

FINANCE COMMITTEE

TUESDAY, 19 MAY 2020

NOT FOR PUBLICATION

By virtue of paragraph 3 of Part I of Schedule 12A of the Local Government Act 1972.

1. **APOLOGIES**
2. **MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA**
3. **MINUTES OF THE PREVIOUS MEETING**
 - a) **Appointments to Sub-Committees**
4. **CENTRAL CONTINGENCIES**
5. **DECISIONS TAKEN UNDER DELEGATED AUTHORITY AND URGENCY PROCEDURES**
6. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
7. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**
8. **EXCLUSION OF THE PUBLIC**
9. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**
10. **BRIEFING 2 - FINANCIAL IMPACT OF COVID 19 ON 2020/21 AS AT MONTH END OF APRIL 2020**

The Committee received a Report of the Chamberlain concerning the impact of Covid-19 on the Corporation's finances in 2020/21 (as at month end of April 2020).

The Chamberlain opened the discussion by underlining the severe damage Covid-19 has inflicted upon the local government sector; with many authorities facing a dire

situation, there is an increasing prospect of multiple Section 114 alerts being issued (banning expenditure on all services, except those that protect vulnerable people).

Turning to the Corporation's finances, the Chamberlain emphasised that tough choices lie ahead. Whilst the monthly deficit at the end of April (circa £5M) was better than anticipated in March (circa £7M), the projected annual deficit of circa £60M - £70M should leave no one in any doubt as to the incredibly challenging times that the Corporation now faces. A Member cautioned that annualising the deficit on the basis of one month's figures could potentially present a overly pessimistic outlook – whilst in the short term, the lockdown would severely limit business activity across multiple sectors, further down the line, as London and the UK emerged from lockdown the economy should see a rebound. The Chairman responded that whilst “we should hope for the best” about a revival in business activity later in this financial year, the damage Covid-19 has caused will be long term.

In terms of the effect on income, whilst firm figures on rental income that took into account both our financial support to tenants and the wider economic fallout on demand was difficult to determine at this moment, the immediate consequences have fallen on the Barbican Centre, the Guildhall School of Music and Drama (GSMD), the Corporation's three fee paying schools, events income at Guildhall and Mansion House, and income from on-street parking. The Chairman added he had been in recent discussions with both the Principal of GSMD and the Managing Director and his executive team at the Barbican, and he was reassured that measures were being put in place to mitigate some of the damage. He emphasised that, whilst the arts institutions specifically, would, over the coming years, have to grapple with the “new normal”, the Corporation should remain steadfast in its support for their sustainability over the long term.

In response to a query about support for tenants, the Chairman responded that the level of support provided to individual tenants was ultimately a judgement call; the Corporation had, throughout the crisis, sought to support its tenants and would continue to do so, with the aims of both protecting livelihoods and ensuring that, when the crisis recedes, “we still have a viable income generating tenant portfolio”. Members were supportive of this position, the Corporation “needed to face commercial realities”, the wider economic impact will be severe and “short term financial pain”, in the form of forgoing rents, will deliver longer term gains.

Turning to cost savings, recruitment had been frozen for all vacant posts not deemed critical and chief officers were holding back on all non-essential spending; in addition, after the almost complete closure of the larger operational buildings, higher than anticipated savings had been generated from reduced demand in areas such as FM, energy costs and supplies.

A Member queried that, given in total these savings made up for, approximately, 20% of the Corporation's current income losses, was there scope to apply more pressure to a) further reduce costs and b) stem income losses. The Chairman reiterated that in terms of costs, circumstance now demanded that the Corporation be bold, Members and officers needed to realise that “we can't tackle this challenge without abandoning sacred cows”; clearly some areas, such as support for vulnerable people, will need to be protected, however, the vast majority of items should be on the table for review. He added that whilst “we should still encourage officers to propose Invest to Save (and similar) projects, it was inevitable that we won't be able to do as many discretionary items as previously”

Turning to further mitigations:

Members were encouraged to hear that the Corporation had taken up all offers of help from central government and would continue to do so.

The Chamberlain confirmed that work continued on refining the new Target Operating Model. In response to the Covid-19 crisis, new processes and ways of working have delivered efficiencies and, where appropriate, these will be permanently incorporated into the TOM.

Whilst the Corporation remained opposed to furloughing, a discussion would take place at the Establishment Committee later in May to look at further options.

The second tranche of the private placement was due later in the year, whilst the potential uses of the first tranche were limited in scope due to commitments to green finance initiatives, there was more flexibility about how the second tranche was used. This will be raised with Members in due course.

The City Surveyor confirmed that, whilst three of the four major projects had received support in principle from Members, the scheduling of works could potentially deliver savings. Options were being drawn up and would be presented to Members in due course.

In summary, despite the significant blow wrought by Covid-19, the Chamberlain was confident that the Corporation's finances (including its cashflow) were stable for the remainder of FY 2020/21. However, the Medium-term outlook was a lot more uncertain; the Resource Allocation Sub-Committee would meet for its away day in July, the fundamental focus of which would be prioritisation. The Chairman added that "we may well need to retrench in some areas in order to sustain our core commitments". The Chamberlain confirmed that a re-budgeting process was being undertaken with a view to submitting a new budget for consideration in the autumn.

Lastly, the Chairman endorsed the Chamberlain's thanks for his team's sterling efforts over the past months; their workload had increased dramatically in response to Covid-19, and as thoughts turned to the wider recovery phase later in the summer, it was clear that the work undertaken at pace throughout the spring to support our business communities across the City, as well as ensuring that the Corporation's own finances were, in the short term, in a good, stable order, was admirable, and would rightly serve as a positive exemplar in the future.

RESOLVED – that the Committee noted the Report.

11. BISHOPSGATE - POLICE STATION, 21 NEW STREET, 6-7 COCK HILL AND 2- 8 VICTORIA AVENUE - FUTURE DISPOSAL AND OPTIONS FOR CONTINUED OCCUPATION BEYOND MARCH 2025

This paper was withdrawn.

The Chairman stressed that the default position must be for programmes to absorb additional costs when they arise.

12. PAY AWARD AT THE MUSEUM OF LONDON

The Committee considered a Report of the Director of the Museum of London concerning the MoL's annual pay award.

The Remembrancer informed Members that it was anticipated that the revision to the MoL Act (so as to amend the approval route for this Report in future years) would be a component of the wider Markets Relocation Bill – the aim was for the Bill to be considered in late 2020 but, given Covid-19, this could well slip into 2021.

RESOLVED – That the Committee endorsed the 2020 pay award for the Museum of London for onward approval by the Court of Common Council, as follows:

- a. Staff who are at or below the scale maximum (or are on spot salaries) will receive a 2.5% consolidated award;
- b. Staff who are marking-time above the scale maximum will receive a nonconsolidated payment equivalent to 2.5% of salary;
- c. Pay system scale points, minima and maxima, will be revalorised by 2.5% to take into account this increase.

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

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

- Rent deferrals for investment property portfolio (City Fund, City's Estate and Bridge House Estates)
- City's Cash and City Fund – appropriation of highway land, BMU (Building Maintenance Unit) oversailing leases and airspace lease – 1 Leadenhall EC3V 1PP
- Triennial Review of Metrics Used in Making Major Property Decisions

14. APPENDICES FOR ITEM 4 - CENTRAL CONTINGENCIES

Non-Public Appendices for ITEM 4 - Central Contingencies

15. 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.

16. 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

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