which adequately support the on-going effective administration of the charities, individually and collectively (including maintaining a central database of cross-departmental records and historic data).
12. The Review will be led by the CGO drawing heavily on the expertise of the above-mentioned posts. To achieve the objectives, additional project management, financial and legal resources will be needed, working with and under the direction of the in-house expertise.
13. There is no current budgetary provision to support this Review, therefore it is proposed that if the Review is agreed, a request is made by the CGO to the Finance Committee Contingency Fund held within City's Cash to resource the Review, given the in-year timing of the request. This request will be informed by the Chamberlain's, Comptroller and City Solicitor's and Town Clerk's Departments' input. It is anticipated that following the Review, informed recommendations can then be presented to Members in respect of any on-going resourcing implications for the strategic oversight, administration and governance of the City's charities over the longer-term.

### **Review oversight**

14. This work will be led by the CGO and overseen on a day to day basis by the Corporate Charity Business Manager who directly reports to the CGO. The work will involve a cross-departmental officer working group chaired by the CGO, including key representation from the Chamberlain's, Comptroller and City Solicitor's and Town Clerk's Departments. This working group will work closely with relevant officers and will seek the input of Members and trustee boards throughout the Review through appropriate discussion and consultation.
15. The Review will ultimately be accountable to the Policy and Resources Committee, but it is suggested that emergent findings are reported to and considered by the Finance Grants Oversight and Performance Sub-Committee (which following the Grants SBR now has oversight of general corporate grants activities and the CGP) prior to Policy and Resources.

### **Conclusion**

16. Reflecting the City Corporation's historic and continuing involvement in supporting charitable and philanthropic activity for the benefit of the community, and the increasing regulatory scrutiny, it is considered timely that the City Corporation should undertake a further review of the City's charities to ensure their effectiveness and to embed appropriate centralised oversight and best-practice within the City Corporation. The CGO is well-placed to lead on this work in consultation with Members and relevant officers.

Scott Nixon, Town Clerk's Department,  
[Scott.Nixon@cityoflondon.gov.uk](mailto:Scott.Nixon@cityoflondon.gov.uk) / 020 7332 3722



<b>Committee:</b>	<b>Dated</b>
Finance Committee	23 July 2019
<b>Subject:</b> Revenue Budget Monitoring to June 2019	<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 1 is £8.3m better than budget. This comprises a favourable variance of £7.8m on Central Risk Budgets and £0.5m on Chief Officer Cash Limited Budgets.

### Chief Officer Cash Limited Budgets

The year-end forecast at the end of the first quarter is £0.5m better than the latest approved budget of £234.7m.

### Central Risk Budgets

Year-end Central Risk Budgets are forecast to be better than budget by £7.8m against the budget of £5.8m. This principally relates to Corporate Income from Property Investments and Interest on Cash Balances which are forecast to be £5.5m and £2.6m respectively better than budget.

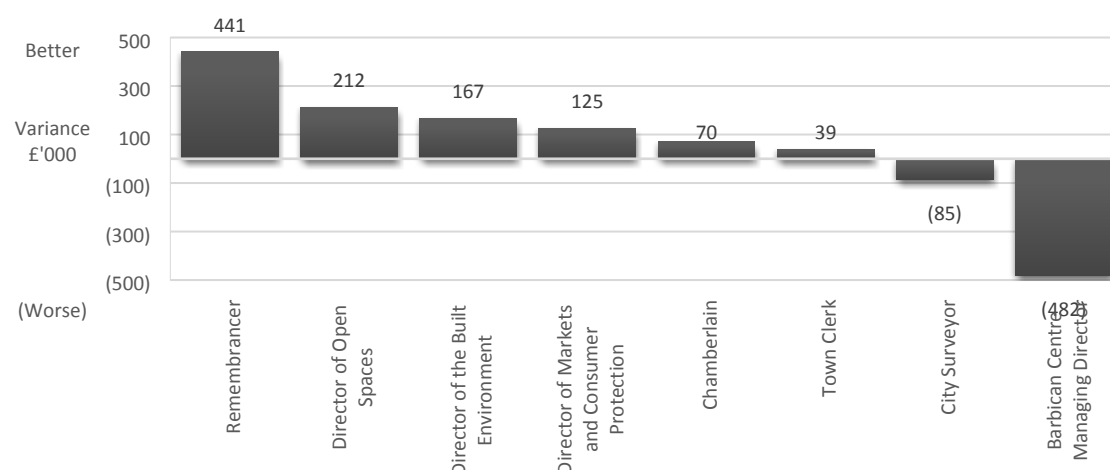
## Recommendation

Members are asked to note the report.

## Main Report

### Chief Officer Cash Limited Budgets

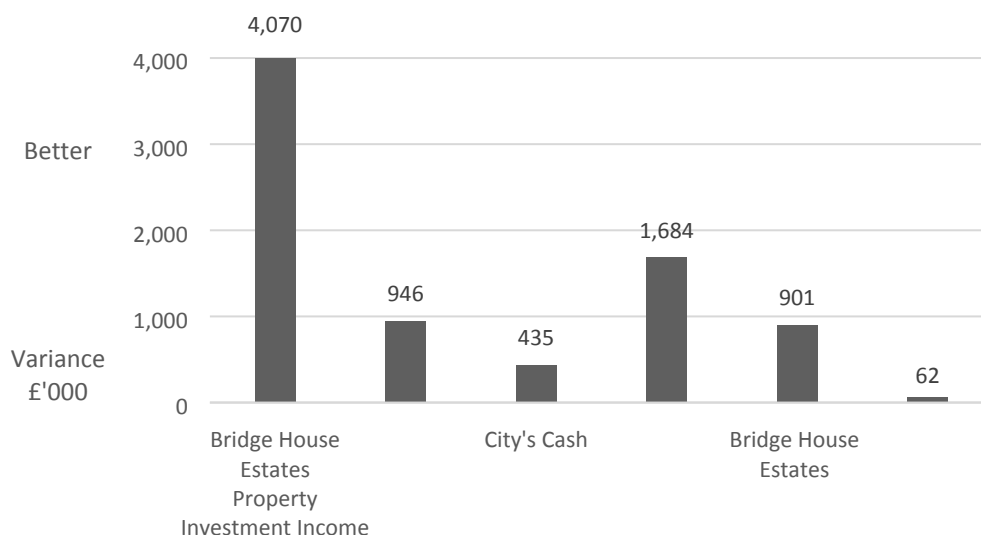
1. The year-end forecast is £0.5m better than the latest approved budget of £234.7m. Chief Officer variances against net local risk budgets are shown in the chart below.



2. The forecast position comprises a favourable variance of £1.4m against budgeted income of £280.5m partially offset by an adverse variance of £0.9m against budgeted expenditure of £515.2m. Appendix 2 provides income and expenditure budget variances by Chief Officer.
3. Income from Guildhall lettings for the Remembrancer is forecast to be £0.6m above target due to an increased number of event bookings.
4. The Barbican forecast year-end position is an adverse variance of £0.5m comprising an overspend of £1m on programme costs and from a delay in buildings restructure partially offset by additional income of £0.5m from programming income which is set to do well, with tax relief outperforming budget.
5. The City of London Police forecast is a nil variance at the end of Quarter 1. This is consistent with the period 2 position reported to Performance and Resource Management Committee in June 2019. A detailed projected outturn will be produced and presented to Police Authority Board in September 2019. There are a number of risks within the Force which are currently being managed and mitigated.

## Central Risk Budgets

6. The forecast for Central Risk Budgets at Quarter 1 is a better than budget position of £7.8m against the budget of £5.8m. Appendix 3 provides the Central Risk forecast variances by Chief Officer. This comprises favourable variances of £7.5m against budgeted income of £207.8m and £0.3m against budgeted expenditure of £202.0m. The key budget areas are addressed in the following paragraphs.
7. Property Investment income at Quarter 1 is forecast to be £5.5m better than budget of £131.7m and comprises:
  - Bridge House Estates £4.1m favourable - Principally due to £3.1m additional rent payable by Electra to surrender the lease
  - City Fund £1.0m favourable – Lease extension with Trillium, for Bastion House where vacation by tenant had been expected
  - City's Cash £0.4m favourable – Tottenham Court Road expected rent-free period and void costs are not now expected
8. Interest on cash balances are anticipated to be £11m at year-end which is £2.6m above budget of £8.3m. Appendix 4 provides further information on the Corporate Income Budgets.



9. The full year grant commitments allocation for City Bridge Trust (CBT) for 2019/20 is forecast to be £21.4m which is on target against the original budget. This consists of £20m for the core grants programme (Bridging Divides) alongside other amounts set aside for continuation of the anniversary programmes (Employability & Infrastructure Support) and support for The Mayor's Fund for Young Londoners. All amounts are held within the year-end

BHE designated grant-making fund. Expenditure to date is £3.4m, being the commitments approved at the first CBT Committee of this year. With a large volume of grant applications having been received by CBT over recent months, approximately £5.9m of grants will be going to the July CBT Committee for review. This will take spend ahead of the phased budget for the year. Further consideration as to whether this increase is a one-off spike in demand or a longer-term trend will be discussed at the July CBT Committee, alongside the impact on the budget allocation.

## **Conclusion**

10. Members are asked to note the forecast year-end position at Quarter 1 of £8.3m better than budget position comprising a favourable variance of £7.8m on Central Risk Budgets and £0.5m on Chief Officer Cash Limited Budgets.

## **Appendices**

- Appendix 1: Chief Officers Cash Limited Budgets by Fund
- 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

### **Caroline Al-Beyerty**

Deputy Chamberlain

T: 020 7332 1113

E: [caroline.al-beyerty@cityoflondon.gov.uk](mailto:caroline.al-beyerty@cityoflondon.gov.uk)

### **Philip Gregory**

Deputy Financial Services Director

T: 020 7332 1284

E: [philip.gregory@cityoflondon.gov.uk](mailto:philip.gregory@cityoflondon.gov.uk)

# Revenue Budget Monitoring to June 2019 - Appendices

## Appendix 1

Chief Officer Cash Limited Budgets by Fund					
Original Budget £'000	Chief Officer	Full Year Forecast as at 30 June 2019			
		Latest Budget	Forecast	Variance Better / (Worse)	
		£'000	£'000	£'000	%
	<b>City Fund</b>				
(1,716)	Chamberlain	(1,830)	(1,830)	(0)	(0%)
(4,621)	City Surveyor	(6,052)	(6,095)	(43)	(1%)
(11,156)	Director of Community and Children's Services	(11,496)	(11,496)	0	4%
(2,202)	Director of Markets and Consumer Protection	(2,555)	(2,443)	112	4%
613	Director of Open Spaces	568	571	3	1%
(16,365)	Director of the Built Environment	(20,197)	(20,019)	178	1%
(437)	Executive Director Mansion House and Old Bailey	(459)	(459)	0	0%
(16,271)	Managing Director, Barbican Centre	(16,627)	(17,109)	(482)	(3%)
(13,178)	Town Clerk	(15,279)	(15,253)	26	0%
<b>(65,333)</b>	<b>Total City Fund (excluding Police)</b>	<b>(73,927)</b>	<b>(74,133)</b>	<b>(207)</b>	<b>(0%)</b>
	<b>City's Cash</b>				
(92)	Chamberlain	(96)	(95)	1	1%
(15,417)	City Surveyor	(17,011)	(17,309)	(298)	(2%)
(912)	Director of Community and Children's Services	(1,057)	(1,057)	0	0%
(1,441)	Director of Markets and Consumer Protection	(1,504)	(1,491)	13	1%
(11,121)	Director of Open Spaces	(11,435)	(11,467)	(32)	(0%)
(3,251)	Executive Director Mansion House and Old Bailey	(3,344)	(3,344)	0	0%
(1,023)	Head, City of London Boy's School	(1,023)	(1,023)	0	0%
2	Headmaster, City of London Freeman's School	2	2	0	0%
(231)	Headmistress, City of London School for Girls	(231)	(231)	0	0%
(6,207)	Principal, Guildhall School of Music and Drama	(6,400)	(6,400)	(0)	(0%)
(1,212)	Remembrancer	(1,216)	(1,174)	42	3%
(106)	Town Clerk	(141)	(128)	13	9%
<b>(41,011)</b>	<b>Total City's Cash</b>	<b>(43,456)</b>	<b>(43,717)</b>	<b>(261)</b>	<b>(1%)</b>
	<b>Bridge House Estates</b>				
0	Chamberlain	(45)	(45)	0	0%
(2,200)	City Surveyor	(2,356)	(2,373)	(17)	(1%)
(218)	Director of Open Spaces	(273)	(32)	241	88%
(262)	Director of the Built Environment	(270)	(281)	(11)	(4%)
(2,326)	Town Clerk	(2,466)	(2,466)	0	0%
<b>(5,006)</b>	<b>Total Bridge House Estates</b>	<b>(5,410)</b>	<b>(5,197)</b>	<b>213</b>	<b>4%</b>
	<b>Guildhall Administration</b>				
(21,857)	Chamberlain	(22,609)	(22,540)	69	0%
(7,105)	City Surveyor	(8,782)	(8,509)	273	3%
(3,547)	Comptroller and City Solicitor	(882)	(882)	0	0%
349	Remembrancer	327	726	399	122%
(6,948)	Town Clerk	(6,570)	(6,570)	0	0%
<b>(39,108)</b>	<b>Total Guildhall Administration</b>	<b>(38,516)</b>	<b>(37,775)</b>	<b>741</b>	<b>2%</b>
<b>(150,458)</b>	<b>Grand Total (excluding Police)</b>	<b>(161,309)</b>	<b>(160,823)</b>	<b>486</b>	<b>0%</b>
(72,729)	Commissioner of Police (City Fund)	(73,413)	(73,413)	0	1%
<b>(223,187)</b>	<b>Grand Total</b>	<b>(234,722)</b>	<b>(234,236)</b>	<b>486</b>	<b>0%</b>

## Appendix 2

Chief Officer Cash Limited Budgets - Income and Expenditure Variances					
	Latest Gross Income / (Expenditure) Budgets £'000	Forecast Income / (Expenditure) £'000	Variance Better / (Worse)		Cause / Action
			£'000	%	
Barbican Center Managing Director	(45,194)	(46,196)	(1,002)	(2%)	Increase programming costs, along with the release of the targets mentioned below and a delay in the buildings restructure.
	28,567	29,087	519	2%	Programming income is set to do well, with tax relief outperforming budget
Chamberlain	(25,119)	(25,027)	92	1%	Forecast underspend largely due to staff vacant posts across the Chamberlain's department at the start of 19/20 and which are currently being filled
	539	517	(22)	(8%)	Forecast underachievement in income due to delays in City Accelerate scheme.
City Surveyor	(46,805)	(47,047)	(242)	(4%)	Overspend comprises additional expenditure related to rates and fees of £229k, application for payments on reactive works on the corporate estate of £286k partially offset by savings of £273k on cleaning, equipment and other premises costs.
	12,604	12,761	157	11%	Mainly due to recovery of additional expenditure by service charges
Commissioner of Police	(148,568)	(148,568)	0	0%	No variances
	75,155	75,155	0	0%	
Controller and City Solicitors	(4,613)	(4,613)	0	0%	No variances
	3,731	3,731	0	0%	
Director of Community and Childrens Services	(32,658)	(32,658)	0	0%	No variances
	20,105	20,105	0	0%	
Director of Markets and Consumer Protection	(25,254)	(25,196)	58	0%	Underspend mainly related to salary savings from staff vacancies in City EH and Spitalfields Market.
	21,195	21,262	67	0%	Additional income due to increased trade from Passports for Pets at the HARC, partly offset by reductions in CVED trade at the Ports. Both have likely been influenced by uncertainties over BREXIT.
Director of Open Spaces	(27,395)	(27,683)	(288)	(4%)	The overspend is mainly due to associated increases in expenditure budgets, such as increased shop stock as well as using additional income to fund minor works programmes
	16,255	16,755	500	8%	The Bridge's 125th year has seen positive progress to date with regard to income generation. The year end forecast for Tower Bridge income is £6.7m and it is likely the overall income target will be raised at revised estimates to correctly reflect this, including a defined end of year managed surplus. The net forecast position is that 50% of the over achievement of income will be declared as a surplus with the other 50% towards expenditure increases as above.

Chief Officer Cash Limited Budgets - Income and Expenditure Variances Contd					
	Latest Gross Income / (Expenditure) Budgets £'000	Forecast Income / (Expenditure) £'000	Variance Better / (Worse) £'000                      %		Cause / Action
Director of the Built Environment	(37,208)	(36,749)	459	(3%)	Underspend mainly related to salary savings throughout the Department due to vacant posts.
	16,741	16,449	(292)	(2%)	Reduced income due to shortfalls in Building Control Regulation fee income and lower than anticipated toilet barrier income, plus shortfalls in staff cost recovery from capital projects due to staff vacancies.
Executive Director Mansion House and Old Bailey	(8,198)	(8,198)	0	0%	No variances
	4,395	4,395	0	0%	
Head of the Boys School	(19,774)	(19,774)	0	0%	No variances
	18,751	18,751	0	0%	
Headmaster of City of London Freemens School	(17,836)	(17,836)	0	0%	No variances
	17,838	17,838	0	0%	
Headmistress of City of London School for Girls	(15,081)	(15,081)	0	0%	No variances
	14,850	14,850	0	0%	
Principal Guildhall School of Music and Drama	(31,321)	(31,318)	3	0%	Minor variances
	24,921	24,918	(3)	(0%)	
Remembrancer	(2,658)	(2,630)	28	2%	Minor variance
	1,769	2,182	413	23%	Forecast overachievement on income from Guildhall lettings.
Town Clerk	(27,526)	(27,504)	22	9%	Minor variance
	3,070	3,087	17	1%	Minor variance
Total	(515,208)	(516,078)	(870)	0%	
	280,486	281,843	1,356	0%	
Grand Total	(234,722)	(234,236)	486	(0%)	

Central Risk Budgets				
Chief Officer	Latest Gross Income/ (Expenditure) Budget £'000	Forecast £'000	Variance Better / (Worse) £'000      %	
Chamberlain	(82,805)	(82,877)	(72)	(0%)
Chamberlain	22,000	24,647	2,647	12%
<b>Total Chamberlain</b>	<b>(60,805)</b>	<b>(58,230)</b>	<b>2,575</b>	<b>4%</b>
City Surveyor	(7,779)	(7,948)	(169)	(2%)
City Surveyor	142,892	148,343	5,451	4%
<b>Total City Surveyor</b>	<b>135,113</b>	<b>140,395</b>	<b>5,282</b>	<b>4%</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	(13,562)	(13,562)	(1)	(0%)
Director of Community and Children's Services	11,648	11,648	1	0%
<b>Total Director of Community and Children's Services</b>	<b>(1,914)</b>	<b>(1,914)</b>	<b>0</b>	<b>0%</b>
Director of Markets and Consumer Protection	(561)	(561)	0	0%
Director of Markets and Consumer Protection	6,453	6,472	19	0%
<b>Total Director of Markets and Consumer Protection</b>	<b>5,892</b>	<b>5,911</b>	<b>19</b>	<b>0%</b>
Director of Open Spaces	(1,121)	(1,121)	0	0%
Director of Open Spaces	1,522	1,522	0	0%
<b>Total Director of Open Spaces</b>	<b>401</b>	<b>401</b>	<b>0</b>	<b>0%</b>
Director of the Built Environment	(12,591)	(11,959)	632	5%
Director of the Built Environment	19,401	18,755	(646)	(3%)
<b>Total Director of Built Environment</b>	<b>6,810</b>	<b>6,796</b>	<b>(14)</b>	<b>(0%)</b>
Executive Director Mansion House and Old Bailey	(3,086)	(3,086)	0	0%
Executive Director Mansion House and Old Bailey	1,547	1,547	0	0%
<b>Total Executive Director Mansion House and Old Bailey</b>	<b>(1,539)</b>	<b>(1,539)</b>	<b>0</b>	<b>0%</b>
Managing Director, Barbican Centre	(3,490)	(3,490)	0	0%
Managing Director, Barbican Centre	530	530	0	0%
<b>Total Managing Director, Barbican Centre</b>	<b>(2,960)</b>	<b>(2,960)</b>	<b>0</b>	<b>0%</b>
Principal Guildhall School of Music and Drama	(3,171)	(3,171)	0	0%
<b>Total Guildhall School of Music and Drama</b>	<b>(3,171)</b>	<b>(3,171)</b>	<b>0</b>	<b>0%</b>
Remembrancer	(2,124)	(2,124)	0	0%
Remembrancer	204	204	0	0%
<b>Total Remembrancer</b>	<b>(1,920)</b>	<b>(1,920)</b>	<b>0</b>	<b>0%</b>
Town Clerk	(71,716)	(71,772)	(56)	(0%)
Town Clerk	1,422	1,422	(0)	(0%)
<b>Total Town Clerk</b>	<b>(70,294)</b>	<b>(70,350)</b>	<b>(56)</b>	<b>(0%)</b>
<b>Total</b>	<b>(202,006)</b>	<b>(201,671)</b>	<b>334</b>	<b>0%</b>
<b>Total</b>	<b>207,819</b>	<b>215,290</b>	<b>7,471</b>	<b>4%</b>
<b>Grand Total</b>	<b>5,813</b>	<b>13,619</b>	<b>7,806</b>	<b>134%</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	48,677	47,731	946	2
City's Cash	59,467	59,032	435	1
Bridge House Estates	23,527	19,457	4,070	15
<b>Total Property Investment Income</b>	<b>131,671</b>	<b>137,122</b>	<b>5,451</b>	<b>4</b>
<b>Interest on Cash Balances</b>				
City Fund	7,938	9,622	1,684	18
City's Cash	300	362	62	17
Bridge House Estates	100	1,001	901	90
<b>Total Interest on Cash Balances</b>	<b>8,338</b>	<b>10,985</b>	<b>2,647</b>	<b>24</b>
<b>Grand Total</b>	<b>140,009</b>	<b>148,107</b>	<b>8,098</b>	<b>5</b>

## Appendix 5

Budget changes for Chief Officer - Cash Limited Budgets		
	£'000	£'000
<b>Original Local Risk Budget</b>		<b>(223,187)</b>
Approved Growth Bids	(3,685)	
Additional Legal Fees Budget	2,171	
Innovation Growth and London Pan Budget Uplift	(1,900)	
Approved Carry Forwards Budgets from 18/19	(1,683)	
Budgets for Comptrollers trading account	(1,497)	
Additional City Surveyor Assets	(946)	
Additional Budgets and Virements for Energy Inflation	(848)	
Budgets for New Posts	(583)	
Drawdown on CIL Budget	(422)	
Other Fees additional Budget	(360)	
Utilities Budget Uplift	(334)	
New Energy Contract Budgets	(321)	
Additional Budget for Service Charges	(262)	
Market Forces Supplement Budget	(242)	
Base Budget Adjustment	(200)	
Innovation Growth CRM Work	(120)	
Reduction in Dilap	(101)	
Building Consultant Budget	(85)	
Fire Safety Budget Uplift	(68)	
Additional Budget for Apprentices	(52)	
Minor Adjustments	3	
		(11,535)
<b>Latest Local Risk Budget</b>		<b>(234,722)</b>

This page is intentionally left blank

<b>Committee(s):</b> Finance Committee – For information	<b>Date(s):</b> 23/07/2019
<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> Matt Lock, 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 nine departmental risks on its risk register. The most significant risk is:

- **CR23 – Police Funding** (Current Status: **RED**)

There are a number of Amber rated risks that relate to Police IT provision.

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

## Recommendation(s)

Members are asked to note the report 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 nine departmental risks on its risk register, attached as Appendix 1 to this report, assessed as 1 RED risk, 10 AMBER, risks. These are:

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

5. Updated Medium Term Financial Plan assumptions have been modelled (including approved growth of 67 roles) and agreed between Police Authority officers and the Force. The informal RASC meeting in July will consider the medium-term deficits arising from this work along with the options to close the gaps. The impact of the Spending Review on police finances will not be known before December 2019.

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

6. Following review with Audit and Risk Management Committee and Digital Services Sub-Committee it was agreed that further steps were required to achieve a maturity level that would reduce the level of risk to the agreed target level, this risk will now be monitored at each meeting of the Digital Services Sub-Committee.

### **CHB CoLP IT 002 Network Vulnerability (Current Risk: Amber – increasing)**

7. The last elements of the Police IT network refresh are nearing completion and work is now starting on the redesign of the secure network. Power issues are undermining the stability of the Wood Street network this is being addressed in a wider project around data centres and UPS supplies (ref CHB IT 001). While the overall level of risk remains Amber, likelihood has increased slightly as a result of the position at Wood Street.

### **CHB CoLP IT 008 Tetra Radio Estate (Current Risk: Amber – no change)**

8. Discussions are in progress with potential suppliers of replacement radio devices, an appropriate route to market has been identified for the procurement of replacement devices.

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

9. There is no change to this risk or mitigating actions and this is expected to be the case until further information is available regarding the Brexit process.

### **CHB IT 001 Resilience - Power and infrastructure (Current Risk: Amber – escalated from service level risk to departmental level)**

10. Recent failure of some Uninterruptable Power Supply (UPS) devices has resulted in this risk escalating from the IT service level risk register to the Chamberlain's departmental risk register. A site audit is underway to test equipment.

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

11. A disaster recovery test of network and power resilience was carried out successfully on 26 June. An initial Lessons learned report has been produced and provided to Members of Digital Services Sub-committee, with a full technical report, including a Remediation Action Plan, to follow.

**CHB IT 028 Air Conditioning Failure in Datacentres (Current Risk: Amber – no change)**

12. Steps have been taken to improve the effectiveness of the existing air conditioning and this is monitored daily, this risk will not be mitigated until the cooling system is replaced.

**CHB CoLP IT 003 Disaster Recovery (Current Risk: Amber – no change)**

13. A schedule of critical services has now been produced and approved by the IT strategy board and agreement has been reached with Agilisys on 24/7 cover for the relevant systems. A disaster recovery plan based on the new infrastructure is in development.

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

14. There is no change to this risk or mitigating actions and this is expected to be the case until further information is available regarding the Brexit process.

**CHB IT 029 iTrent Contract (Current Risk: Amber – no change)**

15. A project has been initiated to specify and procure the next generation HR and Payroll application. While this will take many months to deliver, the risk of legal challenge will reduce when procurement activity commences.

**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

**Matt Lock**

Chamberlain's Department

T: 020 7332 1276

E: [matt.lock@cityoflondon.gov.uk](mailto:matt.lock@cityoflondon.gov.uk)

This page is intentionally left blank

## Chamberlain's Corporate and Departmental Risks

Report Author: Matt Lock

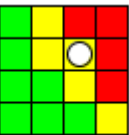
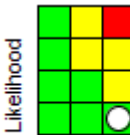

Generated on: 02 July 2019



Rows are sorted by Risk Score

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>CR23 Police Funding</b> 21-Nov-2016 Ian Dyson; Peter Kane	<b>Cause:</b> Reduction in government funding, workforce costs and growing demand in Policing services leading to pressures for the City Fund -Police. <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 <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.	 Likelihood	16	While a balanced budget has been achieved for 2019/20, there remains considerable uncertainty over the medium term. <b>09 July 2019</b>	 Likelihood	12	31-Mar-2020	 Constant

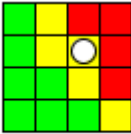
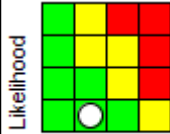

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CR23g	Implement plan for sustainable settlement	Updated MTFP assumptions have been modelled (including approved growth of 67 roles) and agreed between Police Authority officers and the Force. The informal RASC meeting in July will consider the medium-term deficits arising from this work along with the options to close the gaps. The impact of the Spending Review on police finances will not be known before December 2019.	Alistair Cook	09-Jul-2019	31-Mar-2020

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
CHB CoLP IT 002 Network Vulnerability  09-Aug-2018 Andrew Bishop	<b>Cause:</b> Vulnerability in CoLP Network consisting of unsupported operating systems, software & hardware. <b>Event:</b> Failure of critical systems or security compromise due to insufficient on-going support and maintenance. <b>Effect:</b> Partial or total failure of CoLP systems and data loss/compromise leading to operational failure and possible physical, operational, reputational and financial damage. Failure to provide service to the public.	 Likelihood Impact	12	Work approaching completion on last elements of the network refresh and work is now starting on the redesign of the secure network. A risk has been raised around the stability of the Wood Street network due to power issues which is also being addressed in a wider project around data centres and UPS supplies. Overall the risk remains at the current level of impact with a slightly raised level of likelihood due to the Wood Street <b>25 Jun 2019</b>	 Likelihood Impact	4	31-Dec-2019	  Increasing

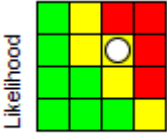
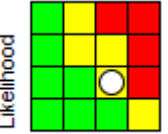

Action no	Action description	Latest Note			Action owner	Latest Note Date	Due Date
CHB CoLP IT 002i	Complete removal of kit from Wood Street						31-Mar-2020
CHB CoLP IT 002j	Audit with recommendations of all server/comms rooms looking at security/air-con/UPS				Graham Venn		31-Oct-2019
CoLP IT 002h	Removal of unneeded kit from Wood Street						30-Sep-2019



## Appendix 1

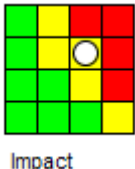
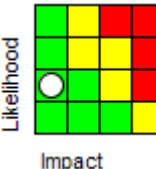
Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
CHB CoLP IT 008 Tetra Radio Estate 09-Aug-2018 Andrew Bishop	<b>Cause :</b> Radio handsets are end of life and no longer available <b>Event :</b> CoLP will not have access to radio handsets <b>Effect :</b> Lack of availability will put officers at individual risk as well as opening the organisational up to reputational, operational and physical risk	 Likelihood	12	Target date adjusted  27 Jun 2019	 Likelihood	2	31-Jul-2019	  Constant

Action no	Action description	Latest Note			Action owner	Latest Note Date	Due Date
CHB CoLP IT 008a	Negotiations underway via suppliers/MPS to source replacement devices with GPS functionality	Work underway on Proof of concept with 2 suppliers.			Graham Venn	27-Jun-2019	31-Dec-2019
CHB CoLP IT 008b	Carry out review of current swapout stock to ensure sufficient spare radios to cover need until rollout of new kit.						30-Sep-2019
CHB CoLP IT 008c	Live pilot of Sepura and Motorola devices available on the PICT framework						31-Jul-2019
CHB CoLP IT 008d	Procurement of devices						31-Dec-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
CHB CP001 Brexit risk to City Corporation procurement and supply chains	<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>Likelihood</p> <p>Impact</p>	12	<p>Crown Commercial Service issued a Procurement Policy Note on 7 March 2019 which was consistent with the advice given on 13 January 2019 by the Cabinet Office.</p> <p>1. No Deal Brexit - in this instance from midnight on 31 October 2019 the existing UK Public Contract Regulations will remain as is but references to EU will revert to UK with current thresholds retained. The main change will be the contract notices will be advertised on a UK only equivalent to EU's TED (Tenders Electronic Daily) service (eTendering platform). The Cabinet Office confirmed that there is a fully tested and functioning portal ready to be launched and the key eTendering providers have already accredited to interface with this new portal including our eTendering provider Jaegger.</p> <p>2. Deal Secured - The regulations will stay as current and be phased to UK only legislation by 31 December 2020.</p> <p>3. Extension of Article 50 - The regulations will stay as current until details of a revised transition period are announced.</p> <p>The EU Exit risk assessment by category report developed in conjunction with Efficio Consulting has now been signed off by the Brexit</p>	 <p>Likelihood</p> <p>Impact</p>	8	31-Oct-2019	

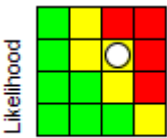
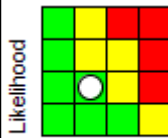

12 Nov-2018 Christopher Bell				<p>Planning Group and went to Finance Committee 19/02/2019.</p> <p>An approach to key suppliers to request their mitigation plans in relation to Brexit will be conducted at the appropriate time [when we know what is happening - October 2019 or earlier if possible].</p> <p>Finally, the outcome of the Canary Wharf V European Medicines Agency (EMA); the EMA has lost its bid to cancel a lease on its office in London's Canary Wharf financial district due to Brexit, in a landmark ruling that lawyers said could stave off similar such claims by other tenants.</p> <p><b>27 Jun 2019</b></p>				Constant
---------------------------------	--	--	--	---	--	--	--	----------

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 Corporation.	Maintaining a watching brief as transitional arrangements are determined.	Christopher Bell	27-Jun-2019	31-Oct-2019
CHB CP001d	Draft a communications plan based on the three likely Brexit scenarios - no deal, extended deal, and deal.	Given the outcome of votes so far in Parliament and no resolution on what the Brexit impact is of yet, no communications to our key suppliers is planned.	Christopher Bell	06-Jun-2019	31-Oct-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
CHB IT 001 <b>Resilience - Power and infrastructure.</b>  30-Mar-2017 Sean Green  <b>Page</b>	<b>Cause:</b> There is a lack of resilient or reliable Power services or Uninterruptable Power Supply (UPS) provision in multiple Comms rooms and datacentres in COL and COLP buildings. <b>Event:</b> There will be intermittent power outages of varying durations affecting these areas/buildings. <b>Effect:</b> <ul style="list-style-type: none"> <li>• Essential/critical Systems or information services are unavailable for an unacceptable amount of time</li> <li>• Recovery of failed services takes longer than planned</li> <li>• Adverse user/member comments/feedback</li> <li>• Adverse impact on the reputation of the IT division/Chamberlain's Department</li> </ul>		<b>12</b>	Recent failures with UPS equipment has lead to this risk being escalated to departmental level.  Guildhall has been prioritised as part of audit.  Audit on track. Reporting will commence over coming weeks.  <b>18 Jun 2019</b>		<b>2</b>	31-May-2020	Constant


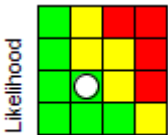

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB IT 001j	Survey all comms sites to produce an “as-is” view of their state and to provide further detail to update the Comms Room Policy and categorisation criteria	Survey 120 Comms rooms, cabinets and cupboard across the COL and COLP estate. Updating the documentation and providing a professional view of their power state and requirements based on the agreed classification and tiering criteria.	Matt Gosden	18-Jun-2019	31-Aug-2019
CHB IT 001k	Update Comms Room Policy and send to SRG/Summit for approval	Using information from the initial surveys of Tier 1 and 2 sites, update the Policy governing the management, control and security of COL and COLP’s Comms rooms.	Matt Gosden	18-Jun-2019	31-Aug-2019
CHB IT 001l	State of comms rooms is a risk, Investigate security and monitoring options for Tier 1 and 2 comms rooms	Project has now started to cover all communications rooms over the next 6 months	Matt Gosden	18-Jun-2019	31-Aug-2019
CHB IT 001M	Survey of Snow Hill and Wood Street	Survey to be carried out at the communications rooms at both these sites	Matt Gosden	18-Jun-2019	31-Jul-2019

## Appendix 1

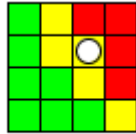
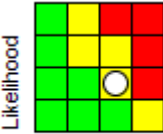

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
<b>CHB IT 004 Business Continuity / Disaster Recovery - planning and management.</b>  30-Mar-2017 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	DR test of network and power resilience was carried out successfully on 26 <sup>th</sup> June. Early Lessons learned report has been produced and provided to Members of Digital Services Subcommittee. Full technical report to follow, including Remediation Action Plan.  <b>03 July 2019</b>	 Likelihood Impact	4	15-Sep-2019	  Constant

Page 63

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB IT 004a	Plans developed in accordance with BIAs	AF to contact Ben Morris to agree way forward for BIAs, including validating Critical Applications and Services List against policy	Adam Fielder/ Shoid Islam	18-Jun-2019	31-Aug-2019
CHB IT 004f	Review Critical Applications list for a view of applications to be updated	Application and Service criticality assessment criteria devised to include: <ol style="list-style-type: none"> <li>1. Business view of impact</li> <li>2. Resilience of infrastructure</li> <li>3. Support arrangements</li> </ol> Application review against this criteria is broadly complete as part of IT2020 work. Review with relevant business owners to continue.	Matt Gosden	03-Jul-2019	31-Jul-2019
CHB IT 004h	Review infrastructure analysis and scenario impact analysis	Review infrastructure analysis and scenario impact analysis. Completed as part of DR test. Lessons Learned from test being developed into a Remediation Action Plan.	Matt Gosden	03-Jul-2019	31-Aug-2019
CHB IT 004i	Rolling DR and Resilience test	Series of rolling test to be devised as part of continuous service testing	Matt Gosden	03-Jul-2019	31-Jul-2019
CHB IT 004k	Devise and implement DR test of website	Devise DR test of website to test against a number of operational (business) and technical incidents to the website service and infrastructure. To include simulated DDoS attack impact and failure of key components.	Mel Richardson / Matt Gosden	03-Jul-2019	31-Oct-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
CHB IT 028 Air Conditioning Failure in Datacentres  10-Jun-2019	<b>Cause:</b> The air conditioning units are failing in a number of the Guildhall Communication Equipment Rooms (CER's) / Datacentres. The existing air conditioning units are circa 12 years old and are being reset on a daily basis by the facilities team to keep them functional <b>Event:</b> There will be intermitted / prolonged service disruptions across the IT service provision. <b>Effect:</b> <ul style="list-style-type: none"> <li>• Essential/critical Systems or information services are unavailable for an unacceptable amount of time</li> <li>• Recovery of failed services takes longer than planned</li> <li>• Adverse user/member comments/feedback</li> <li>• Adverse impact on the reputation of the IT division/Chamberlain's Department</li> </ul>	 Likelihood Impact	12	Temporary portable air conditioning unit has been placed in CER.  The site assurance audit will produce recommendations on security, management and reliance of all CoL and CoLP comms rooms on a tiered basis. The scope has been increased to include environmental services (air conditioning)  <b>18 Jun 2019</b>	 Likelihood Impact	4	31-Mar-2020	  Constant

Action no	Action description	Latest Note		Action owner	Latest Note Date	Due Date
CHB IT 028a	Remove cardboard boxes from the CER facilities. This will increase air flow and reduce the stress on the air conditioning units. This also reduces the risk of fire.	Boxes cleared, now being monitored so that no further repeat of storing boxes in the rooms		Matt Gosden	18-Jun-2019	31-Jul-2019
CHB IT 028b	Formulate a remediation plan for the air conditioning units with the facilities service who currently maintain and support these units. Ideally this risk can be owned by the facilities team directly.	Work has started. A survey of all the Tier 1 Equipment rooms will be completed by the end of July		Matt Gosden	18-Jun-2019	31-Jul-2019
CHB IT 028c	Shutdown any unused infrastructure within the CER rooms to reduce heat and stress on the air conditioning system.	Plans being development to decommission and remove old equipment for disposal		Matt Gosden	18-Jun-2019	31-Aug-2019
CHB IT 028d	Expedite the removal of the old core networking switches (which consume significant power and contribute to the heat output in both NWSB and GJR CER's). This can be achieved by extending the new core into the GJR CER using existing fibre pairs and new Aruba switches (which should be in-stock).	Plan and change plan being developed to remove old core network following decommissioning as part of Network Project		Matt Gosden	18-Jun-2019	31-Aug-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 (formerly CHB IT 030)</b> 10-May-2019 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 €20M. Compliance enforcement action. Corruption of data. Reputational damage to Corporation as effective body.	 Likelihood Impact	12	Following review with A&R committee and DSSC it was agreed that further steps were required to achieve maturity level that could bring the score to its target <b>01 Jul 2019</b>	 Likelihood Impact	8	31-Oct-2019	 Constant

Page 65

Action no	Action description	Latest Note		Action owner	Latest Note Date	Due Date
CR16k	Final stages of completing information 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.	Information Security projects are being delivered as planned. The Information Security team recommended to the Audit and Risk Committee that this risk is reduced to Amber.  Move towards a continuous improvement model is being adopted to ensure the controls in place are embedded, mature and reflective of emergent threats and risks.		Gary Brailsford-Hart	23-May-2019	30-Sep-2019
CR16l	New toolkit for monitoring and managing the security risk being discussed with the Digital Services Sub-Committee at their meeting on the 30th May 2019.	Risk is now Amber  Recommending that the Digital Services Sub Committee adopts an additional tracking tool called the Cyber Security Board Toolkit  This was agreed at last DSSC and a member's workshop is being arranged.		Gary Brailsford-Hart	01-Jul-2019	30-Aug-2019
CR16m	Review of how Cyber risk is identified, analysed and	Compliance and security are <b>not</b> the same thing. They may overlap, but compliance with		Gary	01-Jul-2019	31-Jul-2019

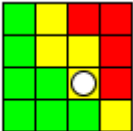
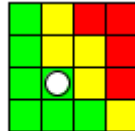

	monitored – the expectation is we should be moving beyond compliance measuring (Ten Steps) and seeking to integrate cyber security into organisational risk management processes.	<p>common security standards can coexist with, and mask, very weak security practices. <b>Good risk management should go beyond just compliance.</b> Good risk management should give insight into the health of the City of London and identify opportunities and potential issues.</p> <p>Many of our organisational risks will have a cyber component to them. Cyber security risk should therefore be integrated with our organisational approach to risk management. Dealing with cyber security risk as a standalone topic (or considering it simply in terms of 'IT risk') will make it hard for us to recognise the wider implications of those cyber security risks, or to consider all the other organisational risks that will have an impact on cyber security</p>	Brailsford-Hart		
CR16n	Now in continuous improvement with monitoring and review at the DSSC	<p>Updates to be provided to DSSC committee every two months with a deep dive at the next A&amp;R Committee.</p> <p>Report provided to A&amp;R, monitoring agreed to continue at DSSC.</p>	Gary Brailsford-Hart	01-Jul-2019	31-Jul-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
CHB CoLP IT 003 Disaster Recovery  09-Aug-2018 Andrew Bishop	<b>Cause :</b> Technical capability and return to operation not known and/or tested, expectations of business not aligned to capabilities <b>Event :</b> CoLP IT unable to restore services in line with business expectations following a failure <b>Effect:</b> Inability to provide suitable service in the event of major incident or loss of critical systems after failure for prolonged periods leading to operational failure and possible physical, operational, reputational and financial damage. Failure to provide service to the public	 Likelihood Impact	8	Critical services list has now been produced and approved by IT strat board and agreement has been reached with Agilisys on 24/7 cover of the systems. The work around a DR plan based on the new infrastructure is underway.  <b>28 Jun 2019</b>	 Likelihood Impact	2	31-Dec-2019	  Constant

Page 67

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CoLP IT 003b	Regular service continuity testing	A review has taken place with support from the force BC unit and plans are being drawn up for tests	Graham Venn	28-Jun-2019	31-Dec-2019
CoLP IT 003e	Full review of BC/DR responses to be carried out in line with force plans	Now funding is established the design work on the transformation programme is underway so this review will be done within the allotted time.	Graham Venn	28-Jun-2019	31-Dec-2019
CoLP IT 003g	Review of system specific DR plans underway.	Plans currently on hold until Transformation model is clearer.	Graham Venn	28-Jun-2019	31-Aug-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
CHB FS005 Brexit impact on City Corporation income streams	<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>Likelihood</p>  <p>Impact</p>	8	<p>Having reviewed the services in receipt of EU funding, the areas affect us:</p> <ul style="list-style-type: none"> <li>• Agriculture: Funding is being guaranteed by the government or replacement funding planned; so exposure is limited to reductions over time.</li> <li>• Capital Projects, have received one off grants in the past particularly at the markets, would need to be covered until planned resourcing for asset replacement</li> <li>• Only the Barbican looks to be affected by specific annual grants and at £70k this is small.</li> </ul> <p>Our exposure to this risk is therefore considered low.</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</p>	<p>Likelihood</p>  <p>Impact</p>	4	12-Apr-2019	

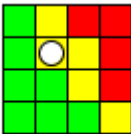
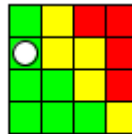

## Appendix 1

12-Nov-2018 Caroline Al-Beyerty				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 medium term financial plan only proposes spending business rate growth on one-off projects. There is a new risk that Brexit may be used to terminate leasing contracts; and we are following closely the decision in the Canary Wharf v European Medicines Agency case.  <b>02 Apr 2019</b>				Constant
------------------------------------	--	--	--	---	--	--	--	----------

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
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.	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	30-Apr-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	02-Apr-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	There is no indication of a significant 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	Phil Black; Philip Gregory	02-Apr-2019	31-Mar-2020

	business rates retained income of c£40m.	<p>spent on one-off projects.</p> <p>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.</p>			
CHB FS005e	Use of Brexit to terminate lease contracts via the doctrine of frustration.	<p>The High Court has ruled in favour of Canary Wharf Group in its legal case with the European Medicines Agency.</p> <p>The High Court ruled that Brexit does not frustrate EMA's rental obligations on circa 293,000 sq ft at 30 Churchill Place, which is owned by Canary Wharf Group. EMA's lease started in 2014 and expires in 2039, without a break clause.</p> <p>EMA had argued Britain's exit from the European Union was an unexpected event that 'frustrated' its 25 year lease.</p> <p>The doctrine of Frustration is a legal concept that occurs when an unforeseen event leads to a contract becoming physically or commercially impossible to fulfil.</p> <p>In summing up the judge said: 'I conclude that the lease will not be frustrated on the withdrawal of the UK from the EU. This is neither a case of frustration by supervening illegality nor one of frustration of common purpose.'</p> <p>This means the EMA will be obliged to perform its obligations, including paying its rent, etc under the lease.</p> <p>This judgement accordingly is good news for the UK property market and the UK economy as a whole, as it should minimise the amount of similar claims being made by tenants or indeed other contracting parties.</p> <p>The EMA has an extended period in which to appeal up to April 2019.</p> <p>The case will continue to be monitored.</p>	Nicholas Gill	23-Apr-2019	30-Apr-2019
CHB FS005f	<p>In the event of a no-deal Brexit, events at the Barbican Centre not going ahead/ becoming more costly, due to: restrictions on:</p> <ul style="list-style-type: none"> <li>• movement of people- with delays in artists/ teams arriving, additional costs of visas and staff shortages in ancillary services;</li> <li>• movement of cultural goods and data- new costs, customs and freight disruption, supply chain disruption and ease of transfer of personal data;</li> <li>• potential tariffs; and</li> <li>• currency fluctuations</li> </ul>	<p>Movement of people:</p> <ul style="list-style-type: none"> <li>-Recent Home Office announcement that in a No Deal scenario, EEA citizens will be able to enter the UK to visit, work or study as they do now as long as they do not intend to stay for longer than 3 months mitigates risk around potential visa costs and administrative burden.</li> <li>-Ensuring contractors and suppliers of supporting areas of the business eg catering, have robust Brexit risk mitigation plans (low).</li> </ul> <p>Movement of goods and services- this remain a key risk and ties in with the overall supply chain risk for the organisation. The Barbican will continue to monitor Brexit-related developments and assess potential impact, particularly from freight delays. In addition, the Barbican will:</p> <ul style="list-style-type: none"> <li>-Review legal, insurance and contractual position in the case of event cancellation;</li> </ul>	Sandeep Dwesar	02-Apr-2019	12-Apr-2019

	ultimately reducing profitability of events and increasing the net cost of the Barbican to City Fund.	<p>-Prepare communications plan for companies/audiences in the case of event cancellation; and</p> <p>-Review exposure to EU data transfers by contacting suppliers.</p> <p>Potential tariffs- unknown at this stage. Monitor position regularly and assess potential impact.</p> <p>Currency fluctuations - where possible, contracts (and fees) will be agreed in sterling although it is not easy to but a % in it..</p> <p>The Barbican continues to closely monitor political developments and explore measures that can be implemented to try and mitigate against these risks. This work is being undertaken in collaboration with key City of London Corporation departments as part of the Corporation-wide planning for a No Deal Brexit.</p>			
--	---	---	--	--	--

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 029 iTrent Contract</b> 18-Jun-2019	<b>Cause :</b> Extension of contract passed the envisaged term of 10 years with no permissible grounds. No projects started to procure a replacement. <b>Event :</b> City of London receive a challenge around th contract for iTrent with MHR Ltd around the exention of contract. <b>Effect :</b> Legal challenge/court proceedings from a competitor to iTrent. CoL could be forced to issues 18 months termination notice before they are ready ti implement a replacement product.	 Likelihood	6	Project planning has commenced  <b>18 Jun 2019</b>	 Likelihood	3	31-Mar-2020	 Constant

Page 12

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB IT 029a	Identify project sponsor and determine high level options	Discussions to be held	Kevin Mulcahy	18-Jun-2019	31-Aug-2019
CHB IT 029b	Identify funding to deliver options appraisal.	Discussions to be held	Kevin Mulcahy	18-Jun-2019	31-Oct-2019

<b>Committee:</b> Finance Committee	<b>Date:</b> 23 July 2019
<b>Subject:</b> Central Contingencies 2019/20	<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 for 2019/20 are set out in the table below. At the time of preparing this report there are no requests for funding elsewhere on the agenda.

2019/20 Contingencies – Uncommitted Balances and requests at 5 July 2019				
	City's Cash £'000	City Fund £'000	Bridge House Estates £'000	Total £'000
General Contingencies	950	650	50	1,650
National and International Disasters	100	0	0	100
<b>Uncommitted Balances</b>	<b>1,050</b>	<b>650</b>	<b>50</b>	<b>1,750</b>
Requests for contingency allocations	0	0	0	0
<b>Balances pending approval</b>	<b>1,050</b>	<b>650</b>	<b>50</b>	<b>1,750</b>

4. The sums which the Committee has previously allocated from the 2019/20 contingencies are listed in Appendix 1.

## Conclusion

5. Members are asked to note the Central Contingencies uncommitted balances.

## Appendices

- Appendix 1 – Allocations from 2019/20 contingencies

### Philip Gregory

Deputy Financial Services Director

T: 020 7332 1284

E: [Philip.Gregory@cityoflondon.gov.uk](mailto:Philip.Gregory@cityoflondon.gov.uk)



**2019/20 General Contingency – City’s Cash**

Date	Description	Responsible Officer	Allocation £	Balance £
21 Oct 2014	2019/20 Provision	TC	25,000	950,000
	2019/20 Provision brought forward to fund allocations agreed in previous years			50,000
	Total Provision			1,000,000
	Up to £98,000 in phased match funding (in partnership with the Mercers' Company) for a biography of Sir Thomas Gresham (transferred £29,000 in 2014/15, £9,000 in 2015/16, £1,000 in 2017/18 and £34,000 in 2018/19)			
27 Nov 2018 and 22 Jan 2018 (Urgency)	Funding of £230k which comprises £130k towards securing a short-term bank loan facility (Rothschild £60k and Solicitors £70k) and £100k for Solicitors for the private placement of debt raising requirement.	CHB	25,000	
	Total allocations agreed to date			50,000
	Balance remaining prior to any requests that may be made to this meeting			950,000

**2019/20 National & International Disasters Contingency – City’s Cash**

Date	Description	Responsible Officer	Allocation £	Balance £
	2019/20 Provision			100,000
	2018/19 Provision brought forward to fund allocations agreed in previous years			0
	Total Provision			100,000
	Total allocations agreed to date			0
	Balance remaining prior to any requests that may be made to this meeting			100,000

**2019/20 General Contingency – City Fund**

Date	Description	Responsible Officer	Allocation £	Balance £
17 Feb 2015 and 19 Jan 2016	2019/20 Provision	C&CS/CS	15,000	800,000
	2018/19 Provision brought forward to fund allocations agreed in previous years			15,000
	Total Provision			815,000
	Funding of £142,000 and an additional sum of £80,000 towards an ongoing appeal regarding Greater London Authority Roads (transferred £84,000 in 2014/15, £20,000 in 2015/16, £23,000 in 2016/17, £35,000 in 2017/18 and £45,000 in 2018/19)			
19 Feb 2019	Funding of £300,000 towards an ongoing appeal regarding Greater London Authority Roads equally split from the 2018/19 and 2019/20 contingencies	C&CS/CS	150,000	
	Total allocations agreed to date			165,000
	Balance remaining prior to any requests that may be made to this meeting			650,000

**2019/20 General Contingency – Bridge House Estates**

Date	Description	Responsible Officer	Allocation £	Balance £
	2019/20 Provision			50,000
	2018/19 Provision brought forward to fund allocations agreed in previous years			0
	Total Provision			50,000
	Total allocations agreed to date			0
	Balance remaining prior to any requests that may be made to this meeting			50,000

Key to Responsible Officers:

CS – City Surveyor

TC – Town Clerk

C&CS – Comptroller and City Solicitor

CHB - Chamberlain

<b>Committee:</b>	<b>Date:</b>
Finance Committee	23 July 2019
<b>Subject:</b> Report of Action Taken – Public Decisions taken under Delegated Authority/Urgency procedures 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 and/or delegated public 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 Orders No. 41(a) and 41(b).

## Recommendation

Members are asked to note the report.

## Main report

### 1. Subject: Capital Funding (Urgency)

#### Background

This report follows on from the main capital prioritisation paper agreed at P&R and RA Sub in April. It proposes the release of funding for six schemes previously agreed for progression outside of the fundamental review and also considers the case for one new scheme, Walbrook Wharf M&E replacement, to be allowed to progress outside of the fundamental review.

The urgent need for the new scheme has recently arisen following a survey that identified health and safety and regulatory compliance issues. The total cost is estimated at £1m - £1.6m and a bid for £138k of central resources to reach the next gateway is now being submitted.

Table 1 (below) summarises the 7 funding bids amounting to £8.863m. Should they be agreed for progression, Corporate Priorities Board recommends the following sources of funding:

- £8.463m to be drawn down from the general reserves of the three main funds, including £5.5m for the City Police schemes as a supplement to the police cash limited budget. Since no existing approved financial provision exists for the £8.463m, this will also require agreement of the Finance Committee and Court of Common Council.

- £400k to be drawn from the balances currently available in the On-Street Parking Reserve.

In May, Members agreed the details of the proposed annual bid process. Due to the need to commence the preparation of this year's annual bids in advance of new prioritisation criteria being developed via the Fundamental Review, bids will be initially assessed against the existing criteria as set out in the attached Report.

To note, this proposal was considered and approved by both the RASC and P&R on 4th July.

<b>Table 1: Project Funding Requests</b>	<b>City Fund (excluding Police) £000</b>	<b>City Fund Police £000</b>	<b>City's Cash £000</b>	<b>Bridge House Estates £000</b>	<b>Total Funding now requested £000</b>
<b>General Reserves</b>					
Corporate IT Service Contract - outsourcing transition and	924	700	392	84	2,100
<b>Police IT Modernisations</b>					
Managed Desktop (including Office 365, Desktop refresh		3,800			3,800
Security Zone		750			750
Police Intranet/Sharepoint		250			250
Electrical Supply at Walbrook Wharf for electric vehicle charging	1,425				1,425
Walbrook Wharf urgent M&E	138				138
	2,487	5,500	392	84	8,463
<b>On Street Parking Reserve</b>					
Bank on Safety (residual funds to complete interim scheme)	400				400
<b>TOTAL FUNDING NOW REQUESTED</b>	<b>2,887</b>	<b>5,500</b>	<b>392</b>	<b>84</b>	<b>8,863</b>

### **Reason for urgency:**

Officers were keen to ensure that this paper was submitted for full scrutiny by Court of Common Council on 18th July. Finance Committee meets on the following Tuesday. Therefore, approval from Finance was required before this is considered by Court.

Not taking this to the next Court will delay consideration until 12 September 2019

### **RESOLVED – That approval was given to:**

- I. An allocation of up to £8.463m from the reserves of the relevant funds (as outlined in the table above) to allow the seven identified schemes to progress
- II. Note that this year's capital funding bids will be initially assessed against the existing prioritisation criteria pending new criteria to be developed via the Fundamental Review.

**Contact:**

John Cater

Senior Committee and Member Services Manager, Town Clerk's Department

020 7332 1407

This page is intentionally left blank

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

Document is Restricted

This page is intentionally left blank



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

Document is Restricted

This page is intentionally left blank

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

Document is Restricted

This page is intentionally left blank

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

Document is Restricted

This page is intentionally left blank

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

Document is Restricted

This page is intentionally left blank



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

Document is Restricted

This page is intentionally left blank

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

Document is Restricted

This page is intentionally left blank