



## Finance Committee

**Date:** TUESDAY, 12 NOVEMBER 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 Sleight (Ex-Officio Member)

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[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 15<sup>th</sup> October 2019.  
**For Decision**  
(Pages 1 - 6)
4. **OUTSTANDING ACTIONS FROM PREVIOUS MEETINGS**  
Report of the Town Clerk.  
**For Information**  
(Pages 7 - 8)
5. **FINANCE COMMITTEE'S FORWARD PLAN**  
Report of the Chamberlain.  
**For Information**  
(Pages 9 - 10)
6. **REPORT OF THE WORK OF THE SUB-COMMITTEES**  
Report of the Town Clerk.  
**For Information**  
(Pages 11 - 12)
7. **CITY'S CASH FINANCIAL STATEMENTS 2018/19**  
Report of the Chamberlain.  
**For Decision**  
(Pages 13 - 20)
8. **CITY'S CASH TRUST FUNDS AND SUNDRY TRUST FUNDS ANNUAL REPORTS AND FINANCIAL STATEMENTS 2018/19**  
Report of the Chamberlain.  
**For Decision**  
(Pages 21 - 26)
9. **GUILDHALL EVENTS - P&L ACCOUNT ARRANGEMENTS**  
Joint Report of the Chamberlain, the Remembrancer and the City Surveyor.  
*To Follow*  
**For Information**
10. **REVENUE BUDGET MONITORING TO SEPTEMBER 2019**  
**For Decision**  
(Pages 27 - 38)

11. **FINANCIAL SERVICES DIVISION - QUARTERLY UPDATE**  
Report of the Chamberlain.  
**For Information**  
(Pages 39 - 44)
12. **RISK MANAGEMENT - TOP RISKS**  
Report of the Chamberlain.  
**For Information**  
(Pages 45 - 48)
13. **CENTRAL CONTINGENCIES**  
Report of the Chamberlain.  
**For Information**  
(Pages 49 - 50)
14. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
15. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**
16. **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**

17. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**  
To agree the non-public minutes of the meeting held on 15<sup>th</sup> October 2019.  
**For Decision**  
(Pages 51 - 56)
18. **REPORT OF THE WORK OF THE SUB-COMMITTEES - NON-PUBLIC ISSUES**  
Report of the Town Clerk.  
**For Information**  
(Pages 57 - 58)
19. **DISPUTE PROGRESS**  
Verbal Report of the Chamberlain  
**For Information**
20. **FUNDAMENTAL REVIEW OUTPUTS UPDATE**  
Report of the Chamberlain  
*To Follow*  
**For Information**
21. **GRESHAM COLLEGE FUNDING**  
Report of the Town Clerk.  
*To Follow.*  
**For Decision**

22. **LEASE RESTRUCTURE FOR A CAPITAL PREMIUM & LEASEHOLD ACQUISITION - CITY'S ESTATE**  
Report of the City Surveyor.  
**For Decision**  
(Pages 59 - 72)
23. **FORMER TENANTS RENT ARREARS WRITE OFFS**  
Joint Report of the Comptroller & City Solicitor and the City Surveyor.  
**For Decision**  
(Pages 73 - 78)
24. **NON-PUBLIC DECISIONS TAKEN UNDER DELEGATED AUTHORITY AND URGENCY PROCEDURES**  
Report of the Town Clerk.  
**For Information**  
(Pages 79 - 82)
25. **CONTINGENCIES APPENDIX**  
**For Information**  
(Pages 83 - 86)
26. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
27. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**

**Part 3 - Confidential Agenda**

28. **IT MANAGED SERVICES - PROCUREMENT STAGE 2 AWARD**  
Report of the Chamberlain.  
**For Decision**

## FINANCE COMMITTEE

Tuesday, 15 October 2019

Draft Minutes of the meeting of the Finance Committee held at Guildhall, EC2 on  
Tuesday, 15 October 2019 at 1.45 pm

### Present

#### Members:

Jeremy Mayhew (Chairman)  
Deputy Jamie Ingham Clark (Deputy  
Chairman)  
Rehana Ameer  
Randall Anderson  
Nicholas Bensted-Smith  
Deputy Roger Chadwick  
Michael Hudson

Deputy Clare James  
Alderman Gregory Jones QC  
Alderman Alastair King  
Alderman Nicholas Lyons  
Deputy Robert Merrett  
James de Sausmarez  
John Scott

#### Officers:

John Cater - Committee Clerk  
Peter Kane - Chamberlain  
Caroline Al-Beyerty - Chamberlain's Department  
Philip Gregory - Chamberlain's Department  
Michael Cogher - Comptroller and City Solicitor  
Paul Wilkinson - City Surveyor  
Grace Rawnsley - Chamberlain's Department  
Julie Smith - Chamberlain's Department  
Sean Green - Chamberlain's Department  
Nick Richmond-Smith - Chamberlain's Department  
Leslie Ross - Chamberlain's Department  
Sanjay Odedra - Communications Team

#### 1. APOLOGIES

Apologies for absence were received from Dominic Christian, John Fletcher, Deputy Wendy Hyde, Gregory Lawrence, Tim Levene, Oliver Lodge, Andrew McMurtrie, Andrien Meyers, Deputy Hugh Morris, Susan Pearson, William Pimlott, Deputy Henry Pollard, Graeme Doshi-Smith, Sir Michael Snyder and Deputy James Thomson.

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

There were no declarations of interest.

3. **MINUTES OF THE PREVIOUS MEETING**

**RESOLVED** – That the public minutes and summary of the meeting held on 10<sup>th</sup> September be approved as an accurate record.

4. **FINANCE COMMITTEE'S FORWARD PLAN**

The Committee received a Report of the Chamberlain outlining the Forward Plan.

An amended version of the of the Forward Plan was tabled which highlighted the changes from the September iteration of the Report.

The Chairman asked that, to assist with clarity, a legend be included in future versions of the plan.

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

5. **AMENDMENT TO THE COMPOSITION RULES OF THE FINANCE GRANTS OVERSIGHT & PERFORMANCE SUB-COMMITTEE**

The Committee considered a Report of the Town Clerk concerning an amendment to the rules for the membership of the Finance Grants Oversight & Performance Sub-Committee.

**RESOLVED** – that the following amendment to the Finance Grants Oversight and Performance Sub-Committee's composition rules be updated in the Sub-Committee's Terms of Reference, as per the following wording:

*Composition*

*Between 9 – 13 Members in total*

- *Chairman of the Finance Committee*
- *Deputy Chairman of the Finance Committee*
- *Members of the Finance Committee, appointed by the Finance Committee.*
- *Co-opted Members of the wider Court of Common Council, to be appointed on a case-by-case basis by the Finance Committee.*

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

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

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

7. **REVENUE OUTTURN 2018/19 - FINANCE COMMITTEE OPERATIONAL SERVICES**

The Committee received a Report of the Chamberlain concerning the Revenue Outturn for 2018/19.

After providing a brief introduction, the Chamberlain confirmed that an additional Report would be submitted to the November meeting of the Finance Committee, detailing proposals that would clarify and outline the P&L account

arrangements between the City Surveyor and the Remembrancer for Guildhall events. Two options were currently under discussion – i) a sinking fund and ii) a direct bid on the part of the Surveyor for a share of the Guildhall events income. Further details would be provided in November.

The Chairman expressed his frustration at the hitherto slow pace of progress in this area and emphasised the vital requirement for the November paper to include clear confirmation about which Chief Officer would be ultimately responsible for managing the P&L account; an accounting solution on its own, would, he added, be insufficient.

The City Surveyor thanked the Chairman for his comments, adding that the extra evaluation works that his team were currently carrying out on the wear and tear of Guildhall would provide a more accurate picture about the costs of maintenance and repairs involved.

Separately, following requests from Members, the Chairman thanked the Chamberlain for providing a detailed summary of movements from the original to the final budget in this year's iteration of the Report.

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

8. **CLIMATE ACTION BRIEFING IMPLEMENTATION**

The Committee received a Joint Report of the Director of Innovation and Growth, the Director of Open Spaces, and the Director of the Built Environment concerning the implementation of the Corporation's Climate Action Strategy.

The Chairman commended officers for taking heed of the Finance Committee's clear instruction for funding to be secured via Chief Officers making choices by re-allocating their existing local risk budgets to meet new challenges.

He stressed that the merits or demerits of the strategy would be picked up later and by other Committees; Finance Committee's role was, as always, focused on ensuring that the financial management of the project was robust and presented good value.

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

9. **INSURANCE AND INDEMNITIES FOR INDEPENDENT PERSONS**

The Committee considered a Joint Report of the Chamberlain and the Comptroller & City Solicitor.

**RESOLVED** – that the Committee approved the proposal outlined in the report, for onward approval by the Court of Common Council, to indemnify and/or insure Independent persons (through the extension of the Corporation's Defamation Cover), against awards of damages or expenses incurred arising out of the disclosure of any comments made in good faith during the exercise of their functions as Independent Persons.

10. **CHAMBERLAIN'S DEPARTMENT KEY WORKSTREAMS AND BUSINESS PLAN UPDATE**

The Committee received a Report of the Chamberlain concerning the department's Key Workstreams and Business Plan.

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

11. **RISK MANAGEMENT - TOP RISKS**

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

The Deputy Chairman requested that future iterations of the Report should include a heat map highlighting changes to the risk profiles.

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

12. **CENTRAL CONTINGENCIES**

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

The Chairman welcomed Julie Smith to the Committee. Julie will be succeeding, in an interim role, Philip Gregory upon his departure from the Corporation in December.

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

13. **CITY PROCUREMENT QUARTERLY PROGRESS REPORT**

The Committee received a Report of the Chamberlain concerning the City Procurement division.

The Chairman welcomed Nick Richmond-Smith to the Committee. Nick had recently been appointed as Assistant Director of Category Management & Sourcing in City Procurement.

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

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

The Committee considered a report of the Town Clerk which provided information of the 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 41(a) and 41(b). The decision related to the Bridge House Estates Annual Report and Financial Statements 2018/19.

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



15. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**  
There were no questions.
16. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**  
There were no urgent items.
17. **EXCLUSION OF THE PUBLIC**  
**RESOLVED** - That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items on the grounds that they involve the likely disclosure of exempt information as defined in Part I of Schedule 12A of the Local Government Act.
18. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**  
The non-public minutes of the meeting held on 10<sup>th</sup> September 2019 were approved as an accurate record.
19. **OUTSTANDING ACTIONS FROM NON-PUBLIC MINUTES OF PREVIOUS MEETINGS**  
The Committee received a report of the Town Clerk which set out outstanding actions from previous non-public minutes of the Committee.
20. **REPORT OF THE WORK OF THE SUB-COMMITTEES - NON-PUBLIC ISSUES**  
The Committee received a report of the Town Clerk which advised Members of the key discussions which had taken place during non-public session at recent meetings of the Committee's Sub-Committees.
21. **FUNDAMENTAL REVIEW- VERBAL UPDATE FOLLOWING RASC AWAY DAY**  
The Committee received a verbal update from the Chairman concerning the Fundamental Review.
22. **DISPUTE PROGRESS NOTE**  
The Committee received a Report of the Chamberlain concerning progress with an IT dispute.
23. **COMBINED HEAT AND POWER SYSTEM - FEES FOR COMMERCIAL NEGOTIATIONS**  
The Committee considered a Report of the City Surveyor concerning fees for commercial negotiations in relation to the Combined Heat and Power System.
24. **PURCHASE OF LEASEHOLD OF 30 ENGATE STREET, LEWISHAM (BRIDGE HOUSE ESTATES)**  
The Committee considered a Report of the City Surveyor concerning 30 Engate Street.

25. **RENNIE GARDEN, BLACKFRIARS ROAD SE1 - RENOVATION WORKS (BRIDGE HOUSE ESTATES)**

The Committee received a Report of the City Surveyor concerning Rennie Gardens.

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

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

27. **APPENDIX TO ITEM 12**

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

There were no non-public questions relating to the work of the Committee.

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

The Committee considered an item of urgent business relating to the London Boroughs' Legal Alliance (LBLE) Barristers Framework Procurement.

**The meeting ended at 3.25 pm**

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Chairman

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## Finance Committee – Outstanding Public Actions

Item	Date	Item and Action	Officer responsible	To be completed/ progressed to next stage	Progress Update
1	15 <sup>th</sup> October	<p><u>ITEM 7: 7. REVENUE OUTTURN 2018/19 - FINANCE COMMITTEE OPERATIONAL SERVICES (GUILDHALL EVENTS P&amp;L)</u></p> <p>After providing a brief introduction, the Chamberlain confirmed that an additional Report would be submitted to the November meeting of the Finance Committee, detailing proposals that would clarify and outline the P&amp;L account arrangements between the City Surveyor and the Remembrancer for Guildhall events. Two options were currently under discussion – i) a sinking fund and ii) a direct bid on the part of the Surveyor for a share of the Guildhall events income. Further details would be provided in November.</p> <p>The Chairman expressed his frustration at the hitherto slow pace of progress in this area and emphasised the vital requirement for the November paper to include clear confirmation about which Chief Officer would be ultimately responsible for managing the P&amp;L account; an accounting solution on its own, would, he added, be insufficient.</p>	City Surveyor, Remembrancer, Chamberlain	November 2019	Oral update at the November FC meeting, Report to be submitted to the December meeting.

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

**N.B. Any changes from last month’s iteration are highlighted in yellow**

Meeting:	December	January	Feb	March	April	May	June	July	September
BUDGET SETTING PROCESS & MEDIUM-TERM FINANCIAL PLANNING	Police Medium Term Financial Plan	Provisional Financial settlement for Local Government and Police  Recommendations from RASC Capital Programme	City Fund Budget Report and Medium-Term Financial Strategy Capital & Revenue						
EFFECTIVE FINANCIAL MANAGEMENT ARRANGEMENTS FOR THE CITY CORPORATION		Q3 Quarterly Budget monitoring  Capital Monitoring Report - Significant Projects				Interest Rates on Internal Loan requests - update and review	Capital Monitoring Report – Significant Projects	Capital Outturn Report  Q1 Budget monitoring  Provisional outturn report	
FINANCIAL STATEMENTS								Draft city fund and pension fund statement of accounts  Draft BHE statement of accounts	
FINANCE COMMITTEE AS A SERVICE COMMITTEE	Central Contingencies  Risk Management Monthly Report  IT Division Q Update  Financial Appraisals in Procurement	Proposed Revenue and Capital Budgets for Finance Committee Operations  Central Contingencies  Chamberlain's Department Risk Management - Quarterly Report  City Procurement Q Update  Business plan update	Central Contingencies  Risk Management Monthly Report  Financial Services Division Quarterly Update	Central Contingencies  Risk Management Monthly Report  IT Division Q Update	Central Contingencies  Risk Management - Quarterly Report  City Procurement Q Update  Business plan update	Central Contingencies  Risk Management Monthly Report  CHB Business Plan – End of Year Update  Financial Services Division Quarterly Update	Central Contingencies  Risk Management – Monthly Report  IT Division Q Update	Central Contingencies  Chamberlain's Department Risk Management - Quarterly Report  City Procurement Q Update  Business plan update  Fundamental Review Update	Central Contingencies  Risk Management Monthly Report  Financial Services Division Quarterly Update

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# Agenda Item 6

<b>Committee:</b> Finance Committee	<b>Date:</b> 12 November 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 15<sup>th</sup> October 2019:

### **Procurement Sub-Committee – 29<sup>th</sup> October 2019**

No material public items were discussed.

### **Digital Services Sub-Committee – 1<sup>st</sup> November 2019**

Report to be circulated post Finance Committee publication on 04/11/19

### **Corporate Asset Sub-Committee – 7<sup>th</sup> November 2019**

Report to be circulated post Finance Committee publication on 04/11/19

## Recommendations

The Committee is asked to note the report.

### **John Cater**

Senior Committee Services Officer, Town Clerk's Department

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<b>Committee(s):</b> Finance Committee – For decision Audit and Risk Management Committee – For decision	<b>Date(s):</b> 12 November 2019 19 November 2019
<b>Subject:</b> City’s Cash Financial Statements 2018/19	<b>Public</b>
<b>Report of:</b> The Chamberlain	<b>For Decision</b>
<b>Report author:</b> Steven Reynolds, Group Accountant	

## Summary

The Annual Report and Financial Statements for City’s Cash for the year ended 31 March 2019 are attached at Annex 2 for approval.

The external auditor, BDO LLP is intending to issue an unqualified audit opinion and their report, including recommendations, is attached at Annex 3.

The key points in the financial statements are:

- a net surplus of £59.7m which includes gains in fair value on property investments of £50.1m and non-property investments of £53.5m (*these figures can be seen in the Consolidated Statement of Comprehensive Income on page 17*);
- total net assets of £2,669.8m, an increase of £58.3m (2.2%) since last year. The net asset position is after deducting the total pensions liability of £312.7m (*the £58.3m is shown in the Consolidated Statement of Changes in Equity on page 19*);
- Barking Power Limited and Thames Power Services Limited were purchased on 14 December 2018 for a total consideration of £130.5m (*para 6 of this report*);
- A £125m loan facility was acquired during the year (*para 7*);
- A premium of £18.5m was received in 2018/19 (*para 8*).
- there are two financial commitments relating to City’s Cash that are disclosed in the notes to the financial statements:
  1. the potential contribution of £50m from City’s Cash towards the Crossrail Project (*page 9*); and
  2. £7.5m relating to a works contract for the refurbishment of an investment property (*para 10*).

## Recommendations

The Audit and Risk Management Committee is requested to:

- consider the contents of the Audit Management Report issued by BDO LLP; and
- recommend approval of the City’s Cash Financial Statements for the year ended 31 March 2019 to the Finance Committee.

The Finance Committee is requested to:

- consider the contents of the Audit Management Report issued by BDO LLP;
- delegate approval of the City's Cash Financial Statements for the year ended 31 March 2019 to the Chairman and Deputy Chairman, taking account of any observations from the Audit and Risk Management Committee on 19 November; and
- agree that the Financial Statements are signed by the Chairman and Deputy Chairman of the Finance Committee on behalf of the Court of Common Council.

## **Main Report**

### **Current Position**

1. The 2018/19 Annual Report and Financial Statements for City's Cash are attached at Annex 2 for approval. A complete draft of the 2018/19 Annual Report and Financial Statements was presented to the external auditor, BDO LLP on the 22nd of August 2019 and the audit commenced thereafter.
2. BDO LLP intends to give an unqualified opinion on the City's Cash Financial Statements and has issued the draft Audit Management Report set out in Annex 3. We are pleased to report that no material accounting changes were required to the financial statements of either City's Cash or its consolidated subsidiaries. Whilst not material, there were two adjusted items which are listed on page 27 and the report notes on page 22 some immaterial unadjusted items relating to the consolidated trusts. Ordinarily, even though immaterial, these would be adjusted in their individual financial statements and those of City's Cash but were not due to the late timing of these being identified.
3. The report from BDO LLP notes on page 30 that no significant or other deficiencies in internal control have been identified
4. The Audit Management Report will be distributed to all Members of the Court of Common Council for information. Representatives from BDO LLP will be in attendance at the Audit and Risk Management Committee to present their report and to clarify any points or issues.
5. The Audit Review Panel of the Chamberlain's and Bridgemasters' Accounts met on 21 October 2019 to review the processes adopted by BDO LLP and the Panel intends to certify that those processes were in accordance with the prescribed auditing standards.

**New significant items in City's Cash Financial Statements for 2018/19 (pages 17 to 19)**

**Business purchases: Barking Power Limited and Thames Power Services Limited**

6. On 14 December 2018, City's Cash acquired 100% of the share capital of Barking Power Limited and Thames Power Services Limited for a total consideration of £130.5m (*disclosure notes 9 and 21 on pages 35 and 46 refer*). Goodwill arising from the acquisition has been calculated as £24.5m and is attributable to the level of competition for the site.

**Loans**

7. A £125m loan facility was acquired during the year as part of an overall borrowing strategy designed to support a sustainable and affordable capital programme (*disclosure note 16 on page 39 refers*). The loan was initially obtained as a bridging facility and accordingly was repaid in full on 16 September 2019 and replaced with £250m longer term market debt in line with the original borrowing strategy.

**Premium received for a long lease**

8. Premiums of £66.4m relating to seven operating leases were received between 2014/15 and 2017/18. In 2018/19 one further premium of £18.5m was received in respect of a lease granted by the City on investment property land. As land generally has an indefinite life (i.e. the risks and rewards of ownership are shared with the City as lessor) these leases have been classified as operating leases and, in accordance with FRS102, the premiums have been treated as deferred income to be released to revenue over their lease terms, which range from 150-200 years (*disclosure note 14 on page 38 refers*).

**Other significant items in City's Cash disclosure notes (pages 20 to 50)**

**Financial Commitments (page 46)**

9. Contribution to Crossrail - the potential contribution of £50m from City's Cash towards the Crossrail Project has been disclosed as a financial commitment in both the annual report and the notes to the financial statements. The reason for this treatment, rather than the inclusion of a long-term liability on the balance sheet, is that the arrangement with Crossrail is considered to be an executory contract (i.e. a contract made by two parties in which the terms are set to be fulfilled at a later date - both sides still have duties to perform before it becomes fully executed). Subject to completion of the works, the contributions could be made in two equal instalments of £25m in 2019/20 and 2020/21.
10. Contract commitment - of £7.5m relating to a works for the refurbishment of an investment property.

**Subsequent Events (disclosure note 24 on page 50)**

11. Vote to leave the European Union - there are risks to City's Cash from the vote to leave the EU. In particular, the future levels of demand for office accommodation in the City and surrounding areas and the consequential impacts on rent incomes. A close watching brief continues to be kept on this and other implications as events unfold with financial forecasts being refreshed when the picture becomes clearer.

12. As noted at para 7 above, the £125m bridging loan was repaid in full on 16 September 2019 and replaced with a £250m longer term loan in line with the City's borrowing strategy.

## Highlights from the Consolidated Statement of Comprehensive Income

### Comparison with Previous Year

13. The Consolidated Statement of Comprehensive Income for the year ending 31 March 2019 shows a net surplus of £59.7m, £12.6m lower than in the previous year, as summarised in the following table. The operating deficit, before gains and losses in the fair value of investments, is £16.1m higher as shown:

	<b>31/3/19 £m</b>	<b>31/3/18 £m</b>	<b>Variance £m</b>
Operating deficit before gains in fair value of investments	(47.1)	(31.0)	(16.1)
Gain in fair value of property investments	50.1	81.0	(30.9)
Gain in fair value of non-property investments	53.5	16.0	37.5
<b>Operating surplus</b>	<b>56.5</b>	<b>66.0</b>	<b>(9.5)</b>
Profit on sale of fixed assets	3.4	7.5	(4.1)
Impairment of heritage assets	-	(1.2)	1.2
Loan financing costs	(0.2)	-	(0.2)
<b>Surplus for the year</b>	<b>59.7</b>	<b>72.3</b>	<b>(12.6)</b>

14. The unfavourable movement in the operating deficit (before gains in fair value of investments) for the year of £16.1m (from £31.0m in the prior year to £47.1m) is largely due to:

- net pension scheme costs increasing by £4.8m, from £15.7m in 2017/18 to £20.5m in 2018/19, largely due to losses on settlements and curtailments increasing by £5.7m from £0.2m in 2017/18 to £5.9m in 2018/19. The bulk of this increase follows the ruling of the Court of Appeal in December 2018 that transitional protections put in place under reforms to both the Judges' and Firefighters' Pension Schemes discriminated against a group of members on the grounds of age. The ruling is applicable to all public sector pension schemes in which the City's Cash employees participate including the LGPS and the Teachers' Pension Scheme and has resulted in an increase in the City's Cash pensions liability of £5.8m being recognised in 2018/19;

- net expenditure on education increasing by £3.9m due to spend at the GSMD on its Five Year Strategic Plan, the agreed increase in funding to the City's academy schools and due to a non-recurrent insurance receipt in the 2017/18 accounts for the replacement swimming Pool at the City of London Freeman's School;
- net expenditure on grants and other activities increasing by £3.9m, largely due to landlord works for the Museum of London Relocation Programme;
- expenditure relating to property investments increasing by £3.4m, from £17.2m in 2017/18 to £20.6m in 2018/19, mainly due to works at the site of the Barking and Thames Power Station to facilitate the Markets Consolidation Programme;
- net expenditure on Open Spaces being £0.5m higher mainly due to additional purchases of equipment, materials and vehicles during the year and additional spend on repairs and maintenance of buildings;

### **Comparison with Budget**

15. The financial statements and the budget are not directly comparable due to differences in the way in which the two documents are constructed\*. However, compared to a budgeted net deficit of £54.7m as detailed in Annex 1, the outturn on a like for like basis is a net deficit of £26.4m, a favourable movement of £28.3m.

\* the budget includes the draw-down from non-property investments, whereas the Consolidated Statement of Comprehensive Income (CSoCI) does not as this is a transfer between investments and cash, however, the CSoCI includes the movements in fair value of investments but the budget does not account for such movements in the market value of assets. The budget also does not include accounting adjustments for holiday pay accruals and pension scheme actuarial gains or losses.

16. The budget and outturn can also be analysed on a Committee basis as shown in Annex 1.

17. The net £28.3m better than budget position is largely due to slippage of the £25m contribution to Crossrail and comprises a number of other smaller items including central contingences not being fully required, higher investment property rental income and lower recharges as central costs have reduced.

18. In accordance with the City's budget management arrangements, requests for the carry forward of City's Cash local risk resources totalling £4.6m have been agreed by the Chamberlain in consultation with the Chairman and Deputy Chairman of the Resource Allocation Sub-Committee. In addition, £7.9m of projects and works programmes have slipped and/or been re-phased to 2018/19. These carry forwards and re-phased projects will increase the call on City's Cash reserves in 2018/19.

## Consolidated Statement of Financial Position

19. City's Cash net assets total £2,669.8m at 31 March 2019 compared to £2,611.5m a year earlier reflecting the £58.3m total gain recognised for the year as set out below.

<b>Changes in Equity</b>	<b>31/3/19 £m</b>	<b>31/3/18 £m</b>	<b>Variance £m</b>
Surplus for the financial year	59.7	72.3	(12.6)
<b>Unrealised gains/(losses):</b>			
(Loss)/gain on revaluation of non-property investments	(0.2)	0.3	(0.5)
Actuarial gain/(loss) on defined benefit pension schemes	(1.2)	18.9	(20.1)
<b>Net increase in funds</b>	<b>58.3</b>	<b>91.5</b>	<b>(33.2)</b>

## Approval of the Financial Statements

20. It is recommended that the Finance Committee approve delegated authority for the Chairman and Deputy Chairman of the Finance Committee to approve and sign the financial statements on behalf of the Court of Common Council, taking account of any observations from the Audit and Risk Management Committee on 19 November.

## Annexes

- Annex 1 – City's Cash – comparison of outturn with budget
- Annex 2 – Annual Report and Financial Statements of City's Cash
- Annex 3 – BDO LLP Audit Management Report (includes the audit of the City's trusts)

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## City's Cash - Comparison with Budget

City's Cash Outturn 2018/19			
	Budget	Outturn	Variation Better/ (Worse)
	£m	£m	£m
1. Net expenditure on services	(103.8)	(75.7)	28.1
2. Supplementary revenue projects	(11.2)	(11.2)	-
3. Estate rent income	56.7	59.1	2.4
4. Non-property investment income (net)	1.2	2.4	1.2
5. Interest on balances	0.3	(1.0)	(1.3)
6. <b>Operating deficit</b>	<b>(56.8)</b>	<b>(26.4)</b>	<b>30.4</b>
7. Profit on asset sales	2.1	0.0	(2.1)
8. <b>(Deficit) Surplus (from) to reserves</b>	<b>(54.7)</b>	<b>(26.4)</b>	<b>28.3</b>

## City's Cash - Comparison with Budget on a Committee Basis

2018/19 Budget v Outturn – City's Cash Summary by Committee					
Committee	Budget Net	Outturn	Variation Better / (Worse)		
			Total	Local Risk	Central Risk/ Support Services
	£m	£m	£m	£m	£m
Culture, Heritage & Libraries	(0.4)	(0.4)	-	0.3	(0.3)
Education Board	(2.4)	(2.3)	0.1	0.1	-
Finance	(42.6)	(22.5)	20.1	0.8	19.3
G.P Committee of Aldermen	(4.4)	(4.2)	0.2	0.1	0.1
Guildhall School of Music and Drama	(11.7)	(11.2)	0.5	0.3	0.2
Markets	(1.0)	(0.3)	0.7	0.5	0.2
Open Spaces :-					
Open Spaces Directorate	-	(0.2)	(0.2)	(0.2)	-
Epping Forest and Commons	(8.6)	(7.8)	0.8	0.6	0.2
Hampstead, Queen's Park and Highgate	(7.7)	(7.5)	0.2	0.2	-
Bunhill Fields	(0.4)	(0.4)	-	-	-
West Ham Park	(1.4)	(1.2)	0.2	0.1	0.1
Policy and Resources	(18.7)	(15.5)	3.2	-	3.2
Property Investment Board	48.8	51.3	2.5	(0.3)	2.8
Schools :-					
City of London School	(1.7)	(1.7)	-	-	-
City of London Freeman's School	(1.8)	(1.8)	-	(0.1)	0.1
City of London School for Girls	(0.7)	(0.7)	-	-	-
<b>(Deficit) Surplus (from) to reserves</b>	<b>(54.7)</b>	<b>(26.4)</b>	<b>28.3</b>	<b>2.4</b>	<b>26.2</b>

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# Agenda Item 8

<b>Committee(s):</b> Finance Committee – For decision Audit and Risk Management Committee	<b>Date(s):</b> 12 November 2019 19 November 2019
<b>Subject:</b> City's Cash Trust Funds and Sundry Trust Funds Annual Reports and Financial Statements 2018/19	<b>Public</b>
<b>Report of:</b> The Chamberlain	<b>For Decision/Information</b>
<b>Report author:</b> Steven Reynolds, Group Accountant	

## Summary

This report seeks approval for:

- the Annual Reports and Financial Statements for the City's Cash Trust Funds (not City's Cash itself which will be covered under a separate report) for the year ended 31 March 2019, these are listed at Annex 1 and have been placed in the Members' Reading Room; and
- the Annual Reports and Financial Statements for the Sundry Trust Funds for the year ended 31 March 2019, these are listed at Annex 2 and have also been placed in the Members' Reading Room.

The external auditor, BDO LLP is intending to issue an unqualified audit opinion and their report, including recommendations, is attached at Annex 3.

The financial statements of City's Cash Trust Funds and the Sundry Trusts for the year ended 31 March 2019 have been prepared in accordance with the Charities Statement of Recommended Practice (SORP) in accordance with the Financial Reporting Standard 102 (FRS 102).

The City's Cash Trust Funds held total funds of £61.5m as at 31 March 2019, which is £0.3m less than a year earlier (*paragraphs 7 to 10*).

The Sundry Trust Funds held total funds of £59.2m as at 31 March 2019, an increase of £0.4m (0.7%) from a year earlier (*paragraph 11*).

## Recommendations

The Audit and Risk Management Committee is requested to:

- consider the contents of the Audit Management Report issued by BDO LLP; and
- recommend approval of the City's Cash Financial Statements for the year ended 31 March 2019 to the Finance Committee.

The Finance Committee is requested to:

- consider the contents of the Audit Management Report issued by BDO LLP;
- delegate approval of the City's Cash Financial Statements for the year ended 31 March 2019 to the Chairman and Deputy Chairman, taking account of any observations from the Audit and Risk Management Committee on 19 November; and
- agree that the Financial Statements are signed by the Chairman and Deputy Chairman of the Finance Committee on behalf of the Court of Common Council.

## **Main Report**

### **Current Position**

1. The 2018/19 Annual Report and Financial Statements for City's Cash Trust Funds (not City's Cash itself which will be covered under a separate report) and the Sundry Trust Funds have been placed in the Members' Reading Room and are listed at Annexes 1 and 2 respectively.
2. The draft 2018/19 Annual Reports and Financial Statements for the Sundry Trust Funds and the City's Cash Trusts Funds were presented to the external auditor, BDO LLP, in accordance with the agreed timetable on the 14<sup>th</sup> June and 28<sup>th</sup> June respectively.
3. BDO LLP intends to give an unqualified opinion on the Annual Reports and Financial Statements of the City's Cash Trust Funds and the Sundry Trust Funds and has issued the draft Audit Management Report set out in Annex 3. We are pleased to report that no accounting changes were required to the financial statements of the Sundry Trusts. However, some immaterial unadjusted items relating to the consolidated City's Cash Trust Funds were identified and set out on page 22 and pages 23-26. Ordinarily, even though immaterial, these would be adjusted in their individual financial statements and those of City's Cash but were not due to the late timing of these being identified.
4. The report from BDO LLP notes on page 30 that no significant or other deficiencies in internal control have been identified.
5. The Audit Management Report will be distributed to all Members of the Court of Common Council for information. Representatives from BDO LLP will be in attendance at the Audit and Risk Management Committee to present their report and to clarify any points or issues.
6. The Audit Review Panel of the Chamberlain's and Bridgemasters' Accounts met on 21 October 2019 to review the processes adopted by BDO LLP and the Panel intends to certify that those processes were in accordance with the prescribed auditing standards.

## City's Cash Trust Funds

7. The City's Cash Trust Funds comprise seven open space charitable funds, the Sir Thomas Gresham Trust Fund and Keats House as listed in Annex 1.
8. These Trusts ended the year with net outgoing resources of £0.1m (2017/18: net outgoing resources of £0.3m) which comprised the following:
  - Incoming resources of £23.2m:
    - funding from the City of London totalling £16.5m (2017/18: £16.0m) and;
    - income of £6.7m (2017/18: £6.1m) from investments and charitable and voluntary sources;
  - Resources expended of £23.3m:
    - charitable expenditure of £23.1m (2017/18: £22.2m) on the running of the open spaces, Gresham Almshouses and Keats House; and
    - support services costs of £0.2m (2017/18: £0.2m).
9. Managed investments, held mainly by Hampstead Heath, suffered an unrealised net loss in market value of £0.2m (2017/18: net gain of £0.4m).
10. At 31 March 2019, City's Cash Trust Funds held total reserves of £61.5m (2017/18: £61.8m) which represents a decrease of £0.3m compared to a year earlier.

## Sundry Trust Funds

11. The Sundry Trust Funds comprise the separate charitable funds listed at Annex 2. Excluding the Charities Pool (which is an investment vehicle for the other charities), the remaining 18 Trusts:
  - received income of £4.0m (2017/18: £2.9m) of which £2.4m was from investments (2017/18: £2.1m);
  - incurred charitable expenditure of £2.9m (2017/18: £2.3m) including:
    - £1.2m towards the running costs of Hampstead Heath (2017/18: £1.1m);
    - £1.3m (2017/18: £0.8m) comprising 295 grants and 62 bursaries paid to individuals or organisations (2017/18: 275 grants and 47 bursaries); and
    - £0.4m towards the running costs of the City of London Almshouses (2017/18: £0.3m);
  - incurred governance and administration costs of £0.2m mainly due to fund manager costs (2017/18: £0.2m);
  - had unrealised losses of £0.5m from managed investments (2017/18: £0.6m gains); and

- held total funds of £59.2m as at 31 March 2019 (2017/18: £58.8m), an increase of £0.4m (0.7%) from a year earlier.

### **Approval of the Financial Statements**

12. It is recommended that the Finance Committee approve delegated authority for the Chairman and Deputy Chairman of the Finance Committee to approve and sign the financial statements on behalf of the Court of Common Council, taking account of any observations from the Audit and Risk Management Committee on 19 November.

### **Annexes**

- Annex 1 – List of City’s Cash Trust Funds
- Annex 2 – List of Sundry Trusts
- Annex 3 – BDO Audit Management Report

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**CITY'S CASH TRUST FUNDS**

*Open Spaces*

Ashtead Common

Burnham Beeches

Epping Forest

Hampstead Heath

Hampstead Heath Trust (subsidiary of above)

Highgate wood and Queen's Park Kilburn

West Ham Park

West Wickham Common and Spring Park Wood, Coulsdon and Other Commons

Sir Thomas Gresham Charity

Keats House

**SUNDRY TRUSTS**

*Banking and Investments*

Corporation of London Charities Pool

*Open Spaces*

King George's Field

*Books and Libraries*

Guildhall Library Centenary Fund

*Education*

City Educational Trust Fund

The City of London Corporation Combined Relief of Poverty Charity

City of London School Education Trust

Charities Administered ICW The City of London Freemen's School

City of London School Bursary Fund

City of London School for Girls Bursary Fund

City of London Freemen's School Bursary Fund

The City of London Corporation Combined Education Charity

*Other Trusts and Funds*

Emanuel Hospital\*

Sir William Coxen Trust Fund\*

Signore Pasquale Favale Bequest

Wilson's Loan Trust\*

Vickers Dunfee Memorial Benevolent Fund \*

City of London Almshouses

The Ada Lewis Winter Distress Fund

<b>Committee:</b>	<b>Dated</b>
Finance Committee	12 November 2019
<b>Subject:</b> Revenue Budget Monitoring to September 2019	<b>Public</b>
<b>Report of:</b> Chamberlain	<b>For Decision</b>
<b>Report author:</b> Julie Smith, Acting Deputy Director, Financial Services	

## Summary

The overall forecast year-end position at Quarter 2 is £8.2m better than budget. This comprises an adverse variance of £1.9m on Chief Officer Cash Limited Budgets, offset by a favourable variance of £10.1m on Central Risk Budgets.

### Chief Officer Cash Limited Budgets

The year-end forecast at the end of the second quarter is an overspend of £1.9m against the latest approved budget of £236.1m. This includes significant forecast overspends for the City of London Police (£2.2m), the Barbican Centre (£1.1m) and the City Surveyor (£0.8m).

### Central Risk Budgets

Year-end Central Risk Budgets are forecast to be better than budget by £10.1m against the budget of £28.2m. This principally relates to Corporate Income from Property Investments and Interest on Cash Balances which are forecast to be £7.3m and £3.7m respectively better than budget. Given the consistent pattern of income in these areas a less pessimistic income budget forecast has been incorporated into the 2020-21 budget.

## Recommendation

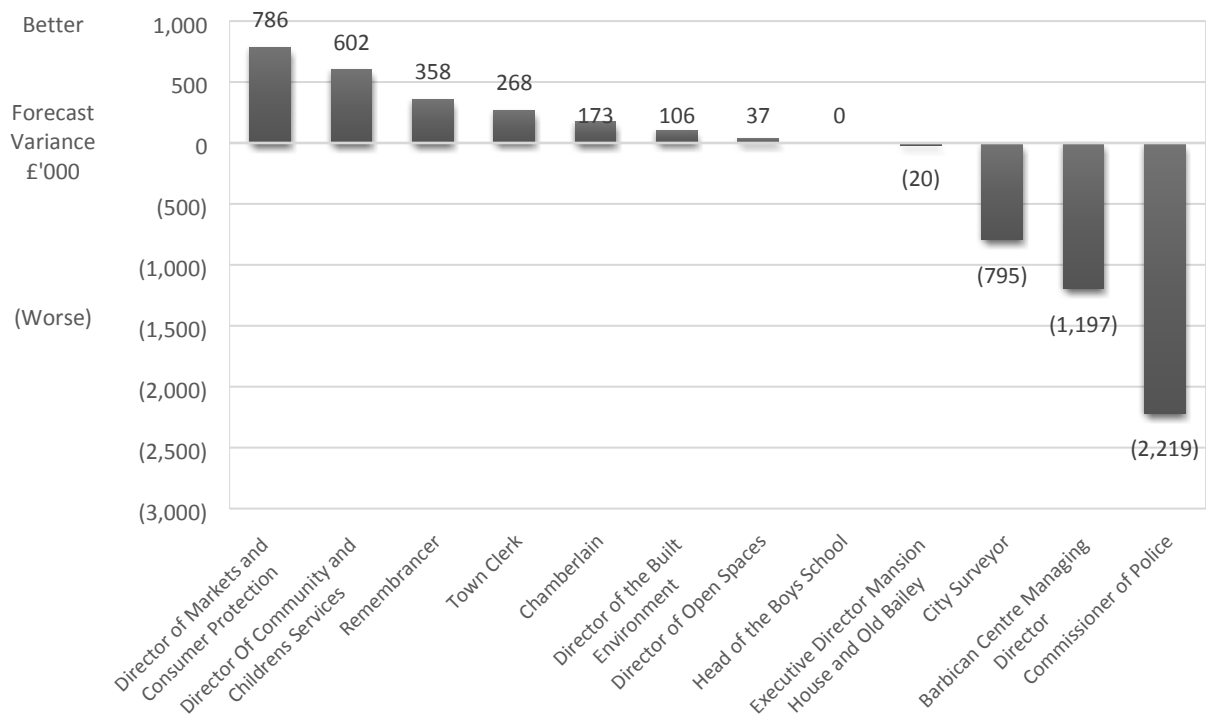
Members are asked

- i. to note the report.
- ii. in accordance with Financial Regulation 2.2 agree to waive £200k of the City Surveyor's brought forward overspending from 2018-19 relating to additional security costs at the Guildhall complex.

## Main Report

### Chief Officer Cash Limited Budgets

1. The year-end forecast is an overspend of £1.9m against the latest approved budget of £236.1m. Chief Officer variances against net local risk budgets are shown in the chart below.



2. The forecast position comprises a favourable variance of £6.8m against budgeted income of £292.8m offset by an adverse variance of £8.7m against budgeted expenditure of £530.8m. Appendix 2 provides income and expenditure budget variances by Chief Officer.
3. The vast majority of the favourable forecast relates to substantial increases in income from Passport for Pets applications, which have resulted in an underspend of £0.8m in Markets and Consumer Protection. Additionally, there has been lower than expected repair and maintenance expenditure costs at Billingsgate Market as a result of reduced levels of planned works and increased use of reserves to assist funding.
4. A change in the number and funding of adult social care clients has led to an underspend of £0.6m in Community and Children’s Services. It should be noted that expenditure in this area is dependent on client care needs and therefore can move significantly if new high needs clients are eligible for support.
5. The City Surveyor had a £501k net overspending on his local risk budget in 2018/19 of which £200k were for additional security costs at the Guildhall as a result of the prevailing security threat level. Under financial regulations, any overspending on a Chief Officer’s local risk budget is automatically recovered by deduction from his local risk budget for the next financial year, unless Finance Committee agree to waive the requirement. As these additional security costs were unavoidable the City Surveyor has requested that this element of the brought forward overspend be waived by Finance Committee and a recommendation is included in this report for your consideration.

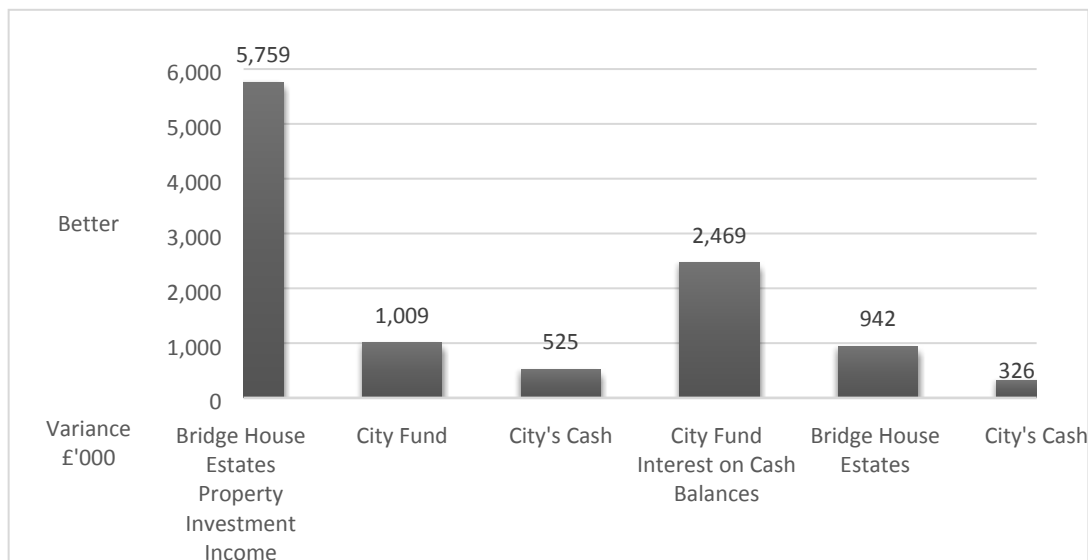


6. Excluding £200k of the brought forward overspend for security, detailed in paragraph 5 above, the City Surveyor is projecting an overspend of £0.8m principally due to the remaining overspend in 2018/19 being brought forward, an increase in reactive repairs and maintenance spend due to higher than anticipated demand and a shortfall in fee income from property deals. The City Surveyor is examining his expenditure plans with a view to bringing the budget back into balance by year end.
  
7. The Barbican forecast year-end position is an adverse variance of £1.2m comprising an overspend of £1.5m on expenditure linked to additional programming costs (which are offset by additional income), increase contract inflation costs, funding to progress the Exhibition Hall project to the next gateway and a delay in restructuring teams to deliver agreed savings. This has been partially offset by an additional £0.3m from programming income which is set to do well, with tax relief outperforming budget.
  
8. The City of London Police are forecasting an overspend of £2.2m by the end of the year, primarily due to an unfunded increase in Police Officer pension contributions in the region of £2.5m based on full establishment. Current workforce levels indicate a pressure of £2.3m this year, which has been partially offset by additional income from seized vehicles and continued management of vacant posts. The forecast includes pressure on Action Fraud (AF) around disputed invoices from IBM of c.£530k for this year. The AF position continues to be monitored as does potential use of the reserves to fund these costs.

### **Central Risk Budgets**

9. The forecast for Central Risk Budgets at Quarter 2 is a better than budget position of £10.1m against the budget of £28.2m. Appendix 3 provides the Central Risk forecast variances by Chief Officer. This comprises favourable variances of £10.1m against budgeted income of £238.6m. There is no variance against the budgeted expenditure of £210.4m. The key budget areas are addressed in the following paragraphs.
  
10. Property Investment income at Quarter 2 is forecast to be £7.3m better than budget of £131.7m and comprises:
  - Bridge House Estates £5.8m favourable - Principally the £3.1m additional rent received from the Electra House & Tower Chambers tenant to surrender the lease and the acquisition of 4-7 Chiswell St generating additional rent of £1.8m.
  
  - City Fund £1.0m favourable – Additional rent from 70 Fleet Street and additional income from 15-17 Eldon Street where refurbishment work has been rescheduled.
  
  - City's Cash £0.5m favourable – Tottenham Court Road expected rent-free period and void costs are not now expected.

11. Interest on cash balances are anticipated to be £12.0m at year-end which is £3.7m above budget of £8.3m. The below graph provides a split by fund of these variances. Appendix 4 provides further information on the Corporate Income Budgets.



12. Expenditure to date is £15.1m reflecting commitments approved at the first three CBT Committee meetings. The full year grant commitments allocation for City Bridge Trust (CBT) for 2019/20 is forecast to be £26.3m which is above the original budget (£21.3m). CBT have been allocated £100m over 5 years under the Bridging Divides funding policy, with the over delivery in 2019/20 utilising some of these funds in advance. The current forecast consists of £20m for the core grants programme (Bridging Divides) alongside other amounts set aside for continuation of the 20<sup>th</sup> anniversary programmes (Employability & Infrastructure Support) and support for The Mayor's Fund for Young Londoners, funding for which was carried forward at the financial year-end within a designated reserve. An additional £25m budget allocation to reflect the forthcoming CBT 25<sup>th</sup> anniversary has been recommended by the CBT Committee for approval; and the request will be considered by Finance Committee as part of budget setting and medium-term financial planning.

## Conclusion

13. Members are asked to note the forecast year-end position at Quarter 2 of £8.2m better than budget position comprising a favourable variance of £10.1m on Central Risk Budgets and an adverse variance of £1.9m 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

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Revenue Budget Monitoring to September 2019 - Appendices

Appendix 1

Chief Officer Cash Limited Budgets by Fund - Comparison with the Previous Quarter									
Original Budget £'000	Chief Officer	Full Year Forecast as at Q1				Full Year Forecast as at Q2			
		Latest Budget	Forecast	Variance Better / (Worse)		Latest Budget	Forecast	Variance Better / (Worse)	
		£'000	£'000	£'000	%	£'000	£'000	£'000	%
	<b>City Fund</b>								
(1,716)	Chamberlain	(1,830)	(1,830)	(0)	(0%)	(1,830)	(1,761)	69	4%
(4,621)	City Surveyor	(6,052)	(6,095)	(43)	(1%)	(6,082)	(6,276)	(194)	(3%)
(11,156)	Director of Community and Children's Services	(11,496)	(11,496)	0	0%	(11,498)	(10,896)	602	26%
(2,202)	Director of Markets and Consumer Protection	(2,555)	(2,443)	112	4%	(2,555)	(1,884)	671	26%
613	Director of Open Spaces	568	571	3	1%	567	537	(30)	(5%)
(16,365)	Director of the Built Environment	(20,197)	(20,019)	178	1%	(20,250)	(20,149)	101	0%
(437)	Executive Director Mansion House and Old Bailey	(459)	(459)	0	0%	(402)	(411)	(9)	(2%)
(16,271)	Managing Director, Barbican Centre	(16,627)	(17,109)	(482)	(3%)	(16,715)	(17,912)	(1,197)	(7%)
(13,178)	Town Clerk	(15,279)	(15,253)	26	0%	(15,513)	(15,274)	239	2%
<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>(74,278)</b>	<b>(74,026)</b>	<b>252</b>	<b>(1%)</b>
	<b>City's Cash</b>								
(92)	Chamberlain	(96)	(95)	1	1%	(96)	(96)	0	0%
(15,417)	City Surveyor	(17,011)	(17,309)	(298)	(2%)	(16,847)	(17,357)	(510)	(3%)
(912)	Director of Community and Children's Services	(1,057)	(1,057)	0	0%	(1,057)	(1,057)	0	0%
(1,441)	Director of Markets and Consumer Protection	(1,504)	(1,491)	13	1%	(1,504)	(1,389)	115	8%
(11,121)	Director of Open Spaces	(11,435)	(11,467)	(32)	(0%)	(11,826)	(11,808)	18	0%
(3,251)	Executive Director Mansion House and Old Bailey	(3,344)	(3,344)	0	0%	(3,344)	(3,354)	(10)	(0%)
(1,023)	Head, City of London Boy's School	(1,023)	(1,023)	0	0%	(1,035)	(1,035)	0	0%
2	Headmaster, City of London Freemen's School	2	2	0	0%	(10)	(10)	0	0%
(231)	Headmistress, City of London School for Girls	(231)	(231)	0	0%	(240)	(240)	0	0%
(6,207)	Principal, Guildhall School of Music and Drama	(6,400)	(6,400)	(0)	(0%)	(6,410)	(6,410)	0	0%
(1,212)	Remembrancer	(1,216)	(1,174)	42	3%	(1,216)	(1,194)	22	2%
(106)	Town Clerk	(141)	(128)	13	9%	(266)	(264)	2	1%
<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>(43,851)</b>	<b>(44,213)</b>	<b>(362)</b>	<b>(1%)</b>
	<b>Bridge House Estates</b>								
0	Chamberlain	(45)	(45)	0	0%	(45)	(45)	0	0%
(2,200)	City Surveyor	(2,356)	(2,373)	(17)	(0)	(2,414)	(2,414)	(0)	(0%)
(218)	Director of Open Spaces	(273)	(32)	241	88%	(215)	(166)	49	23%
(262)	Director of the Built Environment	(270)	(281)	(11)	(4%)	(270)	(265)	5	2%
(2,326)	Town Clerk	(2,466)	(2,466)	0	0%	(2,517)	(2,558)	(41)	(2%)
<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>(5,461)</b>	<b>(5,448)</b>	<b>13</b>	<b>0%</b>
	<b>Guildhall Administration</b>								
(21,857)	Chamberlain	(22,609)	(22,540)	69	(1%)	(23,159)	(23,055)	104	0%
(7,105)	City Surveyor	(8,782)	(8,509)	273	3%	(8,645)	(8,737)	(92)	(1%)
(3,547)	Comptroller and City Solicitor	(882)	(882)	0	0%	(797)	(797)	0	0%
349	Remembrancer	327	726	399	122%	327	663	336	103%
(6,948)	Town Clerk	(6,570)	(6,570)	0	0%	(6,625)	(6,557)	68	1%
<b>(39,108)</b>	<b>Total Guildhall Administration</b>	<b>(38,516)</b>	<b>(37,775)</b>	<b>741</b>	<b>2%</b>	<b>(38,899)</b>	<b>(38,482)</b>	<b>417</b>	<b>1%</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>	<b>(162,489)</b>	<b>(162,171)</b>	<b>318</b>	<b>0%</b>
(72,729)	Commissioner of Police (City Fund)	(73,413)	(73,413)	0	0%	(73,614)	(75,833)	(2,219)	8%
<b>(223,187)</b>	<b>Grand Total</b>	<b>(234,722)</b>	<b>(234,236)</b>	<b>486</b>	<b>0%</b>	<b>(236,103)</b>	<b>(238,004)</b>	<b>(1,901)</b>	<b>(1%)</b>

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	(45,280)	(46,779)	(1,499)	(4%)	This is a combination of items: increases to City contracts where inflation (more than 2% budget) and management fees have been added, release of the start of year target and carry forward, a delay in the buildings team restructure, health and safety works and an increase in programming activity (box office more than covers). It also includes increased maternity pay (£142k) and Health and Safety funding for the City Surveyors to get to the Exhibition halls to the next gateway (£121k).
	28,565	28,867	302	1%	Additional programming means box office is set to do well in Music and Theatre, though Into the Night which opened in early October has started slow and may pose a risk of £250k. This is offset by an anticipated increase to Tax relief.
Chamberlain	(25,669)	(25,480)	189	4%	Largely staff savings across Cost of Collection due to vacant posts for the first quarter of 2019/20
	539	523	(16)	(6%)	Minor Variances
City Surveyor	(46,722)	(47,236)	(514)	(3%)	Unanticipated compensation payment for early surrender of lease on City Fund Estate & higher employee security costs than anticipated offset in part by reduced repairs costs at Walbrook Wharf. CS Dept carry forward overspend and higher rate of reactive repairs on City's Cash operational estate.
	12,734	12,453	(281)	(7%)	Expected shortfall in dilapidations income on City Fund Estate and shortfall in service charge income at Walbrook Wharf. Shortfall in CC property development income (£125k). Shortfall in BHE service charges on account (£52k)
Comissioner of Police	(149,699)	(159,061)	(9,362)	(6%)	Projections indicate an overspend of £2.2m by the end of the year, primarily due to an unfunded increase in Police Officer pension contributions in the region of £2.5m based on full establishment. Current workforce levels indicate pressure of £2.3m this year. Since period 5, there has been a favourable movement of c.£400k (Period 5 forecast £2.6m overspend). This is predominately due to favourable additional income in seized vehicles and revised staffing forecasts following the continued management of vacant posts. The forecast includes pressure on Action Fraud (AF) around disputed invoices from IBM of c.£530k for this year. The AF position continues to be monitored as does potential use of the reserve. There are additional budget pressures on overtime, a larger pay award for Officers than expected and legal costs in relation to the London Bridge inquest. Savings of £6.3m are built into the budget, with £4.7m in pay and £1.6m in non-pay. Maintaining acceptable service levels whilst holding the required level of vacant posts as part of agreed pay mitigation continues to be challenge. Ongoing management of the vacancy factor, maximising income opportunities and managing non-essential spend continue in order to bring the position back within budget by the end of the year.
	76,085	83,228	7,143	10%	
Comptroller and City Solicitors	(4,564)	(4,564)	0	0%	No Variance
	3,767	3,767	0	0%	
Director of Community and Childrens Services	(32,718)	(32,087)	631	2%	A number of high cost clients passed away during the year in Community and Children's Services resulting in a net underspend. One client has become NHS funded and is no longer a cost to the City. Budget is very volatile and a couple of new clients could have a major impact on the outturn. In addition, vacant posts were factored into the budget for a full year but not yet filled.
	20,163	20,135	(28)	(0%)	Minor Variances

**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	%	
Director of Markets and Consumer Protection	(25,254)	(25,039)	215	3%	Projected underspends are mainly due to reduced expenditure for repairs & maintenance at Billingsgate Market and reduced contributions from the Repainting and Special Works Fund account to reflect the revised anticipated level of works and increased use of the reserves instead. Additionally there have been underspends at Smithfield Market due to reduced water usage, electricity costs for the basement being recharged to the Museum of London Project, and salary savings at Spitalfields Market and the Ports due to staff vacancies. This is partially offset by additional staffing, premises and vehicle costs at the HARC to accommodate the large increase in passports for pets trade, and one-off and increased costs relating to the move of the main Ports office.
	21,195	21,766	571	4%	Increased income projection is due to additional trade for passports for pets at the HARC which has increased significantly since last year, this is believed to be the result of pets being brought into the country prior to BREXIT to avoid any negative impacts of a no-deal or changed arrangements, and a new income stream from the Construction Levy. Further additional income due to one-off filming income at Billingsgate Market and higher levels of car parking income at Smithfield Market. Projected income reductions due to reduced service charge bills for tenants at Billingsgate Market, as a result of reduced contributions towards repairs & maintenance. This additional income is also partly offset by reductions in CVED trade at the Ports, which may have been impacted by uncertainties over BREXIT and finally reduced service charge bills to tenants at Spitalfields Market to offset the reduced salary savings mentioned above.
Director of Open Spaces	(28,154)	(27,979)	175	3%	Although the Monument has seen a more positive start to 2019/20 than in previous years, income figures were still under target from April to the end of August, meaning specific expenditure budgets have been reduced in a concerted effort to redress the balance. Performance is therefore more positive against a revised income target of £593,000, although the commensurate reduction in expenditure has sadly seen the standing-down of all educational activities, minor works and a proportion of marketing workstreams. The Monument is therefore likely to come in on target at year end, unless tourism sector external factors highlighted by industry bodies are experienced between now and the end of 2019/20.
	16,680	16,542	(138)	(2%)	The Bridge's 125th year has seen positive progress to date with regard to income generation. Assuming this continues at the current rate of 7% above the original target, the revised year end forecast for total income has been increased accordingly to £6,637,000. With this figure having been raised by £420K, the retail element of the business alone is expected to result in a 40% achievement above target, meaning a significant proportion of this must be added to retail stock expenditure budgets. Raising retail cost expenditure by £205K and adding £108K to further improvement activities (accessible toilets, development of storage facilities).
Director of the Built Environment	(37,330)	(36,270)	1,060	5%	Projected expenditure underspends are mainly due to a host of salary savings across the Department due to posts held vacant as part of the Fundamental Review and the new Development Management structure changes within Town Planning. Additionally we have savings on the repair & maintenance of vehicles within the Transport Organisation as a result of a newer and smaller fleet of vehicles and a reduction in electricity costs due to new more efficient LED Highways street lighting.
	16,810	15,856	(954)	(6%)	Projected income shortfalls are mainly due reduced staff recharges to capital projects due largely to staffing vacancies. Further shortfalls are due to declining building regulation fee income and hoarding and scaffolding licence income due to reduced market activity, reduced toilet barrier income continuing from the previous year and the non-drawdown of the LATS Reserve as a result of overall Departmental underspends forecast. These shortfalls are partly offset by additional off-street and on-street car parking income.

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	%	
Executive Director Mansion House and Old Bailey	(8,141)	(8,175)	(34)	(1%)	Minor Variances
	4,395	4,409	14	0%	
Head of the Boys School	(21,220)	(21,335)	(115)	(1%)	CLS is reporting an improvement of £448,000 in its forecast compared to the budget. This increase is largely due to savings of £257,000 the School has identified against employee expenditure following a review of staffing, additional tuition fee income of £115,000 resulting from increased pupil numbers from September 2019 and a saving of £55,000 from the decision to discontinue the annual contribution to the John Carpenter Club. As a result, the forecast transfer to the Capital Reserve Fund this year is increased by £448,000, from £430,000 to £878,000.
	20,185	20,300	115	1%	
Headmaster of City of London Freemans School	(19,415)	(18,744)	671	3%	CLFS is reporting an unfavourable variance of £225,000 relating to expenditure. This is across a range of headings including cleaning, hired transport, professional fees, rates, water, energy and financing costs. As a result of this and the variance on income, the forecast transfers to reserves this year are forecast to reduce by £896,000 (£671,000+£225,000). Transfers are classified as expenditure so the forecast is showing an overall reduction in expenditure of £671,000 (due to the variance of £225,000 netting off within this heading). The school is implementing strategies to increase pupil numbers both in-year and from September 2020 and is focussing on active in-year financial management and cost control. An unfavourable variance of £671,000 is reported as follows: 1. Tuition fees - £507,000. The budget assumed 915 pupils in summer 2019 then 922 pupils from September 2019. There were 903 pupils in summer 2019 and 897 to 901 pupils are anticipated from September 2019. 2. Boarding fees - £117,000. The budget was set based on 60 pupils at the school this financial year but the actual number of boarders at September 2019 is 48. 3. Other income - £47,000 due to lower uptake of music lessons and lower use of the tuck shop.
	19,405	18,734	(671)	(3%)	
Headmistress of City of London School for Girls	(15,957)	(16,072)	(115)	(1%)	The variance reflects the increase in the transfer to the Capital Reserve Fund as a result of the forecast increased tuition fee income. CLSG is reporting an improvement in its forecast of £115,000 compared to the budget. This increase is due to strong pupil numbers in the Autumn term 2019 with 746 pupils on roll compared to the budgeted level of 729 pupils and increases the forecast year end transfer to the school's Capital Reserve Fund.
	15,717	15,832	115	1%	
Principal Guildhall School of Music and Drama	(31,351)	(31,616)	(265)	(1%)	Minor Variances
	24,941	25,206	265	1%	
Remembrancer	(2,658)	(2,643)	15	1%	Minor Variances
	1,769	2,112	343	19%	
Town Clerk	(27,976)	(27,732)	244	3%	Currently forecasting to budget as underspends will go towards unidentified savings for non IG areas. IG forecasts are expected to be 600k under at year end (£200k local risk CF, £400k central risk CC). Graduates staffing is currently expected to be under budget due to only 2 of the 4 posts being filled. Expected Underspend is £68k. Partially offset by an additional £41k required for the engagement of freelance grant assessors due to the backlog of CBT grant applications.
	3,055	3,078	23	1%	
<b>Total</b>	<b>(522,107)</b>	<b>(530,811)</b>	<b>(8,704)</b>	<b>2%</b>	
<b>Grand Total</b>	<b>(236,103)</b>	<b>(238,004)</b>	<b>(1,901)</b>	<b>1%</b>	



## Appendix 3

Central Risk Budgets				
Chief Officer	Latest Gross Income/ (Expenditure) Budget £'000	Forecast £'000	Variance Better / (Worse)	
			£'000	%
Chamberlain	(83,788)	(84,164)	(376)	(0%)
Chamberlain	51,800	55,592	3,792	7%
<b>Total Chamberlain</b>	<b>(31,988)</b>	<b>(28,572)</b>	<b>3,416</b>	<b>11%</b>
City Surveyor	(7,818)	(8,165)	(347)	(4%)
City Surveyor	142,892	150,272	7,380	5%
<b>Total City Surveyor</b>	<b>135,074</b>	<b>142,107</b>	<b>7,033</b>	<b>5%</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	(14,296)	(14,640)	(344)	(2%)
Director of Community and Children's Services	12,472	12,370	(102)	(1%)
<b>Total Director of Community and Children's Services</b>	<b>(1,824)</b>	<b>(2,269)</b>	<b>(445)</b>	<b>(24%)</b>
Director of Markets and Consumer Protection	(561)	(488)	73	13%
Director of Markets and Consumer Protection	6,450	6,362	(88)	(1%)
<b>Total Director of Markets and Consumer Protection</b>	<b>5,889</b>	<b>5,874</b>	<b>(15)</b>	<b>(0%)</b>
Director of Open Spaces	(1,257)	(1,232)	25	2%
Director of Open Spaces	1,522	1,522	0	0%
<b>Total Director of Open Spaces</b>	<b>265</b>	<b>290</b>	<b>25</b>	<b>9%</b>
Director of the Built Environment	(12,591)	(11,912)	679	5%
Director of the Built Environment	19,535	18,696	(839)	(4%)
<b>Total Director of Built Environment</b>	<b>6,944</b>	<b>6,784</b>	<b>(160)</b>	<b>(2%)</b>
Executive Director Mansion House and Old Bailey	(3,112)	(3,111)	1	0%
Executive Director Mansion House and Old Bailey	1,547	1,556	9	1%
<b>Total Executive Director Mansion House and Old Bailey</b>	<b>(1,565)</b>	<b>(1,555)</b>	<b>10</b>	<b>1%</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	(3,516)	(3,516)	0	0%
<b>Total Guildhall School of Music and Drama</b>	<b>(3,516)</b>	<b>(3,516)</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	(77,824)	(77,530)	294	0%
Town Clerk	1,458	1,422	(36)	(2%)
<b>Total Town Clerk</b>	<b>(76,366)</b>	<b>(76,108)</b>	<b>258</b>	<b>0%</b>
<b>Total</b>	<b>(210,377)</b>	<b>(210,372)</b>	<b>5</b>	<b>0%</b>
<b>Total</b>	<b>238,610</b>	<b>248,726</b>	<b>10,116</b>	<b>4%</b>
<b>Grand Total</b>	<b>28,233</b>	<b>38,355</b>	<b>10,122</b>	<b>36%</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	47,668	1,009	2
City's Cash	59,467	58,942	525	1
Bridge House Estates	23,527	17,768	5,759	20
<b>Total Property Investment Income</b>	<b>131,671</b>	<b>138,964</b>	<b>7,293</b>	<b>5</b>
<b>Interest on Cash Balances</b>				
City Fund	7,938	10,407	2,469	24
City's Cash	300	626	326	52
Bridge House Estates	100	1,042	942	90
<b>Total Interest on Cash Balances</b>	<b>8,338</b>	<b>12,075</b>	<b>3,737</b>	<b>31</b>
<b>Grand Total</b>	<b>140,009</b>	<b>151,039</b>	<b>11,030</b>	<b>7</b>

Appendix 5

Chief Officer Cash Limited Budgets - Budget Changes		
	£'000	£'000
<b>Original Local Risk Budget</b>		<b>(223,299)</b>
Virements		
Additional Funding agreed RASC January 2019 transferred from Central Risk contingencies	(11,789)	
Changes to service charges and recharges as a result of additional funding above	(54)	
Approved Local Risk Carry Forwards and Overspends	(908)	
Approved Adjustments - Transitional Rate Relief Uplift	(53)	
		(12,804)
<b>Latest Local Risk Budget</b>		<b>(236,103)</b>

<b>Committee:</b>	<b>Date:</b>
Finance Committee	12 November 2019
<b>Subject:</b> Financial Services Division – Quarterly Update	<b>Public</b>
<b>Report of:</b> The Chamberlain	<b>For Information</b>
<b>Report author:</b> Caroline Al-Beyerty, Deputy Chamberlain	

## Summary

Over the last quarter, Financial Services Division has been delivering well on work plans. On the division’s key performance indicators, progress is generally very good. There is one amber indicator, production of the City’s Cash and Bridge House Estates accounts- publication has been later than intended due to delays in the audit.

Key highlights from recent months have been:

- Input into the fundamental review;
- Business rates income modelling and the London devolution pilot;
- Progress with smarter closing project;
- The review of financial processes by Moore Stephens Insight, with the aim of streamlining procedures;
- A proof of concept exercise on an automation tool; and
- Draw down of the £250m private placement.

## Recommendation

Members are asked to note the report.

## Main Report

1. The key performance indicators in the Chamberlain’s business plan for the division are shown in appendix 1. There is one amber indicator, relating to the production of Bridge House Estates and City’s Cash accounts. Significant delays in the audit of the financial statements have led to later publication dates.
2. The main focus of the team has been on the fundamental review; and an update is provided elsewhere on the agenda. Other key areas to draw out from the division’s work over the last few months are:
3. **Business Rates** – a key focus has been on analysing market conditions and estimating impact on income levels.
  - Business Rates collection rate is consistent with the same point last year.
  - Although empty property rates have increased slightly (5%) since 1/04/17, the rates continue to fluctuate and trends are not outside expected norms. The overall gross rateable value continues to increase with a rise of 2.5% since 01/04/18. There are four large buildings due to come into rating within the next

18 months including the new Goldman Sachs building which has an estimated rateable value of approximately £25m which will bolster the business rates income. However, this will be tapered by the potential impact of outstanding appeals.

- The London Pilot Pool forecast for year end is a total net benefit for London of £171.9m. The City is forecast to receive an additional £5.7m in net benefit from the Pool. In total the City Corporation is forecasting retained business rates in the region of £61.6 million.
- The current arrangements for the London Pilot Pool are expected to come to an end for 2020/2021 which will result in the Business Rate scheme reverting back to the 2017/18 pre pool arrangements. This means that any business rate growth achieved in 2020/21 will be subject to a 50% levy.
- London Government have provisionally agreed to continuing to operate a pool under the previous scheme. Under this new pooling arrangement, the anticipated net benefit for London is around £25m.

#### **4. Smarter Closing Update**

The aim of the smarter closing review is to make the year end process more efficient so that staff can spend more time on business as usual areas and focus on strategic issues during the year. The team have analysed 14 key timetable dependency areas to understand feasibility and identify risks with bringing the deadlines forward.

5. The initial proposed deadline of 1 May for all draft statements was found to be unachievable due to:
  - The unacceptably high risk and potential business disruption of closing accounts payable and receivable for two weeks before year end- particularly damaging for the operation of the markets, port health trading and investment property billing dates
  - Advice from auditors that valuations for investment property are needed at 31 March, so we are unable to bring the valuation date earlier for the most material part of the asset portfolio.
  - The level of additional resource required to achieve this target date is prohibitive; and disproportionate to the benefit gained.
6. The key remaining areas for action are:
  - Valuation- explore whether there is scope for slightly earlier production of the 31 March valuation than 14 April; and reducing the level of internal checks currently performed on accuracy.
  - Capital – the significant increase in the number and complexity of capital projects requires resources to be deployed in a more flexible and scalable way.
  - Explore whether it is feasible to close on estimates of entries for the Business Rate Pool and amending for actuals during the audit process
7. For 2019/20, the draft accounts will be produced to the same deadlines as 2018/19. For 2020/21, the aim is to produce the draft accounts by 15th May for City Fund, 29th May for BHE and 26th June for City Cash.

#### **8. Process Reviews**

## 9. Finance process Review

Moore Stephens Insight Limited was commissioned to review the Finance processes to ensure that we are being efficient and optimising how we use the Oracle system. The consultants have also reviewed the HR/Payroll process, the Budgeting and Forecasting process and the income and expenditure reconciliation process. The report is due on 7th November; and recommendations from the review will help to streamline processes within the teams and support smarter closing.

## 10. Robotics Process Automation (RPA) proof of concept

IB Boost was commissioned to carry out a proof of concept within the Chamberlains. The project is nearing completion. The aim of the project is to demonstrate efficiencies by re-designing Finance processes to allow for increased capacity and staff to focus on other value-added tasks. Two key reconciliation processes have been automated; helping to free up resources to do other areas of work and clear a backlog of work.

11. IB Boost have also trained a team of technically minded staff in order to build an in-house Centre of Excellence with RPA capability to automate and streamline processes with their teams.

12. IB Boost will report in November on the outcomes from the proof of concept project, quantifying the efficiencies realised, reporting key outcomes from the training sessions and suggesting future projects where RPA can be used at the City of London. The outcomes will form part of the business case to roll out RPA more widely. Any repetitive task with a defined process map could be a candidate for RPA. RPA may also assist in supporting smarter closing.

## 13. **Private Placement (Signing & Drawdown)**

The issuing of external debt for City's Cash via Private Placement was completed over the summer with the documentation being signed on 22 August. External debt worth £250m was issued in September in line with the City's Green and Sustainable Financing Framework for City's Cash. A further £200m will be issued in July 2021.

## **Conclusion**

Progress has been good over the last quarter across the division's work programme. The focus for the next quarter will be the production of the City Corporation's budget and medium-term financial plan; the process reviews and implementing the fundamental review proposals.

## **Appendices**

- Appendix 1 – FSD KPI Scoreboard

## **Contact:**

**Caroline Al-Beyerty**

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## FSD KPI's Balanced Scorecard 2018/19

				Quarterly update			
	Measure	2018/19 performance	2019/20 target	Qtr 1	Qtr 2	Qtr 3	Qtr 4
Business Rates collection	% collected (cumulative)	99.41%	99.00%	30.44% (target 28%)	59.13% (target 58%)	(target-89.25%)	(target – 99% )
Commercial Rent collection	% collected	98.42%	98%	98.84%	98.88%		
Implementation of 201920 FSD savings				<b>Status:</b>			On track
Publication of City Fund Accounts within Statutory Deadline of 31 <sup>st</sup> July				<b>Status:</b>			Complete
Early Publication of City's Cash and BHE Accounts				<b>Status:</b>			BHE Published City's Cash to be published in November (Audit delays postponed publication of BHE & City Cash)
Effective financial management: expenditure against departmental local risk budgets +/- 5% at year end				<b>Status:</b>			On track
Delivery of a balanced budget and Medium Term Financial Plan for City Fund, approved by Court of Common Council by 31 March				<b>Status:</b>			On track
Income from Chamberlains Court Freedoms	Number of freedoms/period compared to same period in previous years (cumulative)	1,639	1,650	448 (target 400)	832 (target 825)	(target 1,250)	(target 1,650)
Professionally qualified accountancy staff as a % of total finance staff undertaking reporting, controls and decision support processes (measured annually)	CIPFA Indicator FS1	23.5%	25%				Annually

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<b>Committee(s)</b>	<b>Dated:</b>
Finance Committee – For Information	<b>12/11/19</b>
<b>Subject:</b> Chamberlain’s Department Risk Management – Monthly Report	<b>Public</b>
<b>Report of:</b> Chamberlain	<b>For Information</b>
<b>Report author:</b> Grace Rawnsley, Chamberlain’s Department	

## Summary

This report has been produced to provide Finance Committee with an update on the most significant risks faced by the Chamberlain’s department.

There are currently two red risks on the Corporate Risk Register within the responsibility of Chamberlain’s Department, there are none on the departmental risk register

- **CR31 – Fundamental review delivery (red)**
- **CR23 – Police Funding (red)**

The Chamberlain’s Senior Leadership Team continues to monitor closely the progress being made to mitigate these risks, working with the Town Clerk and City of London Police colleagues.

## Recommendation(s)

Members are asked to note the report.

## Main Report

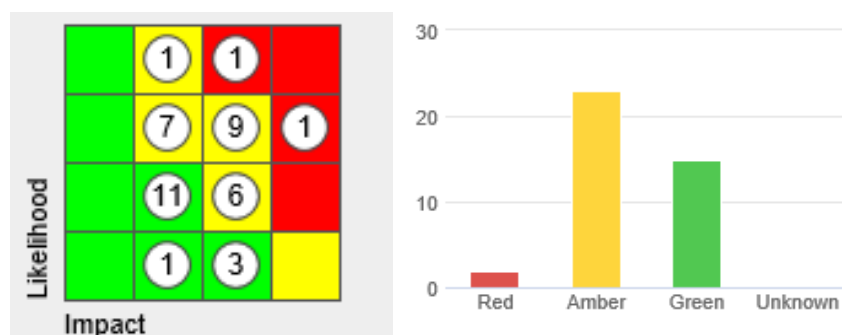
## Background

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

## Current Position

2. This report provides an update on the current red risks that exist in relation to the operations of the Chamberlain’s department and, therefore, Finance Committee.
3. There are currently two red risks on the Corporate Risk Register for which the Chamberlain’s Department is responsible and none on the departmental Risk Register. Diagram 1 illustrates the risk heat map for the department including our corporate risks.

Diagram 1: Heat Map for the Chamberlain's Department as of 29/10/19



**CR31 – Fundamental review delivery (Current Risk: Red – new)**

- Chief Officers submitted options for income and savings, and these were considered across 3 RASC away days held in July and October 2019. Constructive opportunities to increase income and make potential savings in 2020/21 which do not impact on front-line services have now been identified. The identified savings will not meet the full extent of the financial gap. However, for our local authority fund, the government have pushed back their reform of the Business Rates arrangements until next year. This means that we have an extra year of retaining the current level of Business Rates before they are reduced. For our non-local authority functions, in the next financial year as a one-off measure, we will in addition draw down on reserves to balance the books. This will give us more time to examine the options put forward in the Fundamental Review to achieve further change in future years.
- The Town Clerk continues to communicate with staff about the objectives of the fundamental review through the Senior Leadership Forum. In addition, Chief Officers have now been given their budget envelopes for 2020/21 taking into account fundamental review proposals. The Chair of Policy and the Chairman of Finance have briefed Members on progress.

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

- An updated medium-term financial projection for the Police was shared at the July RASC away day, which proposed an increase in resource allocation to the extent of the approved bid of 67 roles (£5.4m in 20/21), with the remaining aspects of the identified deficits to be resolved within the existing resource base of the City of London Police - through savings measures linked to its Transform programme, which will include shared services. The projections explicitly excluded capital repayment assumptions pending identification by the Force of its medium-term capital priorities. These priorities will be submitted to the November Police Authority Board, with approval then being sought at the December RASC meeting, based on a future loan-based model for Police capital funding, and with the medium-term and Police budget 'revenue' implications arising from it being clarified. The Spending Round outcome for the Police will not be known before December 2019 and will be limited to 2020/21 with a multi-year Spending Review to follow in 2020.

## **Conclusion**

7. Members are asked to note the actions taken by Chamberlain's Department to manage the risks presented.

## **Appendices**

- none

## **Background Papers**

Monthly Reports to Finance Committee: Finance Committee Risk  
Report to Finance Committee 23 July 2019: Finance Committee Risk – Quarterly  
Report

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<b>Committee:</b> Finance Committee	<b>Date:</b> 12 November 2019
<b>Subject:</b> Central Contingencies 2019/20	<b>Public</b>
<b>Report of:</b> Chamberlain	<b>For Information</b>
<b>Report author:</b> Julie Smith, Acting Deputy Director, Financial Services	

## 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 29 October 2019				
	City's Cash £'000	City Fund £'000	Bridge House Estates £'000	Total £'000
General Contingencies	519	594	50	1,163
National and International Disasters	75	0	0	75
<b>Uncommitted Balances</b>	<b>594</b>	<b>594</b>	<b>50</b>	<b>1,238</b>
Requests for contingency allocations	0	0	0	0
<b>Balances pending approval</b>	<b>594</b>	<b>594</b>	<b>50</b>	<b>1,238</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

- Non-Public: Appendix 1 - Allocations from 2019/20 contingencies

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