



Finance Committee

Date: TUESDAY, 10 DECEMBER 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 1407
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 12th November 2019.
For Decision
(Pages 1 - 6)
4. **OUTSTANDING ACTIONS FROM PREVIOUS MEETINGS**
Report of the Town Clerk.
For Information
(Pages 7 - 8)
5. **FORWARD PLAN**
Joint Report of the Town Clerk and 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. **APPOINTMENT OF ALDERMAN ESTLIN TO THE DIGITAL SERVICES SUB-COMMITTEE**
Town Clerk to be heard.
For Decision
8. **IT DIVISION - MEMBER UPDATE**
Report of the Chamberlain.
For Information
(Pages 13 - 16)
9. **CITY PROCUREMENT STRATEGY 2020-2024**
Report of the Chamberlain.
For Decision
(Pages 17 - 38)
10. **FINANCIAL APPRAISALS FOR PROCUREMENT**
Report of the Chamberlain.
For Decision
(Pages 39 - 46)

11. **RISK MANAGEMENT - TOP RISKS**
Report of the Chamberlain.
For Information
(Pages 47 - 48)
12. **CENTRAL CONTINGENCIES**
Report of the Chamberlain.
For Information
(Pages 49 - 50)
13. **FM ARRANGEMENTS FOR GUILDHALL EVENTS**
Joint report of the Remembrancer, Chamberlain and City Surveyor
For Decision
(Pages 51 - 56)
14. **CITY'S CASH FINANCIAL STATEMENTS 2018/19**
Report of the Chamberlain.
For Decision
(Pages 57 - 60)
15. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
16. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**
17. **EXCLUSION OF THE PUBLIC**
MOTION - That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items on the grounds that they involve the likely disclosure of exempt information as defined in Part I of Schedule 12A of the Local Government Act.
For Decision
- Part 2 - Non-Public Agenda**
18. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**
To agree the non-public minutes of the meeting held on 12th November 2019.
For Decision
(Pages 61 - 64)
19. **REPORT OF THE NON-PUBLIC WORK OF THE SUB-COMMITTEES**
Report of the Town Clerk.
For Information
(Pages 65 - 66)
20. **DISPUTE UPDATE**
Verbal update of the Chamberlain.
For Information
21. **GRESHAM COLLEGE: PROPOSED FUNDING ARRANGEMENTS AND BUSINESS PLAN**
Report of the Town Clerk.
For Decision
(Pages 67 - 88)

22. **BRIDGE HOUSE ESTATES STRATEGIC REVIEW - UPDATE THREE**
Joint Report of the Town Clerk & The Chief Grants Officer and Director of City Bridge Trust.
For Information
(Pages 89 - 98)
23. **CONTIGENCIES APPENDIX**
For Information
(Pages 99 - 102)
24. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
25. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**

FINANCE COMMITTEE

Tuesday, 12 November 2019

Draft Minutes of the meeting of the Finance Committee held at Guildhall, EC2 on
Tuesday, 12 November 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 Wendy Hyde
Deputy Clare James
Alderman Alastair King
Tim Levene
Alderman Nicholas Lyons

Paul Martinelli
Andrew McMurtrie
Deputy Robert Merrett
Andrien Meyers
Susan Pearson
Deputy Henry Pollard
James de Sausmarez
Ian Seaton
Graeme Doshi-Smith
Deputy Philip Woodhouse
Deputy Catherine McGuinness (Ex-Officio
Member)
Simon Duckworth (Ex-Officio Member)

Officers:

John Cater	- Town Clerk's Department
Simon Latham	- Town Clerk's Department
Peter Kane	- Chamberlain
Caroline Al-Beyerty	- Chamberlain's Department
Christopher Bell	- Chamberlain's Department
Sean Green	- Chamberlain's Department
Julie Smith	- Chamberlain's Department
Philip Gregory	- Chamberlain's Department
Michael Cogher	- Comptroller and City Solicitor
Dorian Price	- City Surveyor
Nigel Lefton	- Remembrancer's Department
Amy Poole	- Remembrancer's Department

1. APOLOGIES

Apologies for absence were received from Dominic Christian, John Fletcher, Oliver Lodge, Alderman Sir Andrew Parmley and John Scott.

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 be approved as an accurate record, subject to the following amendment:

Deputy Philip Woodhouse reminded the Town Clerk that he had apologised prior to the October meeting of the Finance Committee.

4. **OUTSTANDING ACTIONS FROM PREVIOUS MEETINGS**

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

RESOLVED – That the Committee notes the report.

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

The Committee received a Joint Report of the Town Clerk and the Chamberlain detailing the Committee's work plan for future meetings.

RESOLVED – That the Committee notes the Report

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 notes the reports.

7. **CITY'S CASH FINANCIAL STATEMENTS 2018/19**

The Committee considered a Report of the Chamberlain concerning the 2018/19 Financial Statements for City's Cash.

RESOLVED – that the Committee approved the following:

- 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.

Post meeting note: It was subsequently agreed that due to several outstanding issues ITEMS 7 would be submitted to the December meeting of the Finance Committee for final approval.

8. **CITY'S CASH TRUST FUNDS AND SUNDRY TRUST FUNDS ANNUAL REPORTS AND FINANCIAL STATEMENTS 2018/19**

The Committee considered a Report of the Chamberlain concerning the 2018/19 Annual Reports and Financial Statements for the City's Cash Trust Funds and Sundry Trust Funds

RESOLVED – that the Committee approved the following:

- 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.

9. **GUILDHALL EVENTS - P&L ACCOUNT ARRANGEMENTS**

The Committee received a Joint Report of the Chamberlain, the Remembrancer and the City Surveyor concerning P&L account arrangements for events at Guildhall.

Members welcomed the progress made by officers and endorsed the principles in the Report; they expected to see the fuller Report in December. The Chairman added that the aim should be to establish a culture of transparency regarding subsidies, costs and their allocation.

RESOLVED – that the Committee noted the Report.

10. **REVENUE BUDGET MONITORING TO SEPTEMBER 2019**

The Committee considered a Report of the Chamberlain concerning revenue budget monitoring.

Whilst Members welcomed the clarity in the Report, the Chairman asked officers to ensure that, in addition to minimising in-year adjustments, when changes did occur, they were highlighted clearly, and an explanation was provided.

Members asked officers to work with colleagues in the HR Department to ensure that, in an effort to anticipate better, in good time, the pressures on the budget, greater clarity was established earlier in the financial year about the broad outlook for the annual pay award.

RESOLVED – that the Committee approved the following:

- to note the report.
- 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.

11. **FINANCIAL SERVICES DIVISION - QUARTERLY UPDATE**

The Committee received a Report of the Chamberlain concerning the Financial Services Division.

RESOLVED – that the Committee noted the Report.

12. **RISK MANAGEMENT - TOP RISKS**

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

RESOLVED – That the Committee notes the report.

13. **CENTRAL CONTINGENCIES**

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

RESOLVED – That the Committee notes the report.

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

There were no questions.

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

There were no urgent items.

16. **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.

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

The non-public minutes of the meeting held on 15th October were approved as an accurate record.

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

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

19. **DISPUTE PROGRESS**

The Committee received a Report of the Chamberlain concerning the dispute around Police IT.

20. **FUNDAMENTAL REVIEW OUTPUTS UPDATE**

The Committee received a Report of the Chamberlain concerning the Fundamental Review.

21. **GRESHAM COLLEGE FUNDING**

This item was deferred.

22. LEASE RESTRUCTURE FOR A CAPITAL PREMIUM & LEASEHOLD ACQUISITION - CITY'S ESTATE

This item was deferred.

23. FORMER TENANTS RENT ARREARS WRITE OFFS

The Committee considered a Joint Report of the Comptroller & City Solicitor and the City Surveyor concerning rent arrears write-offs.

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

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

25. CONTINGENCIES APPENDIX

26. 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.

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

There were no items of urgent business.

The meeting ended at 3.10 pm

Chairman

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

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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 th October	<p><u>ITEM 7: 7. REVENUE OUTTURN 2018/19 - FINANCE COMMITTEE OPERATIONAL SERVICES (GUILDHALL EVENTS P&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&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&L account; an accounting solution on its own, would, he added, be insufficient.</p>	City Surveyor, Remembrancer, Chamberlain	December 2019	update at the November FC meeting, Report to be submitted to the December meeting.

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Finance Committee – Work Programme 2020

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

Meeting:	January	Feb	March	April	May	June	July	September
BUDGET SETTING PROCESS & MEDIUM-TERM FINANCIAL PLANNING	Provisional Financial settlement for Local Government and Police Recommendations from RASC Capital Programme Police Medium Term Financial Plan	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 Bad Debt Report				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	Proposed Revenue and Capital Budgets for Finance Committee Operations	Central Contingencies Risk Management Monthly Report	Central Contingencies Risk Management Monthly Report	Central Contingencies Risk Management - Quarterly Report	Central Contingencies Risk Management Monthly Report	Central Contingencies Risk Management – Monthly Report	Central Contingencies Chamberlain's Department Risk Management - Quarterly Report	Central Contingencies Risk Management Monthly Report
	Central Contingencies	Financial Services Division Quarterly Update	IT Division Q Update	City Procurement Q Update	CHB Business Plan – End of Year Update	IT Division Q Update	City Procurement Q Update	Financial Services Division Quarterly Update
	Chamberlain's Department Risk Management - Quarterly Report			Business plan update	Financial Services Division Quarterly Update		Business plan update	
	City Procurement Q Update						Fundamental Review Update	
	Business plan update							

Committee: Finance Committee	Date: 10 December 2019
Subject: Public Report of the work of the Sub-Committees	Public
Report of: Town Clerk	For Information
Report author: 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 12th November 2019:

Efficiency & Performance Sub-Committee – 27th November 2019

Report to be circulated post Finance Committee publication on 02/11/19

Procurement Sub-Committee – 2nd December 2019

Report to be circulated post Finance Committee publication on 02/11/19

Recommendations

The Committee is asked to note the report.

John Cater

Senior Committee Services Officer, Town Clerk's Department

john.cater@cityoflondon.gov.uk

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Committee(s)	Date(s):
Finance Committee – For Information	10 th December 2019
Subject: IT Division – Member Update	Public
Report of: The Chamberlain	For Information
Report author: Sean Green, IT Director	
Summary	
<p>This report updates Members on the work of the IT Division and the key areas of progress for the last quarter:</p> <ul style="list-style-type: none">i. The committee paper for the 2020 Sourcing tender for putting in place a new IT contract to replace the current contract for IT Services that we have with Agilisys is navigating successfully through the committee stages to be presented to Court of Common Council on the 5th December 2019;ii. Current 2019/2020 Q2 service performance achieved for both City of London Corporation (CoL) and the City of London Police (CoLP).iii. Good progress continues to be made on Digital Adoption for the City of London Corporation.	
<p>Members are asked to:</p> <p><i>Note the progress report on key strategic improvement projects and IT Service performance.</i></p>	

Main Report

Background

1. The IT Division provides services to the City of London Corporation, City of London Police and London Councils. 5 main functions are provided from the in-house IT team: i) IT Finance and Performance Management, ii) Change and Engagement Management iii) Projects and Programmes Management, iv) IT Operations and Service Management and v) Police IT Services. This report updates on progress on critical programmes, business as usual service performance, the rate of adoption of digital ways of working and the IT Operating model review of the IT Division in readiness for the Fundamental Review.

2020 Sourcing Programme

2. The contract for IT Services currently provided to CoL, CoLP and London Councils ends on 31st August 2020.
3. Significant work has occurred since October 2018 to scope requirements and develop a tender that was issued on a Crown Commercial Services Framework in June 2020. The tender closed on 19th August with 4 responses.

4. The committee report to obtain agreement to proceed to with the award of the new IT Services contract is making its way through relevant committees culminating in the presentation of the report by the Chairman of the Finance Committee at Court of Common Council on the 5th December 2019.
5. With the new recommended IT Services Contract, we will be getting more for less, with significant savings and service improvements over the course of up to a five-year contract, for both the CoL and CoLP, including:
 - a. the setting up of a new Technology Support Desk in convenient locations in Guildhall and for the Police.
 - b. More automation of our IT infrastructure management to help IT staff diagnose possible infrastructure performance issues or problems at an early stage before they cause disruption to our IT services
 - c. Improved infrastructure security, resilience and our capability to quickly set up new IT services when required and quickly remove IT services when not required.
6. The transition to the new contract starts from the 1st February 2020.

CoLP IT Modernisation Programme

7. The high-level design for the IT Modernisation solutions is completed.
8. The equipment for a new security zone to support the implementation of enhanced CoLP infrastructure security has been procured.
9. Governance groups set up including a new CoLP business user group.
10. Application rationalisation progressing well with a net reduction of 69 desktop applications to date.

IT Capital Projects

11. The IT capital bids for the City of London Corporation have been submitted for consideration by Members.
12. The projects cover areas of invest to save, security and resilience and corporate risk mitigation.
13. The projects for the City of London Police cover essential application and infrastructure replacement.
14. Consultancy has been specified to review the future of the Oracle applications used in the City of London Corporation with a view to replace both the current Property and HR Systems in the next 2 years.

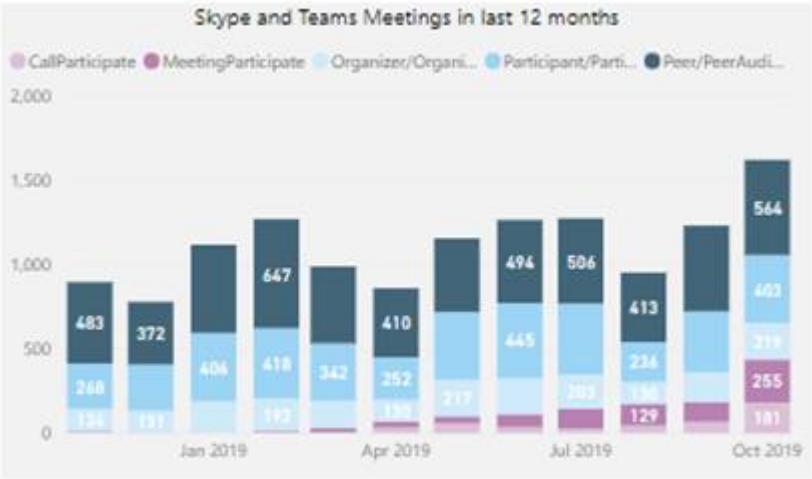
IT Service Performance

15. The P1 and P2 incidents for CoL and CoLP are summarised in the table below.
16. Satisfaction for July 19 (+77), August 19 (+81) and September 19 (+66). This is an average of +75 (anything with a score above + 50 being viewed as good).

IT Service Performance (new KPI)	Fixing Issues											
	P1 incidents fixed within 2hrs (98%)						P2 incidents fixed within 6hrs (98%)					
	Jul-19		Aug-19		Sep-19		Jul-19		Aug-19		Sep-19	
CoL	1	0%	0	100%	1	100%	0	100%	0	100%	1	100%
CoLP	0	100%	0	100%	0	100%	0	100%	0	100%	0	100%

Digital Adoption

17. Take up of digital new ways of working is progressing well. With regular training and communications campaigns with staff, we are can see increasing using of Skype for business for remote contact/conferences and SharePoint/Teams for managing one version of documents and collaboration on information both internally and externally.
18. We have seen a 27% increase on the previous record for the number of audio / video conferences (using Skype and Teams) across the organisation. The previous record was set in July.
19. We are seeing increasing use of the Skype Room Systems, with the Chamberlain's Office setting the example with 42 meetings in October 19.
20. We now have a total of 840 active SharePoint sites across the Corporation – our previous peak was set in September 19 at 776.
21. The increasing use of Skype, Sharepoint and Teams shows the commitment of colleagues to digital new ways of working. This is illustrated in the graphs provided below.



DisplayName	SFB_TotalofAllActivities
CHB-ChamberlainsOffice	42
CHB - Director's Meeting Room	26
DBE - TPR Directors Office	26
CHB - Large Meeting Room	19
TC - HR Meeting Room 1	19
M&CP - Director's Office	14
GulldhalChairmansRoom	12
COL - Room 9	7
TC - DirComms	7
Chairmans Room 2	3
CS - SurveyorsOffice	2
DBE - Directors Office	0
TC - DMP Office	0
TheTCOffice	0
Total	177

Sean Green
IT Director

T: 020 7332 3470
E: sean.green@cityoflondon.gov.uk

Committee	Dated:
Procurement Sub Committee Finance Committee	2 December 2019 10 December 2019
Subject: City Procurement Strategy 2020-2024	Public
Report of: The Chamberlain	For Decision
Report author: Chris Bell, Commercial Director, Chamberlain's	

Summary

City Procurement published the Corporation's first Procurement Strategy in 2015. This paper introduces our new second-generation procurement strategy for the period of 2020-2024. It aims to build on the foundations of its predecessor and the achievements made over the last four years. The existing service is to be augmented with a range of value-added services that not only sustain a best in class procurement function but will increase its understanding of customer, corporate and supplier needs by developing our people, stakeholders and services. In doing so, it will maximise the opportunity to deliver real outcomes to the strategic, operational and financial health of the City Corporation for the next four years and beyond.

The City Procurement Strategy document includes the following sections:

1. A Foreword
2. A review of achievements and the foundations established since 2015
3. The Strategy
4. Our service values
5. Our service offerings
6. How we will achieve this strategy
7. Supporting appendices *including the key actions plan*

The summary of the component parts of the new strategy are as follows:

Our vision - The City of London Corporation benefits from the significant value added through our robust, innovative and responsible procurement activities that will evolve further during the next four years. This continuous improvement will see us deliver greater outputs with less resource. In parallel we will be championing making the best use of our existing assets and reducing our waste and impact on the environment.

Our aim - To maintain and improve all of our procurement activities. We will do this by utilising new technologies, which will make us more effective, and more efficient, in providing excellent customer service. This will support organisational culture shift and strengthen our internal and external relationships.

Our target outcomes

1. Commercialism is instilled throughout the organisation (*where appropriate*)
2. Sustainable cost assurance is guaranteed for the future.
3. Maximise opportunities to leverage progressive and responsible outcomes
4. Our customer offerings and processes are advanced.
5. Organisational awareness and performance are improved.

Our service values *(these underpin everything we do)*

- a) Value for money is ensured.
- b) Operational excellence delivered through the highest of levels of customer service.
- c) Responsible business embedded by having Responsible Procurement practices at the heart of all we deliver.
- d) The organisation's assurance and risk are managed proportionally.

The City Procurement Strategy 2020-2024 can be found at Appendix 1.

Recommendation

Members of Procurement Sub and Finance Committee are asked to:

1. Approve the City Procurement Strategy 2020-2024.
2. Approve the publication of the City Procurement Strategy 2020-2024 document on the City of London Corporation website.

Main Report

Background

1. City Procurement published the corporation's first procurement strategy in 2015.
2. The City Procurement's 2015-2019 Strategy was developed to ensure the Corporation put in place the foundation stones to allow a best in class procurement service to be developed during the initial years of this new corporate function.
3. This paper introduces our new second-generation procurement strategy for the period of 2020-2024 and illustrates where the organisation is on the Procurement Maturity curve.
4. It aims to build on the foundations of its predecessor and the achievements made over the last four years. The existing service is to be augmented with a range of value-added services that not only sustain a best in class procurement function but will increase its understanding of customer, corporate and supplier needs by developing our people, stakeholders and services. In doing so, it will maximise the opportunity to deliver real outcomes to the strategic, operational and financial health of the City Corporation for the next four years and beyond.

City Procurement Strategy 2019-2023 Emerging Themes

5. This report presents, at Appendix 1, the City Procurement Strategy 2020-2024.
6. The City Procurement Strategy document includes the following sections:
 1. A Foreword
 2. A review of achievements and the foundations established since 2015
 3. The Strategy
 4. Our service values
 5. Our service offerings

6. How we will achieve this strategy
7. Supporting appendices including the key actions plan

7. The summary of the component parts of the new strategy are as follows:

- i. **Our vision** - The City of London Corporation benefits from the significant value added through our robust, innovative and responsible procurement activities that evolve further during the next four years. This continuous improvement will see us deliver greater outputs with less resource. In parallel we be championing making the best use of our existing assets and reducing our waste and impact on the environment.
- ii. **Our aim** - To maintain and improve all of our procurement activities. We will do this by utilising new technologies, which will make us more effective, and more efficient, in providing excellent customer service. This will support organisational culture shift and strengthen our internal and external relationships.
- iii. **Our target outcomes**
 1. Commercialism is instilled throughout the organisation.
 2. Sustainable cost assurance is guaranteed for the future.
 3. Maximise opportunities to leverage progressive and responsible outcomes.
 4. Our customer offerings and processes are advanced.
 5. Organisational awareness and performance are improved.
- iv. **Our service values** *(these underpin everything we do)*
 - a) Value for money is ensured.
 - b) Operational excellence delivered through the highest of levels of customer service.
 - c) Responsible business embedded by having Responsible Procurement practices at the heart of all we deliver
 - d) The organisation's assurance and risk are managed proportionally.

Corporate & Strategic Implications

6. As a corporate service, our activities support delivery across all outcomes in the Corporate Plan, although a mapping exercise in conjunction with the corporate strategy team has identified that our strategic targeted outcomes directly impacts on the Corporate Plan outcomes of: *Businesses are trusted and socially and environmentally responsible; inspiring enterprise, excellence, creativity and collaboration; we are a global hub for innovation in finance and professional services, commerce and culture; we have access to the skills and talent we need and we are digitally and physically well-connected and responsive.*

Conclusion

7. The report presents the City Procurement Strategy 2020-2024 which is to be adopted from January 2020 with service planning and corporate policies and processes adapted to facilitate the new strategy bring in place from April 2020.

Appendices

- Appendix 1 – The City Procurement Strategy 2020-2024

Chris Bell

Commercial Director, Chamberlain's Department

T: 020 7332 3962 E: christopher.bell@cityoflondon.gov.uk



CITY PROCUREMENT STRATEGY

2020-2024

"The City Procurement Strategy aims to build on the foundations of its predecessor and the achievements made over the last four years. The existing service is to be augmented with a range of value-added services that not only sustain a best in class procurement function but will increase its understanding of customer, corporate and supplier needs by developing our people, stakeholders and services."

Chris Bell
Commercial Director

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1. Foreword – Adding value through commercialism and maximising opportunity

Our City Procurement service plays a vital part in improving how the City of London Corporation buys, pays for and manages the goods, works and services it needs. As we embark on the next phase of continuous development, this refreshed strategy is significant, as it will drive the enhancement of the organisation's commercialism and maximise opportunity, whilst retaining our core service values.



The impact and expediency of our approach will be fundamental due to the challenges the organisation faces at this time. The financial environment associated with all aspects of public sector is intense; the exit from the European Union is looming and provides great uncertainty on service provision, cost inflation and risk. The upcoming government Spending Review will reveal a new local government funding formula, with expected pressures on budgets, with an expectation on maintaining key services. Finally, the City Corporation's own ambitious plans to maintain London's position globally sees us developing a range of major capital investments that will enhance the Square Mile's place in terms of business, employment, culture and environment.

Given we are entering a period of substantial impact on our financial position, the impetus on obtaining value for money is significantly increased. City Procurement's ability to contribute to this through enhanced cost assurance, innovative service design, and continuous efficiency gains is vital, as is the commercial ability to launch sustainable income streams. Improving negotiation techniques and supplier relationships will also be crucial if our aims and outcomes are to be achieved. Enabling the organisation to achieve the real value of efficiency and consolidation whilst acting responsibly at all times could not be of more paramount importance than now.

This strategy is built on supporting the outcomes of the City Corporation's Corporate Plan for 2018-2023 and sets our vision to meet the ambitious standards we aim for and the targeted outcomes we expect from the investment in procurement and commercial services during the next four years.


Dr Peter Kane
The Chamberlain

2. Achievements and Foundations established since 2015-2019

City Procurement was in a very different position in 2015. Whilst in its infancy, it had a huge range of challenges to overcome in its core service provision. The significant improvements made by the team have become widely recognised, especially in terms of savings, P2P efficiency, transparency, resources, embedding social value, influencing wider corporate policy and delivering complex procurement and commercial initiatives.

The journey to get to this state, is summarised in the info graphics below, with high achievement being at the centre of the progress made. There is a continued expectation that City Procurement will enhance its service with pace, passion and professionalism in delivering the targeted outcomes of the new strategy.

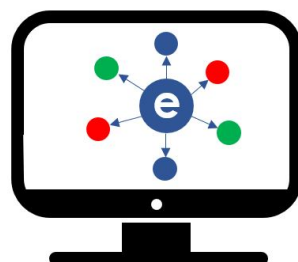
£32.4m 
Savings achieved since 2015

 Design and Implementation of Procurement Governance, Policies and Processes

 Established the Commercial Contract Management Function, Toolkit and Supplier Performance Scorecard

 Recognised in Winning Two National CIPS and One CIPFA Award

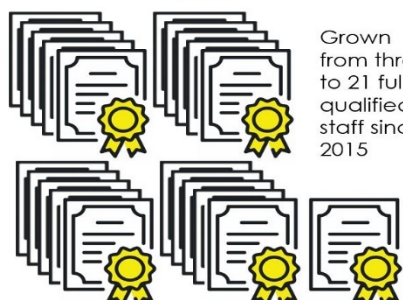
 The City Corporation's first Responsible Procurement Strategy was published in 2016

 Implemented eProcurement, eAuction, eCatalogue and eInvoicing Solutions

 Transition to a Zero Emissions Fleet Policy Introduced in 2018

 Paying our suppliers within 30 days. Average of 96% paid on time since 2015

 Rolled out No PO No Pay with Average 96% Compliance Since 2015

 Grown from three to 21 fully qualified staff since 2015

 Established the award winning Social Value Panel in 2015, reviewing 75 contracts to date

 Buying 100% Renewable Electricity Since October 2018

3. Introducing the new City Procurement Strategy 2020-2024

The City Corporation is at present facing financial uncertainty in light of the planned Spending Review which will be vital to ascertain the impact of the announced Local Government funding formula and powers. The City Corporation needs to consider how it continues to lead local areas; improve residents' lives; reduce and prioritise demand for public services, find more efficient ways to deliver services and save money for the taxpayer. This at the same time as facing the challenge that many local authorities have in balancing the funding to consider where they it will only have the funds to provide statutory responsibilities. These challenges are compounded by ongoing uncertainty around the implications of exiting the EU, meaning more than ever, the City Corporation needs to be commercial and prudent across all services, including our statutory, commercial, private and charitable services, delivering not only value for money but maximising our assets and services to deliver income that will help minimise the service reductions required and offset rising costs. It will also need to maximise the fulfilment of its duties to improve air quality, manage waste, reduce unemployment etc. by leveraging the supply chain requirements formulated via our responsible procurement initiatives.

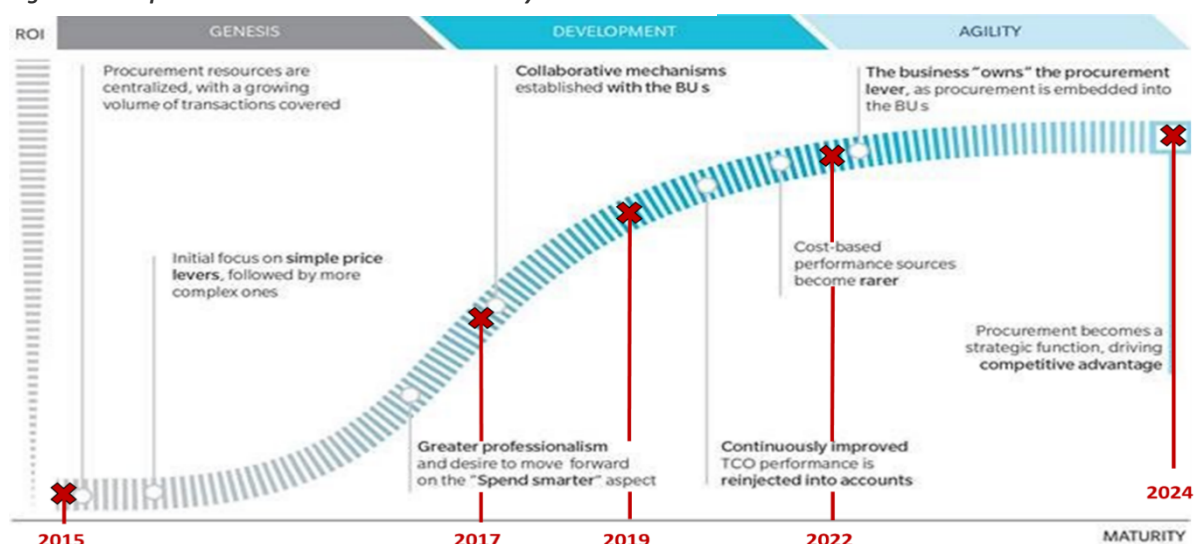
The Corporation in response to these challenges has embarked on a Fundamental Review in order to:

- align our spending to the outcomes of our Corporate Plan
- strengthen financial discipline at a time of declining resources
- enable us to fund our major projects

Whilst such major projects will help us create a legacy for London, we will have to invest substantially for them to be successful and that means that at our spending and income needs to be carefully considered. The Fundamental Review will enable us to do this with the objective of ensuring that our resources are applied to best effect.

The new City Procurement Strategy aims to build on the foundations of its predecessor and the achievements made over the last four years. The growth in our maturity as a procurement service (as illustrated in figure 1) and our ability to provide advice, solutions and outcomes to the organisation means we can raise our ambitions during the next four years.

Figure 1 - The procurement and commercial maturity curve



The existing service is to be augmented with a range of value-added services that not only sustain a high performing unit but continues on a path of maturing to becoming a best in class procurement provision. Our targeted outcomes will see us further increase understanding of customer, corporate and supplier needs through developing our people, stakeholders and service features. In doing so, it will maximise opportunity deliver real outcomes to the strategic, operational and financial health of the City Corporation for the next four years and beyond.

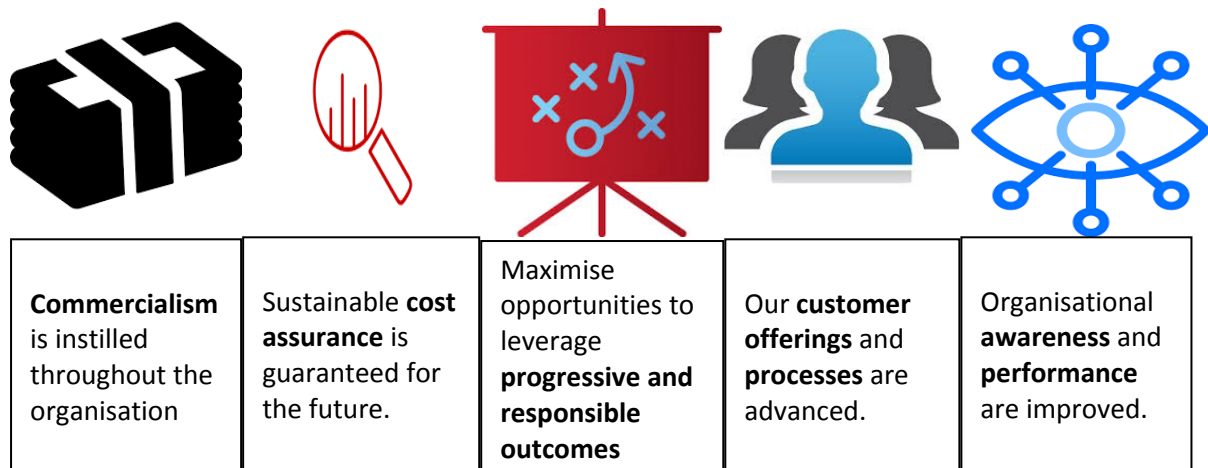
4. Our vision

The City of London Corporation benefits from the significant value added through our robust, innovative and responsible procurement activities that evolve further during the next four years. This continuous improvement will see us deliver greater outputs with less resource. In parallel we be championing making the best use of our existing assets and reducing our waste and impact on the environment.

5. Our aim

To maintain and improve all of our procurement activities. We will do this by utilising new technologies, which will make us more effective, and more efficient, in providing excellent customer service. This will support organisational culture shift and strengthen our internal and external relationships.

6. Our Targeted Outcomes



Commercialism is instilled throughout the organisation - by 2024 we will have a strong sense of commercialism embedded across the organisation. This will enable positive financial decisions to occur, including sound choices around return on investments and life cycle costings undertaken through a responsible business lens. City Procurement will lead on maximising the commercial output of all our third-party contracts by developing, training and recruiting greater commercialism corporately and employing techniques that enhance our ability to face off on equal terms with our supply base on commercial matters.

Sustainable cost assurance is guaranteed for the future - during the next four years, we will improve cost certainty, establish clear mitigations to manage risk and develop partnerships to deliver mutual benefits and lasting results. City Procurement will focus on enhancing existing contract performance and supplier relationships to provide assurance and develop a culture of continuous improvement.

A culture of maximising opportunities to leverage **progressive and responsible outcomes** is adopted. By 2024, our vision sees the City Corporation having greatly enhanced our strategic and commercial abilities, gained robust market intelligence, integrated spend analytics and established collaborative buying channels. City Procurement will increase its support, monitoring and reporting of responsible and social value outcomes throughout its supply chain and will commit to driving thought leadership, market intelligence and proactive collaboration to future proof the services procured and maximise our opportunities at all times.

Our **customer offerings and processes** are advanced - by 2024, we will have an enhanced self-service offering in place for all officers, streamlined and timely processes maximising automation and robotics and a range of digital innovations in place. City Procurement will transform its offering by adopting simplification, automation and digital innovations to support more intuitive and self-service options for all staff.

Organisational awareness and performance are improved - by 2024 the organisation will have a widespread knowledge of procurement processes, buying channels, and subsequently act in line with compliance. This will be supported with proactive collaboration to ensure opportunities to raise awareness are taken at all times. City Procurement will develop Learning and Development tools and communication approaches to benefit greater understanding corporately in all aspects of procurement and commercialism.

7. Our services values

As this is a second-generation strategy, it is imperative like any organisation that ambitious and challenging new targeted outcomes are set, but it is equally important the service continues to deliver against the service principles established by the original strategy. During all procurement activities we will ensure a consistent approach to stakeholders and suppliers with the application of the following service values:

Value for money is ensured by challenging service specifications to be fit for purpose without 'gold plating' occurring and that savings, efficiencies and income generation are at the heart of all procurement projects. In selecting and awarding contractors we will generally evaluate bids or tenders received on the basis of the Most Economically Advantageous Tender (MEAT) and will consider, where appropriate, total cost of ownership, looking for an appropriate balance between quality, cost and responsible outputs.

Operational excellence delivered through the highest of levels of customer service always, whilst working in a culture of continuous improvement to put in place new performance measures and processes that improve efficiencies across sourcing, category management, contract management and accounts payable.

Responsible business embedded by having Responsible Procurement practices at the heart of all we deliver. It will be a core metric of procurement with outcomes and policies integrated into all departments and activities, with regular monitoring and reporting taking place. Such objectives will be set on every project, with appropriate interventions being targeted in line with our new Responsible Procurement Policy. The policy is built on the United Nations Sustainable Development Goals, Corporate Plan and Responsible Business Strategy and translates these objectives into requirements for how goods, works and services are delivered. See Appendix A for the overview of the Responsible Procurement Policy.

The organisation's assurance and risk is managed proportionally with all procurement being carried out in accordance with local, national and international regulations. In all our dealings during the procurement lifecycle process, City Procurement will preserve the highest standards of honesty, integrity, impartiality and objectivity and shall comply with the City of London Corporation's Procurement Code and Code of Conduct at all times.

Compliance and risk needs will be balanced carefully. To achieve best value and mitigate risks such as health and safety breaches, loss of business continuity, service failure and reputational damage we will ensure proportionate measures are taken. Developed on a case by case basis, the specifying, commissioning and evaluation of future requirements will be considered in line with our corporate risk management framework.

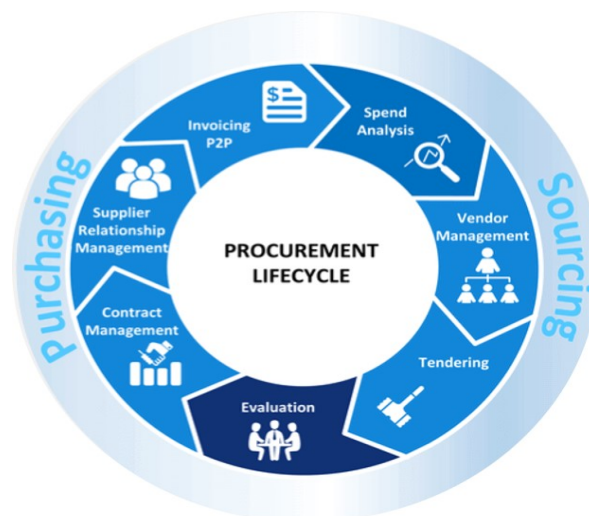
8. Our service offerings

City Procurement is one of the functional areas of the Chamberlain's Department, with responsibility for managing the full purchase to pay (P2P) cycle on behalf of the City Corporation and City of London Police. The function is led by the Corporation's Commercial Director who has specialist teams delivering the following service offerings:

1. Category Management and Sourcing
2. Procurement Operations
3. Commercial Contract Management
4. Commercialism
5. Accounts Payable
6. Responsible Procurement
7. Policy & Compliance
8. Service Performance Monitoring
9. Purchase Cards

An overview of the roles, responsibilities and aims of each of these service functions can be found at [Appendix B](#).

Figure 2 - The purchase to pay (P2P) cycle



9. How we will achieve this strategy?

This strategy will be delivered using existing resources available from within the Chamberlain's Department. There are links to both the forthcoming Digital Services Strategy and Customer Service Strategy which will help to drive the momentum needed to achieve the outcomes of this strategy and deliver the services and infrastructure required to successfully embed them within the organisation. Finally, the Responsible Business Strategy and upcoming Climate Action Strategy will underpin both its operational and strategic trajectory. We manage the transformation through a high-level action plan (see [Appendix C](#)) and a live continuous improvement roadmap.



10. Commercialism is instilled throughout the organisation

Reflecting our Corporate Plan aim of being a global hub for innovation in financial and professional services, commerce and culture and in the context of current financial climate, it is vital we enhance the strategic commercial performance of the Corporation. This aim ranges from generation of income to maximising the efficiency of our outsourced services, ensuring that value for money is achieved during the operational phase of contracts.

We will commit to further develop and enhance the organisation's approach to all future commissioning and procurements ensuring all contracted spend, where appropriate, is strategically managed through its Category Boards. This will see the Organisation work collectively to identify and exploit new commercial opportunities through market shaping and by working with partners see innovation and knowledge/ information utilisation as a commercial opportunity.

Our top priority **Commercialism** strategic aims are to:

Enhance our skills. Investment in our personnel is key to delivering this aim. We will develop an intensive learning and development programme for staff involved in the day to day

delivery of procurement and contract management. This will include officers from across the organisation and those that are members of the Corporation's Procurement Category Boards. Secondly, awareness and enhanced commercial skills are needed more widely across the organisation to deliver on instilling a culture of commercialism, therefore, there will be a simultaneous programme developed for the organisation introducing the topic, thinking and techniques that can be applied city-wide.

Introduce new commercial modelling through greater pre-procurement planning. Utilising market research, supplier engagement, pre-market testing and collaboration both internal and external we will aim to apply new methodologies and commercial models where appropriate in future tenders. This will deliver enhanced value for money and smarter outcomes, giving us a clear breakdown of the component costs of our services. This will assist our commercial contract management principles to be delivered more readily, connecting the component parts of the contract lifecycle.

Deliver income generation in a more consistent and targeted fashion. The establishment of a new Commercial Board will oversee the qualification, prioritisation, business case development, funding recommendations and return on investment of any potential income generation project. Focusing on maximising our vast array of assets and skills, our brand and locations and our national and international reach, income generation will become an important and component part in funding the delivery of our front-line services.



11. Sustainable cost assurance is guaranteed for the future

Having the ability to plan financially in the medium term and beyond is critical to the future of the organisation. Underpinning this and the corporate plan outcome of *businesses are trusted and socially and environmentally responsible* is our ability to provide assurance on the projected future costs of third-party goods, works and services is as accurate as possible and in line with actual contracted values.

During the next 4 years, we aim to improve our cost certainty, have clear mitigations in place to manage risks and develop partnership style relationships with key suppliers delivering mutual benefits and lasting results. Enhancing our existing contract performance and supplier relationships is essential to providing assurance and developing a culture of continuous improvement that achieves:

- better value from contracts
- greater control over contract performance
- the appropriate amount of governance to reduce our risk and that of our customers
- strong relationships with our suppliers that builds strategic partnerships
- dedicated and talented staff to implement and manage our contracts

Our top priority **Cost Assurance** strategic aims are to:

Increase our spend analytics capability, developing existing data sets and systems whilst introducing new technology that provides live spend data. This will allow early intervention where needed through proactive monitoring and variance identification, giving greater certainty to our spend management and cost assurance aims. In addition, the introduction of trend monitoring across our key categories and supplier markets will ensure we identify industry innovations, issues and risks that could impact our financial and contractual costs. Such insight will be used to mitigate projected negative cost variances and inform future service cost projections.

Have 'Total Cost of Ownership' as a consistent component of all procurement strategies, ensuring all impacts are fully considered and projected in recommended strategies or business cases moving forward. This will inform key decision makers of the implications of options

presented, well in advance of committing future specifications or contract terms to the marketplace.

Transform our negotiation and dispute handling abilities through the City Procurement Commercial function who will ensure best in class strategic and tactical plans are put in place to produce the best outcomes in each scenario. This planned approach ensures that target outcomes consider operational impact, strategic importance, reputational risk and the value of the change or dispute in hand, prior to embarking in dialogue with the other parties.



12. Maximise opportunities to leverage progressive and responsible outcomes

The strategy strives to ensure City Procurement is at the forefront of the corporate aim of *inspiring enterprise, excellence, creativity and collaboration*. We will seek to further enhance our strategic, commercial and service abilities utilising market intelligence, data and knowledge. City Procurement will look to drive thought leadership, service development and proactive collaboration internally and externally to future proof the services procured and ensure progressive and responsible outcomes are delivered and flow down our supply chain.

Our top priority **Maximising Opportunity** strategic aims are to:

Increase change readiness as an important component of maximising opportunity. City Procurement will champion change, transformation and continuous improvement in its role as an enabler to all departments within the organisation. This ensures all projects focus on the best outcomes achievable whilst ensuring the project deliverables are in line with corporate plan objectives and policies.

Facilitate innovation to be a significant contributor to maximising opportunity. City Procurement will aim to enable innovative solutions in the enhancement of procedures, process automation, service delivery and data analytics. We aim to inform future decisions by ensuring we have up to date market knowledge on services being procured.

Enable responsible business outcomes by working with every department to help shape procurement activities from the very outset. We will build on our relationships with internal stakeholder and supply chain partners to maximise our opportunity to translate responsible business goals into tangible and significant outcomes in the areas of human rights, air quality, sustainable transport and buildings, carbon reduction and climate resilience.

Use, maintain and develop our key assets during the strategy period. Whether the asset is people, property, data, brand or place, City Procurement will challenge any procurement or commercial strategy to ensure we utilise our assets for maximum returns, whilst developing appropriate commercial models that fund the maintenance and future development of key assets.



13. Our customer offerings and processes are advanced

With a focus on our service being a *digitally and physically well-connected and responsive* one in line with our corporate plan aims, we will work towards having an enhanced self-service offering in place for all officers.

Introducing streamlined and revised processes in a phased and timely manner, we will focus on maximising automation and robotics where possible, as well as a range of digital innovations that emerge during the next forty-eight months.

As well as better use of technology, we aim to work in a more innovative way to gain greater outputs from daily activities respecting the nuisances and different operating models across the Corporation's wide portfolio of services.

Our top priority **Customer Advancement** strategic aims are to:

Adopt simplification, automation and digital innovations to underpin all new or proposed improvements to support more intuitive service design and impactful return on investments.

Introduce self-service solutions to the organisation, particularly for instances of high volume, low cost or low risks items that need procured regularly. Continued development of eCatalogues, Corporate Contracts, eAuctions, eInvoicing, Dynamic Purchasing Systems and Corporate Frameworks will be key in delivering this aim.

Hold process focus groups. We commit to working closely with stakeholders through focus groups to enhance process efficiency and ensure our procedures, policies and the Procurement Code are continually improved to deliver an effective, flexible and fit for purpose service.



14. Organisational awareness and performance are improved

Assuring the organisation is supported in its endeavours to deliver the corporate objective to *have access to the skills and talent we need*, it is vital the business has a widespread knowledge of procurement processes and buying channels. Acting compliantly by default will allow greater education on the benefits of procurement, ensuring opportunity is maximised.

Priorities of City Procurement will be the development of Learning and Development tools to benefit greater understanding corporately in all aspects of procurement and commercialism. The promotion of benefits through a series of case studies will be a component part of the campaign, so the stakeholders hear of the successful outcomes to encourage proactive participation with City Procurement moving forward.

Our top priority **Awareness and Performance** enhancing strategic aims are to:

Focus on stakeholder engagement through our department liaison leads and the creation of a communication plan to build relationships with stakeholders whilst learning more about the operations and objectives of the specific departments. The growth in relationships should see positive benefits for both parties and an improved appreciation of the role and requirements of the parties involved.

Use performance reporting positively to continue to drive compliance, as well as the delivery of key performance indicators and responsible targets. Reports will be enhanced to allow a drill-down on the data for departments to locate trends, service issues or inefficiencies affecting service metrics.

Raise sourcing plan and responsible business awareness and accountability to all involved in procurement projects, to greatly enhance resource planning, ambition, ownership of key tasks and prioritisation when required.







15. Conclusion

City Procurement will embark on a new generation strategy that will see it contribute to the outcomes of The Corporate Plan and bring new and enhanced service provision that aims to add value to all procurement activity. The continuous improvement targeted during the next four years will play a component part in securing the organisation's financial health, continued high quality service provision and lead role in responsible business outcomes.

Chris Bell FCIPS
Commercial Director

APPENDICES

Appendix A – Responsible Procurement – Headline Commitments

Sustainable Development Goals	Corporate Plan	Responsible Business links	New Responsible Procurement Policy Commitments: City Procurement will support the City of London Corporation to:
<div><div>8</div><div>DECENT WORK AND ECONOMIC GROWTH</div><div></div><div>Inclusive and sustainable economic growth, employment and decent work for all</div></div>	People have equal opportunities to enrich their lives and reach their full potential.	Human & labour rights	<ul style="list-style-type: none">- Guard against modern slavery, human and labour rights abuses and unfair working practices in high risk supply chains
<div><div>10</div><div>REDUCED INEQUALITIES</div><div></div><div>inequality within and among countries</div></div>	We have access to the skills and talent we need.	Equal opportunities and Diverse organisations	<ul style="list-style-type: none">- Ensure that the (London) Living Wage is paid to staff, apprentices, interns and (sub)contractors- Encourage and facilitate integration of VCSEs, SEs and SMEs within our supply chains
	Communities are cohesive with the facilities they need.		Connecting our communities
	<div><div>11</div><div>SUSTAINABLE CITIES AND COMMUNITIES</div><div></div><div>inclusive, safe, resilient and sustainable</div></div>	People enjoy good health & wellbeing.	Air quality and People’s wellbeing -
Make cities	People are safe and feel safe.	<ul style="list-style-type: none">- Strengthen road danger reduction requirements within goods, services and works contracts	
<div><div>12</div><div>RESPONSIBLE CONSUMPTION AND PRODUCTION</div><div></div><div>sustainable consumption and production patterns</div></div>	Businesses are trusted and socially and environmentally responsible.	Waste and Plastics & packaging	<ul style="list-style-type: none">- Eliminate single use plastics and minimise all waste associated with internal and supply chain operations- Manage demand, maximise resource efficiency and support the circular economy- Achieve best value by assessing products, equipment, service models and works designs based on life cycle costs
<div><div>13</div><div>CLIMATE ACTION</div><div></div><div>climate change and its impacts</div></div>	We have clean air, land and water and a thriving and sustainable natural environment.	Climate change	<ul style="list-style-type: none">- Reduce carbon emissions associated with all business activities to help meet climate action targets- Procure 100% renewable electricity and continuously reduce the carbon intensity of gas and fuel- Build climate resilience, integrated water management, urban greening and biodiversity requirements into design, construction, public realm & landscape contracts
		The planet is healthier	<ul style="list-style-type: none">- Procure low environmental impact goods, services and works; avoiding pollutants, opting for low embodied carbon & water and maximising recycled and sustainable content- Use our demand to promote practices that minimise environmental impacts throughout the supply chain i.e. sustainable farming, fisheries and forestry and preventing land degradation, contamination and habitat & biodiversity loss.
<div><div>15</div><div>LIFE ON LAND</div><div></div><div>Combat deforestation, desertification, degradation biodiversity loss</div></div>			

Appendix B – The Functions within City Procurement

Category Management and Sourcing drive value for money for all strategic purchasing for the City Corporation (above £181k goods/services, £400k works) through our established Category Board governance, with oversight from the Corporation's Procurement Sub-Committee. This will ensure strategic and sustainable contracts are procured in line with the organisation's operational, policy and strategic objectives and are aligned with the Corporate Plan. Our Category Boards are Facilities Services, Digital Services, Construction and Property, Corporate Resources, Land Management and Community and Children's Services.

Procurement Operations is the engine room of purchasing, buying a full range of "one off" tactical purchases below the thresholds listed above as well as delivering and managing strategic solutions to low cost, high volume purchases such as e-catalogues, corporate contracts, corporate framework mini-competitions, e-auctions and by accessing dynamic purchasing systems to ensure best value is consistently obtained, regardless of the goods, works or service procured.

Commercial Contract Management develops, improves and seeks to embed best practice contract management consistently across our existing contract management provision to deliver greater cost assurance through cost avoidance, supplier performance monitoring, and contract variations oversight. It also leads on commercial disputes and resolution.

Commercialism drives best value from our existing contracts, creating ongoing efficiency plans and savings opportunities through negotiation, transformation and change as well as generating, reviewing and developing new income generation opportunities.

Accounts Payable manage the supplier database, processing and paying of third-party invoices, and developing and introducing emerging automation and innovative solutions to streamline process efficiency and service our supplier base with a best in class payment offering.

Responsible Procurement aligns to our core service value of delivering real value in line with the Corporation's Responsible Business strategy and aims. It is at the heart of all our activity and all Sourcing, Procurement Operations and CCM staff are trained in implementing responsible procurement. This team plays an important role in influencing policy development in collaboration with departments across the City Corporation and ensures all aspects concerning social value, environmental sustainability, and ethical sourcing are built in to the all our contracts in a manner consistent with the level and nature of spend.

Policy & Compliance develops and maintains the Corporation's internal procurement regulations, associated guidance and related procurement policies. The team provides guidance and support to the organisation on our Procurement Code, EU/UK procurement regulatory requirements and internal policies. They also monitor in conjunction with Corporate Audit how well the City Corporation is complying with our procurement policies through a variety of compliance checks and reviews providing lessons learned, recommendations, continuous process enhancements and training.

Service Performance Monitoring is critical to achieving Operational Excellence and our suite of control tools track savings, spend, compliance, performance statistics and customer satisfaction surveys inform continuous improvements.

Purchase Cards management oversees our card holder population, policy and systems that drive an efficient and secure alternative to traditional invoicing methods. The team is responsible for ensuring card security and detecting potential fraudulent or mis-use activities.

Appendix C – City Procurement Strategy - Key Projects 2020 Action Plan

Action	Target Date	Strategic Outcome	Responsibility
Brexit Risk Mitigation Plan	December 2019	Sustainable cost assurance is guaranteed for the future.	Commercial Director
Establishment of a Commercial Board	January 2020	Commercialism is instilled throughout the organisation	Commercial Director
Publish a Responsible Procurement Policy	February 2020	Maximise opportunities to leverage progressive and responsible outcomes	Responsible Procurement Manager
<i>Devise category strategies that are adopted and maintained regularly via our procurement category boards</i>	April – December 2020	Commercialism is instilled throughout the organisation	Assistant Director Category Management and Sourcing
Review eTendering, eAuction and eInvoicing technology and specify future requirements maximising automation and robotics	July 2020	Our customer offerings and processes are advanced.	Assistant Director Category Management and Sourcing
Raise organisational awareness and performance/commitment through dedicated Learning and Development	August 2020	Organisational awareness and performance are improved	Commercial Director
Onboard key suppliers to our corporate eInvoicing platform.	December 2020	Our customer offerings and processes are advanced.	Head of Accounts Payable
Enhance our contract and supplier relationship management	Ongoing	Maximise opportunities to leverage progressive and responsible outcomes	Commercial Director
<i>Challenge how to meet need, thinking of utilising the opportunity of technology and supporting communities to meet their own needs where appropriate</i>	Ongoing	Sustainable cost assurance is guaranteed for the future.	Commercial Director
<i>Utilising and developing our networks to improve collaboration, shared service and efficiency opportunities</i>	Ongoing	Organisational awareness and performance are improved	Commercial Director
<i>Commercial negotiation: strategy planning, identifying opportunities for negotiation and further savings by supporting and guiding officers / departments as appropriate</i>	Ongoing	Commercialism is instilled throughout the organisation	Assistant Director Commercial Contract Management



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Committee:	Date:
Procurement Sub Committee	2 December 2019
Finance Committee	10 December 2019
Subject:	Public
Financial Appraisals for Procurement	
Report of:	For Decision
The Chamberlain	
Report author:	
Chris Bell, Commercial Director, Chamberlain's	

Summary

In 2015 Members resolved that the financial standing of companies bidding for all contracts over the Official Journal of the European Union (OJEU) services threshold (currently £181,302) and £400,000 for works should be undertaken to evaluate the risk of supplier failure during the term of a proposed contract. These assessments are undertaken by the Chamberlain's Corporate Treasury team within the Financial Services Division using a standard set of financial criteria.

The financial assessment has proved to be a blunt tool in addressing the risk of contract default; the main impact being to reduce the number of bidders and potentially therefore increase the price contracts are awarded at. Increasingly exceptions to the financial criteria are being made for low risk contracts where it is easy to change suppliers. Since 2015 the ability of the City Corporation to respond to supplier failure through the City Procurement team has increased significantly. Consequently, given this capacity, a change to the process was recommended as part of the Chamberlain's Fundamental Review Recommendations, reducing the level of financial assessment for low risk contracts. The change of process was considered and recommended for approval by the Resource Allocation Sub Committee's awayday and will be considered by Policy and Resources Committee in November 2019.

Members are now asked to consider the implementation of that recommendation. Specifically, Members are being asked to approve that the financial assessment procedure used for suppliers bidding for "low risk" contracts, above the OJEU services and the City Corporation's £400,000 works thresholds, is replaced by sole reliance on credit reference agencies.

For all other procurements, not classified as low risk, the City Corporation's standard financial criteria and assessment methodology will continue to apply.

Recommendations

Members are asked to:

- Note the informal recommendation by Resource Allocation Sub Committee of the Chamberlain's Fundamental Review recommendation for the use of a credit agency to provide financial checks for suppliers rather than in house- appraisal; and to receive a verbal update on whether the proposal has been ratified by Policy and Resources Committee.
- Approve from 1 January 2020 that the financial assessment criteria used for suppliers bidding for "low risk" procurements above the OJEU services and the City's £400,000 works thresholds is replaced by credit rating agency checks.

- Approve change to Part 2 of the Procurement Code and the Financial Appraisal Procedure Guide to include distinction between 'low risk' and 'not low risk'.

Main Report

Background

1. Public sector procurement is regulated by the Public Contracts Regulations 2015 (PCR 2015). In respect of the financial assessment of potential suppliers, Regulation 58 (7-8) of PCR 2015 states that 'with regard to economic and financial standing, contracting authorities may impose requirements ensuring that economic operators possess the necessary economic and financial capacity to perform the contract.'
2. PCR 2015 does not require a financial assessment to be undertaken and does not specify how an assessment should be conducted. It does state that organisations must be transparent when using ratios and the criteria should also be 'objective and non-discriminatory'.
3. In response to the requirements of PCR 2015, Finance Committee Members in July 2015, presented a report to the City Corporation's Finance Committee, approved a recommended methodology for assessing the risk to the City Corporation of supplier failure. This is the methodology used today.
4. Rule 35 of the City of London's Procurement Code 2015 requires all contracts over the Official Journal of the European Union (OJEU) services threshold (currently £181,302) and £400,000 for works should be undertaken to evaluate the risk of supplier failure during the term of a proposed contract
5. The current methodology allows the City Corporation to adjust 'pass thresholds' within certain financial ratios based on risk, the same level of scrutiny is applied irrespective of the impact of supplier failure on the City Corporation.

Current Position

6. The risk to the City Corporation of supplier financial failure has been managed through the current financial appraisal approach. However, the organisational resilience and the capacity to respond to such events has increased since 2015, as the City Procurement function has evolved.
7. In recognition of the ability of the City Procurement team to mobilise, at short notice, alternative suppliers of low risk goods and services with minimal business interruption, officers have identified an opportunity to amend the current financial appraisal methodology and seeks to place sole reliance on credit reference agency checks. This is to ensure that the level of financial scrutiny of potential suppliers is proportionate to the risk to the City Corporation given the mitigations available to manage the risk of supplier failure.
8. A variety of approaches to the economic and financial assessment of suppliers are used in other public bodies. There appear to be some commonalities of process, however, with the majority of those contacted making use of a credit

reference agency score at some point in the financial appraisal process. The results of the benchmarking are detailed in the appendix.

Possible Risks of Using Credit Reference Agency Checks

9. The use of credit reference agency (CRA) checks has been debated widely in public sector. Crown Commercial Service, for example, advise that they should not be used in place of an independent financial assessment. Several issues for consideration include:
 - CRA scores can be volatile as they are based in part on market speculation and reaction to internal and external events.
 - CRA checks as they can be unduly influenced by a small number of payment experiences which may not be representative of the business.
 - The algorithms used by credit agencies are proprietary and therefore it is not possible independently validate their conclusions.
 - Scores may differ based on the credit agency used to perform these checks.

Mitigation for Risks associated with CRAs

10. City Procurement believe that the benefits of open competition outweigh the risks outlined above and the City Procurement team will work closely with Category Boards, Members and the Financial Services Division to mitigate these where possible.
11. In practice this approach will only be adopted for low risk procurements and the use of CRAs does not appear inconsistent with the findings identified from the benchmarking exercise carried out in relation to other public sector procurement practice. CRAs would be used as an indication of financial suitability in the place of a full financial assessment.

Benefits of the use of CRAs

12. Where used, CRAs would allow for an easy and transparent way for bidders to 'self-certify' whether they have a suitable credit score. The expected result is an increased number of bidders benefitting the City Corporation commercially.
13. The use of CRAs would reduce pressure on both the Corporate Treasury Team and City Procurement streamlining the process and reducing the amount of clarifications needed during evaluation.

Recommendation

14. City Procurement propose a revision to the risk-based approach to categorise procurements into one of two categories: low risk and not low risk.

The proposed Enhanced Risk Assessment Framework:

Risk	Assessment
Low	Turnover Check and Credit Reference Agency Score Only
Not Low	Turnover Check and Credit Score Only, or; Full Standard Financial Appraisal Assessment as per the Financial Appraisal Procedure Guidance

15. The 'Low Risk' / 'Not Low Risk' rating would allow flexibility for Category Boards to choose the most appropriate due diligence which is proportionate to what is being purchased taking into consideration market factors and prior lessons learned. The City Corporation, however, will always have recourse to conduct a full financial appraisal if considered necessary. Guidance for setting the risk rating as 'low' or 'not low' is included in the appendix.
16. The risk rating and assessment would be included as part of the PT3/Stage 1 report that is signed off by Category Board/Members after recommendation by City Procurement and the stakeholder department.
17. This report, therefore, recommends an increase in the risk tolerance of the City Corporation to remove a full financial assessment on procurements deemed to be low risk and replace this with a credit reference agency score and turnover check. This report is not recommending a specific supplier or rating agency. The selection of a provider will be reviewed periodically by the Commercial Director in liaison with the City's Corporate Treasurer.
18. Lastly, it is recommended where the City Corporation contracts directly for goods or services with: other local authorities, the Police, Crown Prosecution Service, Greater London Authority, Clinical Commissioning Groups, National Health Service, Her Majesty's Prison Service, Fire Brigade or other public sector bodies no credit checks or financial appraisals are required. Such organisations are not currently subject to detailed financial scrutiny as they are underwritten by Central Government(s) and thus are deemed financially viable.
19. A proposal to use a credit agency to provide financial checks for suppliers rather than the in-house appraisal was submitted as part of the Chamberlain's Fundamental Review recommendations, considered and recommended by Resources Allocation Sub Committee, and ratified at Policy and Resources Committee in November 2019.

Conclusion

20. It is anticipated that removing the financial appraisal requirement from low risk procurement exercises will reduce pressure on both the Corporate Treasury Team and City Procurement, thereby streamlining lower risk procurements and increasing competition in tender exercises. As such, a recommendation to use credit agency checks in place of the in-house financial appraisal was submitted as part of the Chamberlain's Fundamental Review proposal. This paper seeks approval to change the process and enact the recommendation.

Appendix

- Additional Guidance for Financial Appraisals in Procurement

Background Papers

- Chamberlain's Financial Appraisals of Third-Party Entities, 21 July 2015

Chris Bell,

Commercial Director for City Procurement, Chamberlain's Department

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Appendix to Financial Appraisals for Procurement

Financial Appraisal Benchmarking Exercise

In regard to the use of a credit agency checks, of the 18 public sector bodies with information or partial information:

- 13 use a credit agency checks as part of the process
- 1 was identified not to use credit agency checks
- 4 were marked as unsure – the tender documentation was obtained but the wording was ambiguous

Of the 13 public sector bodies that use credit reference agencies:

- 5 appear to use it as the sole means of assessment
- 4 use it as an indication of a passing, but failure on a credit score leads to an in-house assessment
- 3 use it as part of the assessment
- 1 indicated a lack of clarity as to how the credit score fits into the process

Guidance for setting the risk rating with the new approach

Guidance for setting the risk rating would include:

Low:

- Low value and/or the goods/services could be transferred to another supplier with ease or within a short timescale; many alternative suppliers in the market. Impact of failure would cause minimal operational or reputational risk.

Not Low:

- High risk goods/services could be transferred to another supplier with medium difficulty due to a range of supplier in the market
- The goods or services are very complex and could not easily be transferred to another supplier either due to complexity. There are minimum/limited alternative suppliers in the market and would result in a very high cost implication or a loss of critical core services to the City.
- Impact of failure could cause operational or reputational damage.

Prior to implementation of the new system, the Procurement Policy and Compliance Team will work with the Corporate Risk Advisor to develop a risk presentation and matrix to present to Category Boards. This will provide each Category Board with a consistent framework to assess the risk to the organisation of supplier failure in the context of the specific procurement under consideration. The exercise would also help develop category specific risk ratings which could be used as a point of reference when determining the evaluation criteria for other similar procurements.

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Committee(s)	Dated:
Finance Committee – For Information	2/12/19
Subject: Chamberlain’s Department Risk Management – Monthly Report	Public
Report of: Chamberlain	For Information
Report author: 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 is currently one red risks on the Corporate Risk Register within the responsibility of Chamberlain’s Department, there are none on the departmental risk register

- **CR23 – Police Funding (red)**

The Chamberlain’s Senior Leadership Team continues to monitor closely the progress being made to mitigate this risk, working with the City of London Police colleagues.

Recommendation(s)

Members are asked to note the report.

Main Report

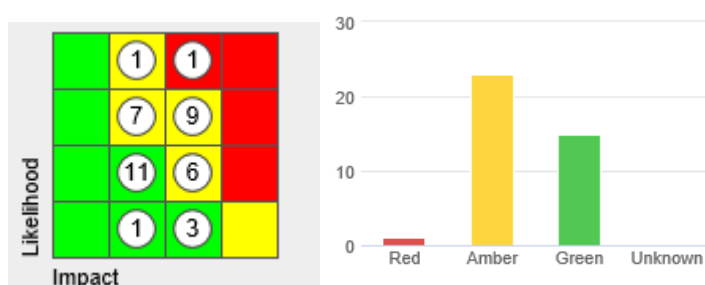
Background

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 2/12/19



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

4. Member and officer discussions are continuing with the Force on the 2020/21 budget and Medium-Term Financial Plan, which will feed into the wider budget planning in January/February.

Conclusion

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

Grace Rawnsley

Chamberlain's Department

T: 020 7332 1315

E: grace.rawnsley@cityoflondon.gov.uk

Committee: Finance Committee	Date: 10 December 2019
Subject: Central Contingencies 2019/20	Public
Report of: Chamberlain	For Information
Report author: 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 20 November 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
Uncommitted Balances	594	594	50	1,238
Requests for contingency allocations	0	0	0	0
Balances pending approval	594	594	50	1,238

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

Julie Smith

Acting Deputy Director

Financial Services

T: 020 7332 1344

E: Julie.Smith@cityoflondon.gov.uk

Committee(s): Finance Committee Corporate Asset Sub (Finance) Committee	Date(s): 10 December 2019 29 January 2020
Subject: FM arrangements for Guildhall events	Public
Report of: Joint report of the Remembrancer, Chamberlain and City Surveyor	For decision
Report author: Paul Double	

Summary

At its meeting on 12 November 2019 the Finance Committee agreed in principle that the current funding arrangements for the maintenance and capital needs of Guildhall's event spaces should be revised, with a view to achieving full transparency for subsidies, costs and allocations.

In light of this, direct and indirect costs of operating the event spaces are to be assessed against charges and set out within a profit and loss trading account.

A facilities event-related business or operating plan for events will be agreed between the Remembrancer's Office, City Surveyor and the Chamberlain, specifying the funding and management arrangements for the Guildhall event spaces. A designated fund is proposed, into which a proportion of the income generated by the venue will be paid, to be directed specifically towards event-related facilities requirements. This will enable investment in improved and up-to-date facilities, allowing a quicker response to new market opportunities, increased income generation and retention of Guildhall's reputation as an iconic venue for holding prestigious national and international events.

The Remembrancer would act as the single Chief Officer responsible for the profit and loss account and joint operating plan.

Recommendation(s)

Members are asked to approve:

1. The creation of a single profit and loss (P&L) account, showing the full direct and indirect costs of events.
2. The setting of charges for commercial events and those subject to a charity discount to exceed the direct and indirect cost of events.
3. The Remembrancer to act as the single Chief Officer responsible for the P&L account and a joint operating plan identifying event-related facilities

requirements and a forward plan for the maintenance of the Guildhall event spaces.

Main Report

Background

1. The maintenance and capital needs of Guildhall's eleven event spaces reflect their primary use for the City Corporation's own purposes, comprising major ceremonial and policy-related events and departmental uses, in addition to commercial lettings and charity lettings and use by organisations with very close City connections. There are four principal current sources of funding:
 - i. Cyclical maintenance requirements, drawn from the 20-year plan, are bid for within the Cyclical Works Programme (CWP), along with other properties within the City Corporation operational portfolio. (The CWP planned spend is £1.5m in 2019/20 for the Guildhall).
 - ii. Any individual works or projects valued over £250,000 or forming a group of related works that, when combined, total over £250,000, form part of the capital projects bid process. Subject to approval and available budget, these are taken through the Gateway stages.
 - iii. Day-to-day maintenance is addressed by Guildhall FM's fixed and reactive budgets (£2.2m in 2019/20 for the whole Guildhall complex).
 - iv. The City Surveyor's Guildhall administration annual budget of £8.645m in 2019/20 covers the whole Guildhall complex.
2. The requirements of the event spaces, which are marketed as premium spaces to Guildhall commercial clients, differ markedly from the rest of the Guildhall complex, the majority of which is made up of office space. When works are undertaken, available budgets cover standard Guildhall complex finishes but not necessarily those expected for heritage buildings or for a prestigious venue let at commercial rates. Without timely maintenance programmes, there is a risk that Guildhall will cease to offer first-class event spaces for commercial and other use. This is reflected in feedback from clients paying to hire Guildhall event spaces. In feedback surveys, a third of users rated Guildhall facilities as only satisfactory or less. This is a markedly less positive outcome than for other aspects of the venue such as the overall venue-client relationship.
3. The City Surveyor has reported that the day-to-day maintenance budget covers the complex as a whole and the event space requirements are not differentiated or ringfenced within this budget. The reactive budget covers mechanical and engineering (M&E) only and does not allow for large-scale reactive fabric repairs, save for small scale works. If the budget is spent elsewhere, it can be difficult to obtain extra funding. The 20-year plan does not cover all the assets and fabric elements of the event spaces. The current situation has resulted in gaps in the ongoing planning and maintenance for the Guildhall event spaces.

4. At present, Guildhall hire charges are reviewed every year in order to reflect both costs and market comparators. However, the exact costs attributable cannot currently be produced because the information is not available. This is because the Guildhall Administration costs are not split up in sufficient detail to capture exact costs attributable to event spaces. Currently these are apportioned (in accordance with a long standing practice) on a percentage basis. The Chamberlain and City Surveyor are now considering other methods to capture the exact costs attributable to the event spaces for the future.

Proposals

Guildhall events P&L account

5. As set out above, charges for paid events are currently set based on an assessment of event-related costs (variable costs) and an apportionment of overheads (fixed costs). There has been a form of P&L account in existence for some time which is reported annually to HWP as part of the annual charging review. This shows total costs attributed to charged-for events and, after income from those events, the contribution (net income) from lettings towards the total cost of running the Guildhall complex. A P&L account based on the current methodology is attached at Appendix 1. However, the Chamberlain now proposes that the charging mechanism be scrutinised prior to the next charging review to ensure that accurate costs are fully reflected in the charges set.

Designated fund

6. The Chamberlain proposes that a forecast of proposed requirements should be drawn up which would be met from the designated fund for the next 3-5 years. The fund may need to meet a higher drawdown in year one to fund any backlog of need, to level out over the following years. It is suggested that the available balance be set at £250k initially, with a top up at the end of each subsequent year to £100k. These two values are illustrative and would need to be supported by a forecast of items needed and how these items are essential in terms of either being necessary to maintain current market share or to grow the business.

Operating plan

7. A facilities event-related operating business plan for the Guildhall event spaces will be developed and agreed by the Remembrancer, Chamberlain and City Surveyor. The plan will detail the funding, management and operating arrangements including the funding sources identified in paragraph 1 of this report and the proposed designated fund. A review of current maintenance plans for the Guildhall event spaces will be undertaken. Expenditure which would need to be met independently of whether or not paid-for events took place in the venue would continue to be met in the usual way through the current funding sources.
8. The operating plan will outline the operating costs and include the cost of labour, FM services, fabric and furniture, AV, IT and administration. The operating plan would detail how FM services will support the event spaces, including operational and marketing strategies. The operating plan will describe how key areas including maintenance, cleaning, catering equipment and security will be delivered.

Single officer responsibility

9. It is proposed that single Chief Officer responsibility for the profit and loss account, designated fund and the operating plan will be held by the Remembrancer. The Remembrancer will oversee the principles and development of the new framework, forecast costs and income, delegated authority for works over a certain amount and the reporting of the profit and loss account to Member committees.

Conclusion

10. The new arrangements will facilitate the event-related proposals submitted as part of the Fundamental Review and provide the basis for a joint Remembrancer and City Surveyor business strategy for the Guildhall event spaces. This will:
 - Align investment in improved facilities for the event spaces with the commercial income obtained from their use;
 - Enable the delivery of a first-class venue, offering flexible spaces and facilities needed to generate increased income and accommodate the City's own ceremonial and policy events;
 - Allow Guildhall to respond quickly to new market opportunities.

Appendices

Appendix 1 Current draft P&L account

Paul Double

City Remembrancer

Appendix 1

Guildhall Lettings Trading Account 2018/19 Outturn

2017-18 Actual			Notes	2018-19 Actual		
REM	SVY	Total		REM	SVY	Total
Dept	Dept			Dept	Dept	
£'000	£'000	£'000		£'000	£'000	£'000
<u>COMMERCIAL EVENTS</u>						
Income from Guildhall Lettings						
1,456	-	1,456	Commercial Rate	1	1,570	- 1,570
378	-	378	Charity Rate	2	474	- 474
456	-	456	City Rate	3	438	- 438
14	-	14	Special Rate	4	11	- 11
2,304	-	2,304	Total income	2,493	-	2,493
Expenditure relating to Guildhall Lettings						
(242)	(68)	(310)	Employees	5	(257)	(70) (327)
-	(455)	(455)	Premises Related	6	-	(453) (453)
(10)	-	(10)	Transport	7	(6)	- (6)
(59)	(3)	(62)	Supplies & Services	8	(46)	- (46)
-	(82)	(82)	Cyclical Works Programme	9	-	(103) (103)
(26)	(27)	(53)	Central Recharges	10	(25)	(24) (49)
(337)	(635)	(972)	Total Expenditure on Guildhall Lettings	(334)	(650)	(984)
1,967	(635)	1,332	COMMERCIAL EVENTS – NET SURPLUS	2,159	(650)	1,509
<u>NON-COMMERCIAL EVENTS (NO CHARGE IS MADE)</u>						
Expenditure on other (non-commercial) events						
(515)	(145)	(660)	Employees	(662)	(180)	(842)
-	(967)	(967)	Premises Related	-	(1,165)	(1,165)
(21)	-	(21)	Transport	(16)	-	(16)
(125)	(6)	(131)	Supplies & Services	(117)	-	(117)
-	(173)	(173)	Cyclical Works Programme	-	(266)	(266)
(54)	(56)	(110)	Central Recharges	(63)	(63)	(126)
(715)	(1,347)	(2,062)	NON-COMMERCIAL - DEFICIT	(858)	(1,674)	(2,532)
<u>COMMERCIAL AND NON-COMMERCIAL EVENTS COMBINED</u>						
1,252	(1,982)	(730)	Net operating cost of Guildhall event rooms	1,301	(2,324)	(1,023)

Notes

- 1) Commercial Rate is set at a market competitive rate which must exceed the amount required to meet Full Cost Recovery (this is the amount needed to meet Event-Related Cost Recovery plus a contribution to fixed costs which are a proportion of other salaries, repairs and maintenance, rates, cleaning, water, insurance, supplies and services etc. as applicable to the function areas).
- 2) Charity Rate is set at a discount of 30% to the Commercial Rate, subject to the resulting charge being set at least equal to the amount required to meet Full Cost Recovery.
- 3) City Rate is the amount required to meet security, cloakroom, function, electrician and plant engineer costs, electricity, heating and ventilating costs, administration and sound engineer costs.
- 4) Special Rate is set at 10% of the Commercial Rate.
- 5) Employee expenditure includes the cost of Remembrancer's staff who organise and run the events and support from the City Surveyor's Functions Team.
- 6) Premises related expenditure includes rates, repairs and maintenance, energy costs and cleaning and domestic supplies.
- 7) Public transport expenditure includes the cost of taxis to/from meetings and events.
- 8) Supplies and services expenditure includes equipment, furniture and materials, clothing, printing and stationery, professional fees, communications and computing and advertising and promotion.
- 9) Cyclical Works Programme expenditure includes the cost of general and specific works to ceremonial areas.
- 10) Central recharges include support services, IS recharge, legal fees and insurances relating to premises, engineering and liability.

Committee: Finance Committee	Date: 10 December 2019
Subject: City's Cash Annual Report and Financial Statements 2018/19 – amended to include a deferred tax liability	Public
Report of: The Chamberlain	For Decision
Report author: Steven Reynolds, Group Accountant	

Summary

The Annual Report and Financial Statements of City's Cash for the year ended 31 March 2019 have been amended to include a deferred tax liability of £14.8m since you last considered them at your meeting on 12 November and are attached at Annex 1 for approval.

At your last meeting, delegated approval was granted to the Chairman and Deputy Chairman to approve City's Cash accounts subject to any observations on those accounts at the forthcoming Audit and Risk Management Committee on 19 November 2019.

Leading up to that meeting, the external auditor, BDO LLP, intended to give an unqualified audit opinion and reported that no material accounting changes were required to the financial statements of either City's Cash or its consolidated subsidiaries. However, on the day of the meeting the external auditor reported that a deferred tax liability of £11.9m (corrected post meeting to £14.8m – paragraph 4 of this report refers) relating to Barking Power Limited (BPL) had been incorrectly omitted from the 2018/19 accounts of both BPL and its parent City's Cash. The deferred tax liability of £14.8m was not included in the draft accounts of BPL, which were submitted to BDO LLP for audit in June 2019. The audit failed to identify the omission, but it was subsequently identified by a separate BDO LLP team providing tax advice to BPL.

The Financial Statements of City's Cash for the year ended 31 March 2019 have since been amended to include this liability and are attached at Annex 1. This adjustment has a net nil impact on the value of City's Cash net assets, which remain unchanged at £2,669.8m as shown in the Consolidated Statement of Financial Position on page 18. A net nil position arises because inclusion of the £14.8m liability is offset by an increase in the value of goodwill as explained in paragraphs 6 to 8 of this report.

The external auditor BDO LLP has submitted a revised Audit Management Report to reflect this adjustment, attached at Annex 2, and intends to give an unqualified audit opinion on the Financial Statements of City's Cash for the year ended 31 March 2019.

Recommendations

The Finance Committee is requested to:

- consider the contents of the revised Audit Management Report issued by BDO LLP (Annex 2);
- approve the amended Annual Report and Financial Statements for City's Cash for the year ended 31 March 2019 (Annex 1); 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

Background

1. The Annual Report and Financial Statements of City's Cash for the year ended 31 March 2019 have been amended to include a deferred tax liability of £14.8m since you last considered them at your meeting on 12 November and are attached at Annex 1 for approval.
2. At your last meeting, delegated approval was granted to the Chairman and Deputy Chairman to approve City's Cash accounts subject to any observations on those accounts at the forthcoming Audit and Risk Management Committee on 19 November 2019.
3. Leading up to that meeting, the external auditor, BDO LLP, intended to give an unqualified audit opinion and reported that no material accounting changes were required to the financial statements of either City's Cash or its consolidated subsidiaries. However, on the day of the meeting the external auditor reported that a deferred tax liability of £11.9m (corrected post meeting to £14.8m – paragraph 4 of this report refers) relating to Barking Power Limited (BPL) had been incorrectly omitted from the 2018/19 accounts of both BPL and its parent City's Cash.

Deferred tax liability of £14.8m

4. The deferred tax liability is recognised, as required under FRS102, offsetting the revaluation gain on the land held by BPL. The carrying value (base cost) of BPL land was £17.3m and was revalued to £122.1m at acquisition, resulting in a gain of £104.8m. The tax liability is calculated using the rate applicable to future profits (17%), applied to the value of the revalued land, less the base cost and indexation relevant to the land. The rate of corporation tax applicable to BPL's future profits is 17%, in accordance with a tax rate of 17% in the Finance Bill 2016, which was enacted on 15 September 2016. Following the Audit and Risk Management Committee, the BDO LLP calculation of the deferred tax liability of £11.9m was reviewed by the City and found to be incorrect. The correct sum is £14.8m, which has since been agreed by BDO LLP.

5. The liability should have been included in the draft accounts of BPL, which were submitted to BDO LLP for audit in June 2019, and then consolidated in the accounts of its parent body City's Cash. The audits of both BPL and City's Cash failed to identify the omission, but it was subsequently identified by a separate BDO LLP team providing tax advice to BPL. The City was first notified of this omission by BDO LLP on 19 November, the day of the Audit and Risk Management Committee.

Impact of including the liability in City's Cash consolidated accounts

6. BPL's accounts are consolidated into those of City's Cash and inclusion of BPL's deferred tax liability of £14.8m has reduced the value of BPL's net assets on acquisition in City's Cash accounts, with a corresponding increase in the value of goodwill, from £24.5m to £39.3m. These values have been updated in the supporting disclosure Note 21 titled 'Business Purchases' on page 46, Annex 1, and the before and after positions are shown in the following table.

Note 21 - Business purchases <i>Amended to recognise the deferred tax liability of £14.8m</i>	BEFORE 2018/19 Fair Value £m	AFTER 2018/19 Fair Value £m	CHANGE 2018/19 Fair Value £m
Land	122.1	122.1	-
Property, plant and equipment	1.6	1.6	-
Debtors	0.3	0.3	-
Cash	0.5	0.5	-
Creditors	(0.5)	(0.5)	-
Provisions for liabilities	(18.0)	(32.8)	(14.8)
Total net assets	106.0	91.2	(14.8)
Goodwill	24.5	39.3	14.8
Total consideration	130.5	130.5	-

7. Inclusion of the liability has not resulted in any changes to City's Cash Consolidated Statement of Comprehensive Income.
8. However, it has changed two lines in the Consolidated Statement of Financial Position (Annex 1, page 18). The first is an increase in 'Intangible assets' of £14.8m to £39.5m, relating to the increase in goodwill. The second change is an increase in 'Provisions for liabilities' of £14.8m to £35.9m, relating to inclusion of the deferred tax liability. Because these two changes net to nil, total net assets remain unchanged in City's Cash Consolidated Statement of Financial Position at £2,669.8m as at 31 March 2019.

When will the tax become payable?

9. If BPL sold the land directly, to an unrelated buyer, then the liability would become payable. However, if the land is transferred to the Corporation prior to BPL being liquidated, the tax cost would not arise. This transfer should be able to be done on a tax-free basis on the assumption that BPL and the Corporation form a chargeable gains group. The City's tax advisor states that they have not validated this assumption formally yet, but given that BPL is a share capital company and the Corporation is the sole shareholder, then he would expect the grouping requirements to be met.
10. If the land was transferred to the Corporation and subsequently found to be unsuitable and had to be sold, no tax arises as the seller would be the Corporation.

BDO Audit Management Report

11. The external auditor BDO LLP has submitted an updated Audit Management Report, attached at Annex 2, to reflect the adjustment to include the deferred tax liability of £14.8m (page 6, third bullet point, and page 15, second to last bullet point, refers) and intends to give an unqualified audit opinion on the Financial Statements of City's Cash for the year ended 31 March 2019.

Approval of the Financial Statements

12. It is recommended that the Finance Committee approve and sign the revised Financial Statements of City's Cash on behalf of the Court of Common Council.

Lessons for the future

13. Following omission of the deferred tax liability from BPL's accounts, the closing process and related working papers have been reviewed at the City to avoid a repetition in the future. In addition, following BDO's first year auditing BPL and City's Cash, several improvements are currently being pursued with our auditor to ensure an efficient and thorough audit in the future.

Annexes

- Annex 1 – Annual Report and Financial Statements of City's Cash (revised)
- Annex 2 – BDO LLP Audit Management Report (revised)

Contact:

Steven Reynolds

Group Accountant

Chamberlain's Department

T: 020 7332 1382

E: steven.reynolds@cityoflondon.gov.uk

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of the Local Government Act 1972.

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

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