



Finance Committee

Date: TUESDAY, 19 SEPTEMBER 2023

Time: 12.45 pm

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

Members:

Deputy Henry Colthurst (Chairman)	Catherine McGuinness
Deputy Randall Anderson (Deputy Chairman)	Hugh Selka
George Abrahams	Deputy Andrien Meyers
Deputy Rehana Ameer	Deputy Brian Mooney
Shahnan Bakth	Eamonn Mullally
Brendan Barns	Benjamin Murphy
Emily Benn	Paul Singh
Nicholas Bensted-Smith	Tom Sleigh
Aaron Anthony Jose Hasan	Deputy Sir Michael Snyder
D'Souza	James St John Davis
Alderman Professor Emma	Luis Felipe Tilleria
Edhem	Deputy James Thomson
Alderman Sir Peter Estlin	James Tumbridge
Sophie Anne Fernandes	Mark Wheatley
Steve Goodman OBE	Deputy Philip Woodhouse
Michael Hudson	Deputy Christopher Hayward, Policy and Resources Committee (Ex-Officio Member)
Alderman Robert Hughes-Penney	Deputy Keith Bottomley, Policy and Resources Committee (Ex-Officio Member)
Deputy Elizabeth King	
Paul Martinelli	
Deputy Madush Gupta	

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<https://www.youtube.com/@CityofLondonCorporation/streams>

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Ian Thomas CBE
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 and non-public summary of the meeting held on 18 July 2023.

For Decision
(Pages 7 - 12)

4. **ACTION TRACKER**

Report of the Town Clerk.

For Information
(Pages 13 - 16)

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

Report of the Chamberlain.

(Pages 17 - 18)

6. **PROJECT GOVERNANCE REVIEW – KEY FINDINGS AND PROPOSALS FOR NEW APPROACH**

Report of the Chief Operating Officer

For Decision
(Pages 19 - 42)

7. **ANNUAL TERMS OF REFERENCE REVIEW**

Report of the Town Clerk.

For Discussion
(Pages 43 - 48)

8. **CITY FUND AND PENSION FUNDS STATEMENT OF ACCOUNTS UPDATE**

Report of the Chamberlain.

For Decision
(Pages 49 - 52)

9. **CITY ASSESSMENT CENTRE – PROCUREMENT STAGE 2 AWARD REPORT**

Joint Report of the Executive Director, Department of Community and Children's Services and the Chief Operating Officer.

For Decision
(Pages 53 - 58)

10. **FUNDING FOR EPPING FOREST CRITICAL HEALTH & SAFETY WORKS TO KNOWN DANGEROUS TREES**

Report of the Interim Executive Director, Environment Department.

For Decision
(Pages 59 - 62)

11. **CENTRAL CONTINGENCIES**

Report of the Chamberlain.

For Information
(Pages 63 - 64)

12. **CHAMBERLAIN'S BUSINESS PLAN QUARTER 1 2023/24 UPDATE**

Report of the Chamberlain.

For Information
(Pages 65 - 72)

13. **CITY RE LIMITED – PERFORMANCE MONITORING**

Report of the Chamberlain.

For Information
(Pages 73 - 76)

14. **EMPLOYEE RIGHTS ACT**

Report of the Remembrancer.

For Information
(Pages 77 - 82)

15. **CHAMBERLAIN'S DEPARTMENTAL RISK MANAGEMENT UPDATE**

Report of the Chamberlain.

For Information
(Pages 83 - 84)

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

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

18. **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

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

To agree the non-public minutes of the meeting held on 18 July 2023.

For Decision
(Pages 85 - 86)

20. **CORPORATE SECURITY SERVICES - PROCUREMENT STAGE 1 REPORT**

Report of the City Surveyor.

For Decision
(Pages 87 - 94)

21. **FUNDING FOR OPN REPLACEMENT PROJECT/ MRI HORIZON**

Report of the City Surveyor.

For Decision
(Pages 95 - 106)

22. **RISK MANAGEMENT UPDATE THE CITY OF LONDON CHARITIES POOL
(1021138)**

Report of the Chamberlain.

For Decision
(Pages 107 - 110)

23. **WRITE-OFF OF OUTSTANDING DEBT – FRESH N FRUITY (UK) LTD**

Report of the Chief Operating Officer.

For Decision
(Pages 111 - 114)

24. **COVERING REPORT ON MAJOR PROJECTS – HIGH LEVEL FORECASTS AND CASH FLOW**

Joint Report of the Chamberlain and the Chief Operating Officer.

For Information
(Pages 115 - 116)

25. **PROVISION FOR BAD AND DOUBTFUL DEBTS AT 31ST MARCH 2023**

Report of the Chamberlain.

For Information
(Pages 117 - 122)

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

Report of the Town Clerk.

For Information
(Pages 123 - 126)

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

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

Part 3 - Confidential Agenda

29. **FINANCIAL SERVICES DIVISION RECRUITMENT UPDATE**

Report of the Chamberlain.

For Information

FINANCE COMMITTEE

Tuesday, 18 July 2023

Minutes of the meeting of the Finance Committee held at Guildhall, EC2 on Tuesday, 18 July 2023 at 12.45 pm

Present

Members:

Deputy Henry Colthurst (Chairman)	Alderman Tim Levene
Deputy Randall Anderson (Deputy Chairman)	Paul Martinelli
Shahnan Bakth	Deputy Andrien Meyers
Brendan Barns	Eamonn Mullally
Nicholas Bensted-Smith	Luis Felipe Tilleria
James St John Davis	Deputy James Thomson
Alderman Sir Peter Estlin	James Tumbridge
Steve Goodman OBE	Mark Wheatley
Michael Hudson	
Deputy Elizabeth King	

Officers:

Ian Thomas, CBE	- Town Clerk
Caroline Al-Beyerty	- Chamberlain
Paul Wilkinson	- City Surveyor
Radwan Ahmed	- Chamberlain's Department
Frank Marchione	- Comptroller & City Solicitor's Department
Monica Patel	- Chief Operating Officer's Department
Harinder Thandi	- Chamberlain's Department
Sonia Sharma	- Chamberlain's Department
Genine Whitehorne	- Chief Operating Officer's Department
Mark Paddon	- City of London Police
Ben Dunleavy	- Town Clerk's Department

1. APOLOGIES

Apologies for absence were received from Deputy Christopher Hayward, Alderman Robert Hughes-Penny and Sir Michael Snyder.

Emily Benn, Deputy Madush Gupta, Catherine McGuinness, Benjamin Murphy and Deputy Philip Woodhouse observed the meeting virtually.

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

There were no declarations of interest.

3. **MINUTES OF THE PREVIOUS MEETING**

RESOLVED – That the public minutes and summary of the meeting held on 6 June 2023 be approved as an accurate record subject to the following amendment:

- Correction to the spelling of ‘arising’ in Item 3

Matters arising

The Chairman thanked Members who had volunteered and advised that he had made the following appointments to the Efficiency and Performance Working Party:

- Nick Bensted-Smith
- Steve Goodman
- Michael Hudson
- Aaron D’Souza
- Ben Murphy

The Chairman also suggested that the Working Party should have a quorum of four members.

4. **ACTION TRACKER**

Members received the Committee’s Action Tracker.

The Chamberlain informed Members that the External Auditors for the 20/21 statement of accounts expected to sign these off by 2 August 2023. This would allow for the progression of work on the 21/22 and 22/23 accounts.

5. **FORWARD PLAN**

Members received the Committee’s Forward Plan.

The Chief Strategy Officer informed Members that the Committee would receive reports on the Corporate Plan and the TOM in Autumn 2023.

A Member requested that officers prioritise a timeline for reviewing the status of the bow-wave and update the next meeting.

6. **UPDATE FROM THE OPERATIONAL PROPERTY & PROJECTS SUB-COMMITTEE HELD ON 3 JULY 2023**

Members noted that a paper going to the Court of Common Council meeting on 20 July proposed several changes to the Finance Committee’s terms of reference. The recommendations related to the projects governance, with one proposal being the reconfiguration of the Operational Property & Projects Sub-Committee to form the Projects and Procurement Sub-Committee reporting directly to the Finance Committee which was felt appropriate and removed a double reporting line.

7. **UPDATE ON BUDGET SETTING APPROACH 23/24**

Members received a report of the Chamberlain relative to the budget setting approach for 2023/24.

The Chairman highlighted the briefing meeting to be held with senior Members in December, before the budgets were submitted to the Finance Committee, and suggested that members of the Efficiency and Performance Working Party should be invited to this once the date had been set.

Members noted a developing trend in which departments were overspending more frequently than underspending. At the request of the Chairman, the Chamberlain clarified the processes by which overspends and underspends were handled. Service committees and chief officers were expected to manage within their budgets, but there was scope for conversations on overspends in particular risk areas. Although any change from the decision made by the Policy and Resources Committee was a change in resource allocation, the Chamberlain said that if it was a reasonable request, and the Finance Committee was sympathetic, there were two methods. The budget could be revised, or the Chamberlain could try to accommodate the request in the overall envelope. Some judgements could be made at the revised budget stage. This had not occurred previously as there had mainly been underspends, but the Chamberlain expected to see it happen far more. Some of the risks in budgets would have numbers addressed. There was a contingency budget for inflation.

At the request of a Member, Officers undertook to provide a road map setting out the Corporate Plan timeline alongside the budget timelines.

RESOLVED, that – the report be received and its contents noted.

8. **CAPITAL AND SUPPLEMENTARY REVENUE PROJECT OUTTURN 2022/23 FOR CITY FUND AND CITY'S CASH**

Members received a report of the Chamberlain relative to the capital and supplementary revenue project outturn for 2022/23,

The Chairman informed Members that he had requested for separate reports for each Fund in future in order to ensure better understanding of the different purposes and strains relevant to each Fund.

RESOLVED, that – the report be received and its contents noted.

9. **2022-23 PROVISIONAL OUTTURN**

Members received a report of the Chamberlain relating the provisional outturn for 2022-23.

In response to a question from a Member, the Chamberlain confirmed that she was seeking the Committee's permission to change her delegations regarding deficit carry forward provisions for the three presented departments.

A Member asked if future budget-setting report, particularly in relation to capital spend, could include activity indicators linking spending and delivery. The Chamberlain replied that reporting on capital would be brought to the Committee on a quarterly basis, starting in October. She would welcome Members input as to what indicators they would find useful for the future.

At the request of a Member, officers undertook to provide further information on the variations in the Policy and Resources Committee's budget.

A Member asked the Chamberlain to clarify the responsibilities of service committees for keeping within their budget. In reply, the Chamberlain said Committees received information reports advising progress against budget and were responsible for keeping within budget. Nevertheless, there were concerns whether budget reports contained appropriate information to allow informed decisions on resource prioritisation in the event of over or under spend. The Chamberlain undertook to reflect on the latter point.

Members noted that the variances in the Town Clerk's budget reflected changes resulting from the TOM.

RESOLVED, that – Members:

- Note the provisional outturn for the year ended 31 March 2023.
- Agree to waive the deficit carry forward provision for the Chief Executive and Town Clerk, City Surveyor (£0.4m) and The Executive Director of Community & Childrens Services.
- Note that the overspends incurred respectively by the Remembrancer and City Surveyor totalling £0.044m and £0.219m for recovery from the 2023-24 budget.

10. REVENUE OUTTURN REPORT 22/23

Members received a report of the Chamberlain relative to the revenue outturn for 2022/23.

RESOLVED, that – the report be received and its contents noted.

11. CHAMBERLAIN'S BUSINESS PLAN 2022/23 END OF YEAR UPDATE

Members received a report of the Chamberlain providing an end of year update on the Departmental business plan for 2022/23.

RESOLVED, that – the report be received and its contents noted.

12. CHAMBERLAIN'S DEPARTMENTAL RISK MANAGEMENT UPDATE

Members received a report of the Chamberlain providing an end of year update on the Departmental business plan for 2022/23.

RESOLVED, that – the report be received and its contents noted.

13. DECISIONS TAKEN UNDER DELEGATED AUTHORITY AND URGENCY PROCEDURES

The Committee considered a report of the Deputy Town Clerk relative to decisions taken between meetings.

RESOLVED that, – the report be received and its contents noted.

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

There were no questions.

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

The Chairman informed Members that he and the Deputy Chairman felt it sensible to change the Finance Committee's *ex-officio* positions on other Committees open to the appointment of nominees, with the exception of the Policy and Resources Committee. This change would require a decision of each relevant Committee to change their terms of reference.

The Chairman invited Members to use his office in the Guildhall which he used infrequently.

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.

Item No.	Paragraphs in Schedule 12A
16-24, 26, 27	3
25	1 and 3

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

The non-public minutes of the meeting held on 6 June 2023 were approved as an accurate record.

18. **NON-PUBLIC UPDATE FROM THE OPERATIONAL PROPERTY & PROJECTS SUB-COMMITTEE HELD ON 3 JULY 2023**

There was no update.

19. **NON-PUBLIC ACTION TRACKER**

Members received the non-public section of the Committee's Action Tracker.

20. **PROPOSAL TO TRANSFER THE BARKING REACH SITE FROM BARKING POWER LIMITED TO CITY OF LONDON CORPORATION**

Members received a report of the Chamberlain relative to the Barking Reach Site.

21. **MAJOR PROJECTS - HIGH LEVEL FORECASTS AND CASH FLOW**

Members received a report of the Chamberlain and the Chief Operating Officer relative to the high-level forecasts and cash flow for the City Corporation's major projects.

Members noted the impact of the TOM on the major projects.

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

Members received an oral update from the Town Clerk detailing a non-public decision taken under urgency procedures since the last meeting. The decision related to the extension of a catering contract for the City of London School and the City of London Girls School.

23. 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.

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

The Chairman provided the Committee with an update from the Resource Allocation Sub-Committee Awayday.

The meeting ended at 2.01 pm

Chairman

Contact Officer: Ben Dunleavy ben.dunleavy@cityoflondon.gov.uk

FINANCE COMMITTEE – Action Tracker – September 2023

Items from meeting held 16 May 2023		
ITEM	Action	Officer and target date
9. FINANCE COMMITTEE'S FORWARD PLAN	<ul style="list-style-type: none"> • City's Cash statement of accounts - most likely be presented to the November Committee rather than September. • Members noted that a budget timetable would be circulated to Chairmen after the RASC Away Day. 	<p>Chamberlain – November</p> <p>Director of Financial Services – following RASC Awayday</p>
12. RISK MANAGEMENT UPDATE	<ul style="list-style-type: none"> • CR 35(F) reflects the Police position more accurately than CR 35 which should be amended to remove the Police Transform programme relating to prior years. • Review of the CIL Rates. This is a substantial amount of work, involving a public examination and extensive evidence. On timeframes there are a number of key components: <ul style="list-style-type: none"> ○ Sequencing with the development of the Local Plan. A new viability study to support the Local Plan, which will provide a picture of any potential 'headroom' to be completed mid-Autumn; public examination is anticipated to be in the Autumn 2024 ○ Considering the merits of undertaking a CIL review in advance of the new Infrastructure Levy – or alternatively seeking to partake in the new Levy pilots ○ Resourcing considerations. • The Committee to receive a report on the Markets Co-Location Programme, once the Project Governance Review has concluded. 	<p>Chamberlain</p> <p>Chamberlain - October</p>

FINANCE COMMITTEE – Action Tracker – September 2023

Items from meeting held 18 July 2023		
ITEM	Action	Officer and target date
4. FORWARD PLAN	<ul style="list-style-type: none"> • Add Corporate Plan and TOM reports for autumn meetings • Convert Forward Plan into rolling document 	Chamberlain – September 2023 Chamberlain – September 2023
7. BUDGET SETTING APPROACH	<ul style="list-style-type: none"> • Invite Members of the Efficiency and Performance Working Group to the briefing on the Medium Term Financial Plan in December 2023 • Create timeline overlapping the budget-setting process and the Corporate Strategy planning 	Chamberlain Chamberlain and Chief Strategy Officer
8. CAPITAL AND SUPPLEMENTARY REVENUE PROJECT OUTTURN FOR CITY FUND AND CITY CASH	<ul style="list-style-type: none"> • Provide further information on the £2.3m variance in the P&R budget. 	Chamberlain
15. AOB	<ul style="list-style-type: none"> • Request changes to various Committee terms of references to allow Chairman and Deputy Chairman to appoint representatives where they have <i>ex-officio</i> positions 	Town Clerk – September 2023

Other items		
ITEM	Action	Officer and target date
REVIEW OF THE FINANCIAL REGULATIONS	The next review of the regulations will be undertaken early in 2024, to pick up any further changes required, with the outcome being reported to the Finance Committee in the Spring of 2024. Training in the new Regulations would be offered as part of the Member Development Programme.	Chamberlain – Spring 2024 Chamberlain – Spring 2024

FINANCE COMMITTEE – Action Tracker – September 2023

<p>SERVICE CHARGES</p>	<p>The Chamberlain to look at the budgetary process and balancing charges with the new Executive Director and Housing Finance Team.</p> <p>Lift works - as it was now very unlikely that this work would be done within this financial year, the Chamberlain agreed to look at a revised estimate.</p> <p>The outcome of the Barbican Estate Office Review to be reported back to this Committee in September, in terms of financial regularity and value for money,</p>	<p>Chamberlain</p> <p>Chamberlain</p> <p>Chamberlain - September</p>
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FINANCE COMMITTEE – WORK PROGRAMME 2023-24

	Sept-23	Oct-23	Nov-23	Dec-23	Jan -24	Feb-24	Mar-24	Apr-24	May-24	June-24	July-24
Budget Setting Process & Medium-Term Financial Planning				Autumn Budget Finance Committee's Estimate report	2024/25 Annual Capital Bids	City Fund Budget Report and Medium-Term Financial Strategy City Cash Budget report and Medium-Term Financial Strategy					Update on Budget setting 24/25
Effective Financial Management Arrangements for The City Corporation	High-level Major Projects cashflow - update Provision for Bad and Doubtful Debts City Re update Charities Pool Risk register Epping Forest Critical Health & Safety Works to Known Dangerous Trees Financial Services Division Recruitment Update	High-level Major Projects cashflow – update Capital Projects – Forecasting Draft funding strategy to support Major Projects programmes.	Q2 Budget monitoring High-level Major Projects cashflow – update	High-level Major Projects cashflow – update Capital Projects – Forecasting Update on Use of Interims (Consultants) Update of Finance Regulations -Deep Dive Financial Strategy for Bow-wave of Cyclical Works	Rental Income and Business Rates Update Finance Committee Estimates report. High-level Major Projects cashflow – update	Q3 Budget monitoring High-level Major Projects cashflow – update Irrecoverable Non-Domestic Rates	High-level Major Projects cashflow – update Getting Best Value from our low-value spend - 12 months from April. Outcome of Finance Regulations Review	High-level Major Projects cashflow – update Update of Finance Regulations	High-level Major Projects cashflow – update	High-level Major Projects cashflow – update	Revenue Outturn report 23/24 Provisional Outturn report 23/24 High-level Major Projects cashflow – update
Financial Statements	City Fund and Pension Fund statement of accounts		City's cash financial statements City's Cash trust funds and sundry trust funds annual reports and financial statements								
Finance Committee as a Service Committee	Central Contingencies (quarterly report) Risk Management Update Report Chamberlain's Business plan Q report	Risk Management Update Report Chamberlain's Business plan Q report	Risk Management Update Report	Central Contingencies (Quarterly report) Risk Management Update Report Draft 2024-25 CHB Business Plan	Risk Management Update Report Chamberlain's Business plan Q report	Risk Management Update Report	Central Contingencies (Quarterly report) Risk Management Update Report	Risk Management Update Report Chamberlain's Business plan Q report	Risk Management Update Report	Risk Management Update Report	Risk Management Update Report Central Contingencies (Quarterly report)
Other Departments reports	Project Governance (COO) Update on Procurement (COO) Corporate Security Services – Procurement Stage 1 Report (COO)	MPO Dashboard Reporting (COO) Final TOM report (CS) Procurement Bill/Act (REMS)	MPO Dashboard Reporting (COO) Corporate Plan 2024-29 (CS)	MPO Dashboard Reporting (COO)	MPO Dashboard Reporting (COO)	MPO Dashboard Reporting (COO)	MPO Dashboard Reporting (COO)	MPO Dashboard Reporting (COO)	MPO Dashboard Reporting (COO)	MPO Dashboard Reporting (COO)	MPO Dashboard Reporting (COO)

	<p>City Assessment Centre – Procurement Stage 2 Award (DCCS/COO)</p> <p>Employee Rights Acts(REM)</p> <p>Funding for OPN Replacement Project/ MRI Horizon CS)</p> <p>Write-off of Outstanding Debt – Fresh n Fruity (UK) Ltd (COO)</p> <p>Annual Terms of Reference Review (TC)</p> <p>Report of Decisions Taken (TC)</p>	Membership Projects and Procurement Committee (COO)									
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Agenda Item 6

Committee(s): Operational Property and Projects sub-Committee – For Information Policy and Resources Committee – For decision Finance Committee – For decision	Dated: 03/07/2023 06/07/2023 19/09/2023
Subject: Project Governance Review – key findings and proposals for new approach	Public
Which outcomes in the City Corporation’s Corporate Plan does this proposal aim to impact directly?	1-12 (All)
Does this proposal require extra revenue and/or capital spending?	Y
If so, how much?	£550,000
What is the source of Funding?	Transformation Fund carry-forward
Has this Funding Source been agreed with the Chamberlain’s Department?	Y
Report of: Chief Operating Officer	For Decision
Report author: Genine Whitehorne, Commercial Director and acting Project Governance Director, COO	

Summary

The Project Governance review was commissioned by the Operational Property and Projects sub-Committee (OPPs) and approved by the Policy and Resources Committee in October 2022. The review was a direct response to a commitment by Members to address the persistent issues in relation to lack of proportionality, clarity and understanding of existing policy and processes. The review aimed to assess existing governance arrangements and to recommend a future approach that would support an effective and proportionate governance and assurance framework for the delivery of projects across the Corporation and the institutions. The scope of this review included both corporate projects and major projects focussing on operational management and decision-making at officer level.

This report sets out the findings of the review and the proposal to introduce a portfolio management approach that provides greater assurance to Members regarding the delivery of strategic objectives, allocation of resources and management of strategic risks and issues. This approach is intended to provide cohesive oversight of all Corporation project activity allowing Members with visibility of the performance and associated risks across the entire project portfolio for the first time. This will allow for more effective challenge and scrutiny thereby ensuring project delivery aligns with strategic and investment priorities.

The proposals set out in this report, represent a significant shift in approach for the Corporation. At the heart of the proposals is the recognition of the need to ensure business and operational processes are robust, to enable a shift in Member focus from operational detail to outcomes and strategic oversight in support of the TOM principles and Member/Officer charter. The new approach will enable Members to focus on the most complex activity whilst being assured that effective operational procedures are in place to manage more routine activity. This will result in a reduction in the total number of projects in the Corporation’s portfolio. However,

Members will retain oversight of roughly £2bn or 80% of the total project portfolio value. The proposed changes have been designed to ensure best value through project delivery and to ensure issues of affordability and financial sustainability are considered at the outset of any project. The proposals aim to bring us in line with recognised best practice and to ensure more effective and efficient use of resources including both Officer and Member time.

If approved, the first phase of implementation will focus on establishing strong foundations for developing the portfolio model over time. This includes ensuring the integrity of our data, developing the project management system and, establishing the Enterprise Portfolio Management office. This phase will also include work to map and test proposed operational processes and to undertake the detailed update of the Project Procedure. During this time, Officers will work with colleagues to understand implications for specific areas of the Corporation, such as Investment Property Group, to ensure conversations regarding increased agility in delivery is aligned with the development of the Project Procedure.

The scale of the Corporation's ambition is huge and it is right that we assess our operational practices and policies to ensure they live up to that ambition. If approved, implementing the proposals will require a long-term commitment to continuous improvement and culture change. The proposals include a series of qualitative and quantitative measures to assess impact and to ensure the intended benefits are realised.

The scope of the review was amended, by the Policy and Resources Committee, in March 2023 to include assessment of existing Member governance (i.e. committee structures). The findings and recommendations regarding Member governance are subject to a separate report on the agenda. Whilst the review of Member governance has been carried out independently, it is important that the relationship and interdependencies of the approaches set out across the two reports are understood. The recommendations in this report however are agnostic of Member governance arrangements.

Members are asked to note that it is intended to make use of the Town Clerk's transformation fund to implement the proposed changes and to meet the first year's operating costs. This has been approved, in principle, by Officers but is subject to the Chamberlain's further engagement with the Chairman and Deputy Chairman of the Policy and Resources Committee.

Recommendation(s)

Members are asked to:

Note

- the findings of the externally-led Project Governance Review set out in this report and in Appendix 1.
- proposals for the creation of an Enterprise Portfolio Management Office as part of an integrated Commercial, Change and Portfolio Delivery directorate and the subsequent merger of the existing Commercial Director role with the

Project Governance Director role, which has been covered by the Commercial Director since the TOM changes (01/04/2022).

Policy and Resources Committee are asked to endorse the following recommendations for onward approval by the Court of Common Council:

- Approve option 4B of this report for the development of a portfolio management framework including the new definition of projects and programmes (as set out in paragraph 19).
- Note the current Project Procedure will be retained for a period of 3-6 months whilst detailed design work is undertaken and the final version of the new Project Procedure will be presented to Members for decision.
- Delegate authority to the Town Clerk, in consultation with the Chairman and Deputy Chairman of Policy and Resources, to amend the current project procedure to incorporate the temporary measures previously approved by the Operational Property and Projects sub-Committee, namely delegation to (approved and trained) Officers to approve project-related decisions up to £1m for corporate projects and to descope routine procurements from the Project Procedure
- Note the implementation plan set out in Appendix 3.

Finance Committee are asked to agree the following recommendations:

- Authorise the Chamberlain to amend the Financial Scheme of Delegation and Finance Regulations, as necessary to implement the recommendations contained in this report once approved.

Main Report

Background

1. The Corporation has an ambitious portfolio of projects and programmes to deliver to achieve its strategic objectives. Effective project governance has an important role to play to ensure planned activity delivers the intended benefits, represents best value and supports effective financial controls.
2. The Corporation's approach to project and programme management has evolved over time, with the governance last reviewed in 2018. Since then, there have been a number of special arrangements put in place. These include the Investment Property Group (IPG) expedited process, the CLS schools' pilot, and the regular maintenance process. However, the definition of what constitutes a corporate project has remained fairly broad, and therefore continues to include non-project activity such as procurement and other low value activity that should be considered as business as usual. Conversely, it does not include resource or change projects which do not involve capital funding but are nonetheless of strategic importance, scale or complexity.
3. The Operational Property and Projects sub-committee was constituted in May 2022 as a result of the Governance review. This new sub-committee took on the remit of three (previously separate) committees. With very low project thresholds (£50k for capital projects), it was recognised that the sub-committee would not be able to manage the volume of business presented at each meeting or to provide meaningful scrutiny in a way which adds value and, as such, a temporary delegation to Chief Officers of £1m was agreed subject to them completing appropriate training. At this time there were 340 live projects on the corporate project management system.
4. Major Projects, defined as projects over £100m in total value, are governed by a separate sub-Committee, the Capital Buildings Board. These projects are not subject to the Project Procedure, sit outside of the gateway process and are supported by a dedicated Major Projects Office (MPMO), part of the Project Governance directorate. Major projects are, by definition, high value and complex programmes that carry significant project delivery and reputational risks if not effectively managed. There are currently three major projects in delivery (Museum of London enabling works, Salisbury Square Development and, the Markets Co-location Programme) and a potential further two major projects in development (Barbican Renewal and the Guildhall Masterplan).
5. Given the importance of ensuring effective project delivery, it was therefore considered essential to carry out a comprehensive review in order to recommend a new industry standard/best practice approach.

Current Position

Approach to the review:

6. The review was split into distinct phases:

Phase	Timeframe	Area of focus
Phase 1	Dec 22 – Feb 23	Independent external review and validation of internal observations
Phase 2	Mar 23 – May 23	Design of new approach based on recommendations from Phase 1

7. Please note the timelines above differ from those set out in the original report to OPPs and P&R in late 2022 due to a delay with the commissioning process, capacity issues within the Project Governance division and the change to the terms of reference scope and the subsequent need to align formal reporting to Members with the independent work on Member governance.
8. In order to manage capacity whilst the review was underway, OPPs approved temporary changes including; a temporary delegation of £1m to trained¹ Chief Officers and nominated directors; descoping of routine procurements and, the continuation of the interim leadership arrangements for the Project Governance division.

Findings of the review:

9. RedQuadrant (RQ), a consultancy company, was commissioned to undertake the review in order to ensure objectivity, to draw on industry standards and identify best practice from other comparable organisations. The review included desktop analysis of relevant Corporation policies, review of project reports, key documentation, project system and risk register supported by 121s and workshops with key officers from across the Corporation and a survey focussed on skills and capability.
10. RedQuadrant's summative report is provided in full as Appendix 1. A summary of their findings is set out in the table below. Please note that much of the narrative set out in the table below has been taken verbatim from their report.

RQ findings	How this affects COL effective project delivery
Low thresholds	Inefficient and often includes operational business as usual activity
Unsuitable definition of a 'project'	The existing definition of a 'project' as anything that results in 'tangible physical deliverables' suffers from being simultaneously too wide (since e.g., procurement activities end up defined as 'projects') and too narrow (since resource based or change projects do not meet this definition of 'project')
A fragmented portfolio	There is no central location which oversees all projects within the City or that allocates effort and resources according to Corporation priorities. Project proposals which don't meet the existing definition of 'project' may

¹ officers were required to complete specially commissioned Senior Responsible Officer (SRO) training in order to make use of the delegation.

	thereby go unfunded or underfunded (despite meeting Corporation priorities). Alternatively, they may end up funded piecemeal without oversight, which risks accumulating hard-to-track expenditures for projects that do not meet Corporation priorities.
Lack of clarity on project roles and responsibilities	Across the Corporation, there is an inconsistency in how key project roles are established, as well as a lack of understanding regarding the purpose of such roles.
Assurance/risk management	The greater the proportion of decisions put to the Committee, the greater the proportion of Committee time spent on operational issues and approving minor expenses. This in turn severely decreases the amount of time available to focus on the kind of strategic issues and oversight of risks.
Budget allocation and drawdown	Delegation to Project Managers is minimal. They must seek Committee approval to access (already approved) project budgets, even for low-value sums. They cannot move project funding across workstreams, within the same project, without seeking Committee approval first. Project Managers experience these restrictions as disabling, as a barrier to effective and agile management of operational risks. The status quo frustrates Project Managers even as it exhausts the Committee.
Strategy and vision	There are inadequate or inconsistent processes in place for project selection, prioritisation, and resource allocation. There is an overly broad definition of 'project' and no clear and consistent framework for ensuring that there is distinction between programmes and projects, and that these are systematically prioritised to deliver the greatest benefits against strategic objectives
Governance and oversight	Governance responsibilities are disproportionately placed with Members rather than Officers. The limited delegation to Officers, coupled with a lack of clarity on project roles and responsibilities, has led to projects requiring additional oversight to compensate. This is a vicious cycle, which leaves Officers without the necessary powers, and Members without the necessary time, to do their respective jobs effectively.
Management and capability	The Corporation requires a deeper understanding of best practices for project and programme management, and to develop capability and skills particularly in the latter. This lack of consistency in the way that projects are managed, as well as to limited or unclear processes for project and programme governance, risk and assurance and benefits management is further exacerbating the issues identified.

11. These findings were not unexpected and validated the decision by OPPs to undertake a review into existing arrangements. The findings built on observations set out in a number of previous reviews including:
 - The review of Corporation governance undertaken by Lord Lisvane recommendations
 - Internal audit reviews - a series of reviews carried out across 2021 and 2022 by Internal Audit to examine the adequacy and effectiveness of governance arrangements in place across the City Corporation's portfolio of Major Programmes
 - Maturity assessment carried out by the Chief Operating Officer in September 2021 and validated by the assessment of the acting Project Governance Director in May 2022.

12. Other significant issues that have been identified by officers involved in project delivery include:
 - Ambiguity regarding governance in early stages for potential major projects with limited established governance for feasibility and business case development.
 - Focus on capital delivery with limited view of wider project outcomes and interdependencies
 - Concerns regarding resourcing of projects, insufficient capacity included as part of project initiation process.

13. A recurring issue that has arisen during conversations with both officers and Members, is the insufficient assessment of required capacity as part of the project initiation process including, not only, dedicated project delivery resources but capacity required from key corporate services such as finance, procurement and legal services. A strengthened focus on business case development will help to address this issue.

Response to the review:

14. It is clear that the Corporation's current approach is inadequate and does not live up to the scale of Members' ambitions. As a leader of industry and a public sector body, it is important that our operations and business practices are fit for purpose and deliver best value. Issues regarding organisational project management capability and capacity have also been identified as key risk on the Corporation's risk register (CR33). It is important that these issues are now addressed and not allowed to persist.

15. The remainder of this report will set out the recommended approach, and investment required, to deliver an effective portfolio management approach across the Corporation. Whilst we have needed to undertake comprehensive design work to turn the RedQuadrant recommendations into a proposed model, we have also taken the opportunity to implement immediate changes to maximise quick wins and to create testbeds for more fundamental changes. This proactive approach has already begun to deliver benefits and has ensured that no momentum has been lost following the review stage. The improvements implemented include:

- The development of a Senior Responsible Officer (SRO) agreement document based on central government standards. This has been prototyped with the appointment, by Members, of the Chief Operating Officer as the Markets Co-location Programme SRO
- The introduction of a monthly major programmes dashboard reported to Capital Buildings Board (and on a quarterly basis to Policy & Resources Committee)
- Closer working between the Corporate PMO and the MPMO to build greater resilience across the now combined teams
- Additional training for MPMO analysts on Portfolio, Programme and Project Management (P3O).
- The appointment of a Future Police Estate Portfolio Manager to begin developing a strategic portfolio that brings together all the critical projects and programmes across COL and COLP that are central to the successful delivery of new police accommodation
- The commencement of the Chamberlain's finance transformation programme with a specific focus on improving the capital finance processes and decoupling project governance from financial controls

Options

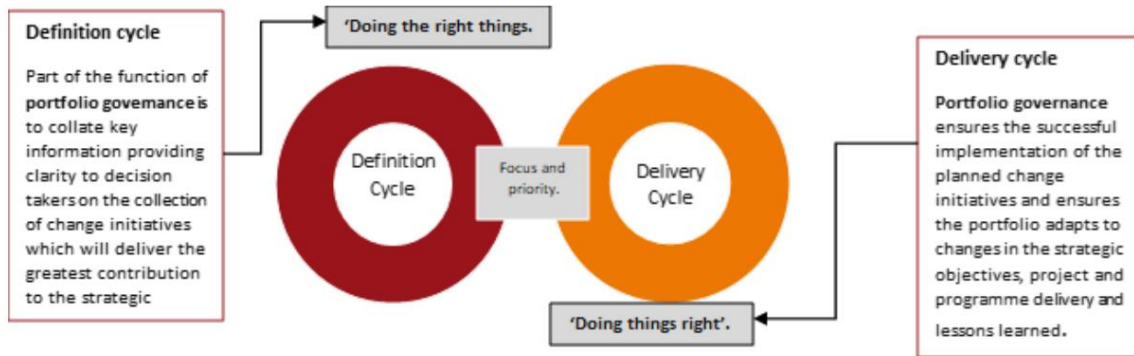
16. *Option 1 - Do nothing* – the Corporation could continue with the status quo and accept the limitations and risks this presents. This option requires no additional investment. **Not recommended.**
17. *Option 2 - Limited review of the Project Procedure* – the Corporation could update the Project Procedure in order to review current thresholds to bring greater proportionality to the existing approach. This would address a limited number of issues identified in the review but not introduce a portfolio management approach. Significant risks regarding strategic alignment of investment with priorities, lack of capacity and capability to deliver projects, fragmented oversight of the total portfolio and, a lack of strategic focus for Member oversight would continue. Limited additional capacity may be required to deliver this option given that the lack of resilience across the PMOs would continue. **Not recommended.**
18. *Option 3 - Limited review of the Project Procedure and increase in capacity in the PMO/MPMO* - This option builds on the previous one by attempting to increase the capacity and resilience in the PMO combined team. This would require some investment to right-size the team but would not address the issues regarding the fragmentation of the portfolio and the lack of coherent governance for major projects whilst in the early stages of feasibility. It would not address issues regarding assurance, Member strategic oversight or the alignment of investment with priorities. **Not recommended.**
19. *Option 4 - Adopt a portfolio management approach* - agree and implement the model set out in Appendix 2. This option would deliver significant improvements and provide greater assurance regarding the Corporation's ability to deliver its priorities. This option requires both short-term investment to support implementation and long-term investment to increase capacity and capability

across the Corporation. **This option is recommended** and further options are provided below regarding the level of investment required.

- Option 4A – deliver the proposed changes (as set out in Appendix 2) within existing resources and limit ambitions to get to 'better' (highest level of maturity against the IPA model) in only three of the seven themes. This would not require additional capacity to deliver but would significantly impact the ability to deliver the changes at pace. It is likely that the timeline set out in the implementation plan would need to be adjusted to at least a five year timeline. External resources would still be required to support the system developments and the refresh of the PMA Academy, therefore this option includes an investment of c. £65,000 plus ongoing operational costs.
- Option 4B - deliver the proposed changes (as set out in Appendix 2) and engage interim project support to implement the changes. This would establish strong foundations and significant changes in year one and deliver sustainable improvements over a further two-year period. This requires additional capacity to deliver, and it is proposed to engage an interim project manager and PMO analyst for a period of 6 months to support the programme and ensure continued alignment with work in the Chamberlain's department. An outline implementation plan has been included as Appendix 3. This approach includes additional anticipated costs of £160,000. **This option is recommended.**

Proposals for the adoption of option 4

20. RedQuadrant recommended a comprehensive overhaul of the Corporation approach. At the core of the recommendations is the implementation of a Portfolio Management Framework, which consists of two portfolio management cycles: portfolio definition (structures and functions) and portfolio delivery (good governance for project and programme delivery). This Framework can be applied to the totality of the Corporation's portfolio including both capital and revenue projects of any size.
21. The framework can be described using two phrases:
 - **'Doing the right things'** – alignment with strategic objectives, allocation of resources in line with investment priorities and, management of benefits to deliver intended outcomes
 - **'Doing things right'** – effective governance and project management framework ensuring excellence in delivery



22. There are two major forms of change being proposed for the current projects ecosystem:
- Changes to supporting structures and functions: The introduction of a Portfolio Board, repositioning of existing resources to establish an Enterprise Portfolio Management Office, EPMO, (fully resourced), and clarification of roles and responsibilities across different stages of project delivery.
 - Procedural changes: Changes to processes related to finance and risk management, definition, categorisation, tiering, reporting, roles and responsibilities, toolkits with standardised templates such as updated Business Cases based on industry best practice, systems, and a new gateway assurance process.
23. The proposals set out in this report have been developed to support Elected Members in their role as strategic leaders by providing greater assurance regarding the policies, processes and procedures that will underpin effective project delivery. The proposals also bring a renewed focus on developing the internal capabilities within the Corporation to provide Members with confidence in the ability of officers to deliver successfully.
24. It is important to note that a Portfolio Management Framework is more than the adoption of a new delivery standard. It is a total transformation that requires a change in culture, mindset, and processes across the organisation. Whilst the proposal to adopt a portfolio management framework is considered to be the right direction of travel for the organisation, it is essential to recognise the substantial gaps that need to be addressed before embarking on this journey fully. The proposed approach to change management is set out in Appendix 5 of this report.
25. A detailed account of the proposed model is set out in Appendix 2. A summary of the key proposals is provided below.

Definition

26. We will establish a clear definition of a project, programme and, portfolio and how these differ from business as usual operational activity. The proposed definitions are in line with industry standards:

	<i>What is it?</i>	<i>How is it managed?</i>
Project	<i>A series of tasks which need to be completed to achieve a</i>	<i>Project management uses processes, methods and</i>

	<i>specific outcome, requiring a set of inputs and outputs to reach a particular goal. (A project isn't something that is part of normal business operations (BAU))</i>	<i>training, together with knowledge and skills of the project manager and team, to coordinate and deliver the required outputs</i>
Programme	<i>Programmes are a group of related and interdependent projects and change management activities that will deliver beneficial change</i>	<i>Programme management involves managing interdependencies across projects, prioritising and budgeting, and ensuring resource capacity and capability across the programme.</i>
Portfolio	<i>The aggregation of projects and programmes within an organisation aligned to strategic priorities</i>	<i>Portfolio management includes the selection, prioritisation and control of projects and programmes which are aligned with the organisation's strategy and objectives.</i>
Business As Usual (BAU)	<i>Activity that is part of normal day-to-day operations and all activity with a total value of less than £250k</i>	<i>Operational management is the management of those activities that create the core services or products provided by an organisation.</i>

Thresholds

27. It is proposed to set a minimum threshold of £250k for corporate projects. This is in line with existing thresholds for ring-fenced funding. This will mean activity below this value will usually be managed through operational management processes in line with the financial scheme of delegation. However, it is important to note that the proposals move away from tiering projects on value alone and therefore some activity below £250k may be subject to project governance dependent on the outcome of the tiering process.

28. All projects will be assessed against three different tiering categories; tier 3 – routine projects, tier 2 - strategic and, tier 1 - complex projects. The proposed financial thresholds will be supported by an assessment of risk and complexity in order to agree the final tiering of each project. A summary of the key factors that will be used to assess the tiering of each project is provided in the following table:

Routine	<ul style="list-style-type: none"> ✓ Low value (£250k-£2m) ✓ Aligns to strategic outcomes ✓ Clearly defined delivery approach ✓ Requires little innovation ✓ Minimal impact on people
Strategic	<ul style="list-style-type: none"> ✓ Mid value (£2m-£20m)

	<ul style="list-style-type: none"> ✓ Contributes to strategic outcomes ✓ Some uncertainty exists ✓ Requires some technical innovation ✓ Moderate impact on people
Complex	<ul style="list-style-type: none"> ✓ high value (£20m+) ✓ delivers strategic outcomes ✓ complex to deliver ✓ high levels of uncertainty ✓ requires new or innovative practice ✓ significant impact on people

29. It is recognised that major capital infrastructure projects (likely to be in excess of £100m total project value), may require focussed scrutiny, strategic oversight of project delivery and, alternative methods of financing. Therefore, it is proposed to create a sub-set of tier 1 projects, referred to here as tier 0. The project and programme management requirements, as well as criteria for tiering, remain the same as the rest of the tier 1 (complex) projects, however, governance arrangements may differ, particularly if special purpose vehicles are developed.

Portfolio Board

30. Introduce a Town Clerk-led Portfolio Board to provide collective Chief Officer responsibility of the corporate portfolio and to act as an effective gateway for member governance. This would require the increase of the level of officer delegations from the £1m temporary delegation to £5m for trained tier 1 SROs and the Town Clerk. This proposal would be supported by a robust assurance framework that ensures risks are effectively managed and that projects are escalated to Members through the early identification of potential performance issues. The Portfolio Board will be supported by a sub-group led by the Chamberlain focussed on co-ordinating affordability considerations, financial risk considerations, assessing impact on the Medium Term Financial Plan and advising on prioritisation in order to ensure financial sustainability.

PPM framework

31. Introduce clear requirements for all project and programme management activity including defined project roles and required project documentation. This would be driven by the proposed Centre of Excellence and underpinned through a comprehensive learning and development offer.

Refreshed Project Management Academy (PMA)

32. The findings of the capability survey (please see Appendix 5) found that whilst we have strengths in project management capability this is not distributed across the Corporation and we lack capabilities in programme and portfolio management. Therefore, it is proposed to update the PMA to address these areas and to identify priority learners to complete training. This would include a mandatory induction for anyone involved in project delivery including consultants and interims.

Introduce an Enterprise Portfolio Management Office (EPMO)

33. Establish a professional and well-resourced team to support the development of the portfolio management approach, to provide challenge and assurance to

support effective project delivery, to set the standards for PPM throughout the Corporation and, to provide leadership of the wider PPM community. See paragraphs 42-50 for more detail.

What would this mean for the Corporation’s project portfolio?

34. There are currently 355 projects on the corporate project system. Following an initial review, it is estimated that roughly 50% of these projects should be reviewed further as they are nearing closure or have been inactive for a significant period of time, and therefore should be closed and any remaining resources reallocated. It is important to note that this assessment has been undertaken by the PMO and may differ from the recommendations of individual project managers. This is due, in part, to the fact that services are not incentivised to close projects that have stalled, and, in the absence of a robust portfolio assurance framework, these projects have been allowed to drift. Therefore, it is anticipated that once we have implemented an effective portfolio management framework, supported by a well-resourced EPMO, challenge sessions can be held to review those projects that have been dormant for a significant period of time. This has the potential to reduce the size of our future corporate portfolio to around 200 projects (including the existing major programmes and future business change projects).
35. Under the new proposals activity under £250k will largely be descoped from project governance. There are currently 45 projects under this threshold. These ‘projects’ include activity such as:
- Installation of car park and other signage at the Barbican
 - Refurbishment of the Guildhall Art Gallery cloakroom and toilets
 - Installation of water drinking foundations
36. In addition routine procurement activity (such as the leasing of 16 new Steinway pianos for Guildhall School of Music and Drama) is also currently subject to the Project Procedure. It is considered that the types of activity listed above is low risk and best managed through procurement governance at service level supported by robust operational procedures.

Breakdown of future portfolio:

37. Removing low value and BAU activity, leaves a potential corporate portfolio with a total value of c. £1bn plus the existing major programmes and the pipeline of transformation projects (yet to be identified).
38. The breakdown of the remaining portfolio is provided below. Please note that the validation of data held in the system and reconciliation with Oracle will be a priority for the first phase of implementation.

Tier	No. of projects	Total value (m)	Examples of projects in tier
Tier 3 - routine	61	£53.63	- Guildhall Event Chairs

			<ul style="list-style-type: none"> - Tower Hill coach and car park LED lighting - Windows and Common Parts Redecorations Programme - Windsor House
Tier 2 - strategic	54	£385.4	<ul style="list-style-type: none"> - GSMD/Barbican heating, cooling and ventilation - Blackfriars bridge parapet replacement and repainting - Candlewick House, 116-126, Cannon Street, EC4 (IPG)
Tier 1 – Complex	8*	£602.3*	<ul style="list-style-type: none"> - Refurbishment of Electra House, 84 Moorgate, EC2 Bridge House Estates (IPG) - York Way Estate Housing Delivery Programme

*The figures provided in this table, exclude the major programmes. With the addition of the major programmes, tier 1 increases to 11 live projects (with 2 in the pipeline), with a total value of c. £2.1bn. Under the proposed model, Members will have direct visibility and strategic oversight of that £2.1bn which represents roughly 80% of the overall corporate portfolio value.

39. The new approach will bring about a cohesive view of the Corporation's total project portfolio aligned around strategic priorities. This should remove the risks associated with the existing fragmented portfolio and remove any ambiguity regarding appropriate project governance. It will also create clear and measurable pathways from ideation through to delivery and, drive an enhanced focus on business case development ensuring focus on strategic alignment and prioritisation.
40. Currently, corporate projects are split into nominal tiers that determines the extent of the required project documentation. All projects have to go to committee for consideration regardless of the value (though there is currently some streamlining for light/regular projects which means gateways 3, 4 and 5 may be expedited). Complex/regular projects over £5m have to go to Court of Common Council for approval. There currently is little proportionality built into the governance framework and strategic priorities risk being lost amidst the sheer volume of member reporting.
41. The proposed approach will result in all tier 1 projects being subject to Member-level governance, with challenge and scrutiny of lower tiers being led by officers and escalated to Members by exception.

What will this mean in practice?

42. The following statements have been developed to illustrate what the intended outcomes are for different stakeholders. These statements will be used to develop the qualitative measures for assessing the success of our transformed approach:

	We...
Elected Members	<ul style="list-style-type: none"> • Are able to focus on strategic priorities and provide oversight for the most complex projects/programmes • Have visibility across the entire corporate project portfolio and understand the impact of this activity • Are confident that we have the appropriate capacity and capability to deliver the ambitions of the Corporation • Are confident that any potential issues or risks will be picked up by the corporate assurance framework and brought to Members with potential solutions identified
Chief Officers	<ul style="list-style-type: none"> • Support Elected Members to provide strategic oversight and challenge across the Corporation's portfolio • Empower and enable capable team members to do their jobs well • Challenge each other to ensure investment aligns with priorities across departmental boundaries • Proactively manage risks and identify solutions to emerging challenges
Staff	<ul style="list-style-type: none"> • Are clear of our responsibilities in relation to managing projects and programmes • Are trusted to use our skills and experiences to do our jobs well • Have access to the tools, guidance, support and training needed to do our jobs • Understand the Corporation's governance processes and feel that the organisation's procedures make it easier to get things done
Public/ residents	<ul style="list-style-type: none"> • Are confident the Corporation's project activity is well managed and represents value for money • Have visibility of the impact of public spending
Internal and external audit	<ul style="list-style-type: none"> • Are able to take assurance from the work of the EPMO • Can rely on the consistent application of agreed and robust governance arrangements for delivery of projects • Have access to appropriate metrics to identify exceptions/poor compliance/potential project failure enabling targeted audit work to be initiated.

Organisational structure

43. As aforementioned, the Corporation's project governance processes are currently supported by two separate Project Management Offices that were brought together in May 2022 as a result of the TOM.

- The Corporate Project Management Office (PMO) – responsible for the Project Procedure (aka gateway process), chairing the Corporate Projects Board and, supporting projects through the corporate governance and in to OPPs. This team is made up of two full-time equivalents (FTE) and is responsible for facilitating the successful delivery of 355 projects.

- The Major Projects Management Office (MPMO) – responsible for supporting the major projects portfolio (c. £1.5bn total value). This team supports the Capital Buildings Board and provides project support to all programmes. This team is made up of three FTE.

Current PMO and MPMO responsibilities

44. Due to the limited capacity within the teams, the primary focus of both teams is supporting project/programme leads to navigate the Corporation’s governance and ensuring quality of reports presented to Members. There is also a significant amount of time dedicated to helping projects to engage with the capital finance process and to unblock payment issues.

45. The profile of time spent now and what it should look like in the future is set out in the table below:

Activity	Corporate PMO % time spent	MPMO % time spent	Future (EPMO) % time spent
Payments and invoicing	5	30	5
Project admin	5	20	5
Governance	75	15	10
Risk management	5	10	35
Progress reporting	10	25	10
Project assurance	0	0	35

A new integrated Commercial, Change and Portfolio Delivery division

46. Since April 2022 the Commercial Director has also fulfilled the role of acting Project Governance Director following the exit of the former Project Governance Director through the TOM process. This arrangement has helped identify and confirm benefits of integrating the two teams for the long-term and the teams will now be merged as an officer-level reorganisation to realise significant synergies between the function and responsibilities of the two service areas:

- The proposed changes to the Project Procedure (through the clearer definition of BAU), will result in less activity through project governance that will instead be picked up and managed through procurement governance.
- Integration provides greater assurance against the risk of activity being descoped from projects and not being picked up by procurement governance.
- The challenges faced by the two current teams in terms of developing more customer-focussed enabling functions are similar and many of the key stakeholders are shared.
- An integrated model represents better value for money as there is the opportunity to share a single director role and resources in areas such as data and analytics. There is also the potential to bring a far greater focus on understanding and communicating the impact of the Corporation’s investments in a more radical and transformative way.

- The integrated service is better placed to articulate, champion and measure societal and environmental impact across contractual and project-related investments.

Developing the portfolio management office

47. Best practice suggests that for a portfolio of circa 200 projects, 10-12 posts would be needed to properly administer and support this and the cost should represent roughly 3-5% of total financial investment. The proposed approach seeks to develop best value by integrating two existing divisions in order to share resource wherever possible.
48. Within the new model, the team will be working as the professional leaders of portfolio, programme and project management providing guidance, challenge and assurance to enable excellence in project management. The new Enterprise Portfolio Management Office (EPMO) will include the following functions:
- Developing a Centre of Excellence – a central hub setting the professional standards, capability, guidance, tools and templates for the Corporation
 - Portfolio management – reporting, risk management, assurance checks
 - PMO – project delivery support, project governance
 - Benefits realisation – social value, benefits management
49. It is anticipated that the establishment for the new Division can be contained within the cost envelope available through existing local risk provision and project related funding on central risk. If this approach is supported by Members, detailed design of the structure will be progressed. Consultation with staff will be carried out as appropriate and if necessary, approval for specific roles will be sought from the Corporate Services Committee in line with corporate policies.
50. In addition to the core team, it is proposed to develop a resource pool of professional project managers that can be deployed to support corporate priorities. Instances when it may be appropriate to draw on resources from the corporate pool may be when departments who do not regularly undertake projects require support to move from ideation to delivery or where, through the assurance framework, it is identified that there are significant issues with an existing project and additional capacity and/or corporate intervention is recommended as a solution.
51. The project managers in the resource pool will also be responsible for supporting the development of internal capabilities by taking on coaching roles and delivering learning opportunities. It is proposed to test this model for the first 18 months with three Corporate Project Managers to establish the working practices, develop criteria for deployment and to understand the potential return on investment in order to develop the business case for the longer-term development of the pool. The cost of the resource pool for one year is estimated to be £225,000 based on three grade F posts including oncosts.

Approach to implementation

Benchmarking our maturity

52. We have undertaken an assessment of our portfolio maturity against the government project delivery professional standard. The Corporation scores as ‘in development’, the lowest level of maturity across all seven themes set out in the standard. The proposals set out in this report (and the associated appendices), are designed to ensure we progress against all elements of the standard. It is important to acknowledge that the implementation plan set out is designed to develop sustainable improvements. Therefore, this is a long-term plan based on a comprehensive redesign supported by incremental and continual improvement. Our progress against the maturity model will be regularly monitored to ensure the intended benefits are delivered.

53. The graph below illustrates Corporation maturity now and maps out plans for development over the next three years.



54. As shown in the table, the priority areas of focus, for year one (set out in the attached implementation plan), are: governance and project delivery; leadership and capability and; programme and project management. The overall aim is to get to best in class across all themes by the end of year three which is considered an appropriate maturity level to reach given the size and scope of our activity.

Standard Theme	Now	12 months	24 months	36 months
Governance and project delivery	In development	Better	Best	Best

Leadership and capability	In development	Better	Best	Best
Portfolio management	In development	Good	Better	Best
Programme and project management	In development	Better	Best	Best
Planning and control	In development	Good	Better	Best
Finance and commercial	In development	Good	Better	Best
Solution delivery	In development	Good	Better	Best

Phased implementation

55. It is proposed to take a phased approach to implementation with phase one changes aiming to go live in Jan 2024. The priorities for the first phase include:
- Data integrity and validation (cleansing of data held in the project system and reconciliation with Oracle)
 - Upgrade of project management system
 - Establishment of EPMO and internal reorganisation
 - Detailed design and business process mapping
 - Updates to the Project Procedure
 - Updates to associated policies and procedures
 - Health checks on tier 1 projects
 - Transition of tier 1 projects to new model

Further details are included in Appendix 3.

56. In order to manage priorities whilst these changes are being implemented it is proposed to make permanent, the temporary measures approved previously by OPPs, namely the delegation to (approved and trained) Officers to approve project-related decisions up to £1m for corporate projects and to descope routine procurements from the Project Procedure. It is proposed to seek delegation to officers to make tactical changes to the Procedure to improve decision making in the interim.

Investment required

57. The creation of the new division can be achieved within budgets that already exist on central and local risk. The intention is to combine these budgets and use the that to fund the new structure. However, as set out in the implementation options, in order to deliver the scale and pace of change needed, a one-off investment of £225k is required. Additionally, it is recommended that a corporate project management resource pool is developed to provide professional corporate support and intervention where required. This is proposed as a more cost effective model in comparison to

interim resources where day rates are likely to be high (£700 per day and above). The internal resource pool will also better support the development of internal knowledge and capabilities.

58. A summary of the investment required as a result of the proposals set out in this paper is provided below:

Investment	Cost	Type
Portfolio management implementation plan	£225k	One-off
Sub-total	£225k	
Establishment of the new Commercial, Change and Portfolio Delivery division – core budget	No additional investment required	Ongoing
Corporate project management resource pool	£225k	Ongoing
Annual operating budget (includes licenses, training, system maintenance)	£100k	Ongoing
Sub-total	325k	
GRAND TOTAL	£550k	

Managing the change

59. Effective change management will be key to ensure that the changes set out in this report are achieved. This is a corporate wide change and whilst it will be led by the COO department, it is important that all parts of the Corporation buy-in to the changes and develop a sense of ownership of these proposals. The benefits set out will improve the working experiences for all Corporation staff including those in our institutions and should help to make it easier to navigate corporate governance and processes.

60. The proposals include the strengthening and formalising of existing networks who will take a lead role in continuing to refine the proposals and implementing them. The key networks will include:

- Project and Programme Management Community of Practice – a virtual network of all officers across the Corporation involved in the delivery of projects and programmes. The network will provide a forum to share best practice, to seek peer support, to disseminate information and share learning opportunities.
- Change Champions - a network of change agents from across the Corporation sharing best practice, knowledge and learning.

61. Appendix 5 provides a summary of the intended change management approach.

Measuring our success

62. Assessment of progress against the project delivery standard (as set out in paragraphs 53-54) will be used to measure improvements and to assess whether the Corporation is developing at the pace required. The qualitative outcome statements (set out in paragraph 42) will also be used in order to measure the impact of change on particular stakeholder groups. In addition the existing Project Governance division business plan identifies the following targets which we will aim to achieve in the first phase of the implementation plan (Q4 23/24).

#	KPI	Current Performance	Direction of Travel/ Target
1	Programme health check carried out on all major projects	New measure	100%
2	Named SRO on all major projects and high value corporate projects	New measure	100%
3	% of SROs who have completed SRO training	New measure	100%
4	% of dedicated PMs who have completed requisite training	New measure	tbc

Key data

63. The Corporation has a project portfolio of over £2bn. This is currently split into corporate and major projects with limited oversight over the impact and delivery of the entire portfolio. There are 355 corporate projects, three major projects and two additional pipeline projects. No coherent corporate governance exists to manage business change activity and therefore it is unknown how many strategic transformation projects are taking place or the quantum of investment in this type of activity.

Corporate & Strategic Implications

64. Strategic implications – The Corporation’s strategic priorities are achieved through the successful delivery of corporate and major projects. The proposals set out will provide assurance of the Corporation’s approach and ensure alignment with strategic priorities.
65. Financial implications – The proposals set out in this report will help to greater assurance regarding the value for money of project delivery. The strengthening of the approach to the development of business cases and introduction of greater rigour in regard to project forecasting will inform considerations regarding the affordability of the capital programme. Moving to industry standards and evidencing increased

corporation maturity in portfolio management, will be important to support any alternative means of financing including the set-up of special purpose vehicles or joint ventures.

66. Resource implications – the proposals set out will require a focus on training and development for everyone involved in delivering projects across the Corporation. Proposals for the development of the Project Management Academy are set out in Appendix 2 and the approach to staff engagement is set out in Appendix 5. The proposals for the integration of the Commercial and Project Governance divisions will be managed in line with corporate HR policies and will include engagement with all affected individuals. It is not anticipated that the integration of the two teams will lead to any adverse implications for staff members. An equalities impact assessment will be conducted on the proposals for the new structure.
67. Legal implications – none.
68. Risk implications – the approach set out in this paper is intended to support a more effective and consistent approach to risk management across all projects. The proposals are underpinned by the development of a robust assurance framework aligned to the internal audit approach. The proposals set out also seek to directly address the existing corporate risk - CR33.
69. Equalities implications – An initial equality analysis test of relevance has been undertaken and has shown no negative implications associated with the proposals set out in this report. The proposals are intended to ensure that consideration of equalities implications are embedded in our project and programme management approach and all new guidance and templates will be developed in consultation with the Equalities team.
70. Climate implications – none.
71. Security implications – none.

Conclusion

72. Our current approach puts our ambition at risk. The Corporation has a generational opportunity to make a real and lasting difference in the Capital and beyond, but this requires us to think differently and to invest in developing the professionalism and capabilities needed to deliver.

Appendices

- Appendix 1 – RedQuadrant summative report
- Appendix 2 – outline project governance framework
- Appendix 3 – proposed implementation plan
- Appendix 4 – RedQuadrant capability survey finding
- Appendix 5 – approach to change management

- Appendix 6 – case studies highlighting challenges with existing governance approach

Background Papers

[Project Governance Review OPPs \(cityoflondon.gov.uk\)](http://cityoflondon.gov.uk)

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Committee(s): Finance Committee	Dated: 19 September 2023
Subject: Annual Review of Terms of Reference	Public
Which outcomes in the City Corporation’s Corporate Plan does this proposal aim to impact directly?	3, 8, 10
Does this proposal require extra revenue and/or capital spending?	N/A
If so, how much?	
What is the source of Funding?	
Has this Funding Source been agreed with the Chamberlain’s Department?	
Report of: Town Clerk	
Report author: Ben Dunleavy – Governance and Member Services Officer	For Discussion

Summary

As part of the implementation of the 2021 Governance Review, it was agreed that the cycle and process of annually reviewing the Terms of Reference of all Committees/Boards should be revised, to provide more time for Committees to consider and discuss changes before they are submitted to the Policy and Resources Committee.

This will enable any proposed changes to be considered at the Policy and Resources Committee in March 2023, in time for the re-appointment of Committees by the Court of Common Council in April.

Following an independent review of member-related project governance, the Court of Common Council agreed in July 2023 to amend the terms of reference of the Finance Committee, giving the Committee responsibility for the projects procedure and establishing a new Projects and Procurement Sub-Committee, reporting to the Finance Committee only.

Recommendations: Members are asked to:

1. Note the revised terms of reference of the Finance Committee (**Appendix 1**);
2. Consider any further changes to the terms of reference, for onward submission to the Policy and Resources Committee and the Court of Common Council;
3. Consider whether any change is required to the frequency of the Board’s meetings.

Ben Dunleavy

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Finance Committee

Terms of Reference

To be responsible for:-

Finance

- (a) Ensuring effective arrangements are made for the proper administration of the City Corporation's financial affairs;
- (b) making recommendations to the Court of Common Council in respect of:-
 - (i) the audited accounts, the Annual Budget and to recommend the non-domestic rate and Council Tax to be levied and to present the capital programme and make recommendations as to its financing;
 - (ii) the appointment of the Chamberlain;
- (c) considering the annual budget of several committees, to ascertain that they are within the resources allocated, are applied to the policies for which those resources were allocated and represent value for money in the achievement of those policies;
- (d) determining annually with the Resource Allocation Sub-Committee, the appropriate performance return bench marks for the City's Estates;
- (e) obtaining value for money in all of the City of London Corporation's activities, contracts, and in the City of London Police;
- (f) monitoring performance against individual Departmental Business Plans and bringing about improvements in performance;
- (g) the effective and sustainable management of the City of London's operational assets, to help deliver strategic priorities and service needs;
- (h) overseeing the City of London Corporation's approved list of contractors and consultants;
- (i) dealing with requests for allowances, expenses, insurance, business travel, treasure trove and Trophy Tax;
- (j) providing strategic oversight and performance management of all grant giving activity by the Corporation, other than for the Bridge House Estates.
- (k) strategies and initiatives in relation to energy;
- (l) except for those matters reserved to the Court of Common Council or which are the responsibility of another Committee, the Committee will be responsible for all aspects of the City of London Charities Pool (1021138) day-to-day management and administration of the charity. The Committee may exercise any available powers on behalf of the City Corporation as trustee under delegated authority from the Court of Common Council as the body responsible for exercising the powers of the City Corporation as trustee. This includes, but is not limited to, ensuring effective operational arrangements are in place for the proper administration of the charity, and to support expedient and efficient delivery of the charity's objects and activities in accordance with the charity's annual budget, strategy and policies
- (m) [the projects procedure, including scrutiny and oversight of the management of projects and programmes of work delivered in accordance with this.](#)

Sub-Committees

- (n) appointing such Sub-Committees as are considered necessary for the better performance of its duties including the following areas:-

Efficiency & Performance Working Party

The Efficiency & Performance Sub Committee (now Working Party) was created in 2011 to scrutinise plans for efficiency and performance across all of the City Corporation's departments and the City of London Police. It supports officers to drive value for money in areas such as third-party contracts, budgeting and facilities/asset management, and promotes effective planning - both on a departmental basis and for the Corporation as a whole.

~~Operational Property and Projects and Procurement (joint with Policy & Resources Committee)~~

~~The Operational Property and Projects Sub Committee is responsible for the effective and sustainable management and strategic plans for the City of London Corporation's operational property portfolio; this includes the monitoring of capital projects, acquisitions and disposals, and the upkeep, maintenance and, where appropriate, furnishing for operational properties (including the Guildhall Complex). In addition, the Sub Committee is responsible for strategies, performance, and monitoring initiatives in relation to energy usage, and for monitoring and advising on bids for Heritage Lottery funding.~~

This Sub-Committee provides dedicated scrutiny for all City Corporation and City of London Police procurement contracts as prescribed in the Procurement Code above £2m, with a view to driving value for money.

It also provides dedicated scrutiny for all City Corporation and City of London Police Projects as prescribed by the Projects Procedure.

Operational Property and Projects and Procurement Sub-Committee

Composition

- the Chairman and Deputy Chairman of the Finance Committee or their nominees
- the Chairman and a Deputy or Vice Chairman of the Policy and Resources Committee
- Four Members appointed by the Policy and Resources Committee
- Four Members appointed by the Finance Committee
- Up to two Members to be co-opted by the Sub-Committee from the Court of Common Council with relevant experience.

Terms of Reference

To be responsible for:-

Projects

- a) Overseeing the total portfolio of projects overseen by the Chief Executive's Portfolio Management Board and receiving regular high level dashboard reports on their progress, identifying notable risks and proposed mitigations;
- b) Making proposals to the Resource Allocation Sub-Committee/the Policy and Resources Committee for projects to be included in the capital/supplementary revenue programme;
- c) Determining how political oversight of relevant Tier 1 and Tier 2 projects can best be achieved where several committees are stakeholders on the proposed project and when projects in excess of £100 million require Policy & Resources Committee oversight;
- d) Reviewing the City Corporation's project management processes, development of project management skills and expertise and the systematic embedding of commercial approaches that share investment and risk.

Procurement

- e) To scrutinise and be responsible for value for money on all City of London Corporation and City of London Police procurement contracts above thresholds stipulated within the City of London Corporation's Procurement Code (total contract value) at key stages, including initial tender strategy to final contract award sign off.
- f) To consider and recommend all procurement contracts above thresholds stipulated within the City of London Corporation's Procurement Code to the Finance Committee.
- g) To invite representative(s) from the relevant Spend Committee to attend meetings ensuring decisions are made corporately.
- h) To provide officers with advice focussed specifically on value for money, and consider lessons learned when major contracts are coming to an end (i.e. before the (re)tender process begins).
- i) To review and consider approvals of £4m waivers for the Chamberlain's department contracts.
- j) To work with the Finance Committee to review and to monitor performance against the Chamberlain's Departmental Business Plan and related corporate initiatives in order to promote value for money and ensure compliance with the UK Public Contract Regulations and the Corporation's Procurement Code.

Corporate Assets

- ~~k) To be responsible for the effective and sustainable management of the City of London Corporation's operational property portfolio, to help deliver strategic priorities and service needs, including;
 - ~~i. agreeing the Corporate Asset Management Strategy;~~
 - ~~ii. responsibility for reviewing and providing strategic oversight of the Corporation's Asset Management practices and activities and advising Service Committees accordingly;~~
 - ~~iii. responsibility for reviewing and providing strategic oversight of the Corporation's Facilities Management practices and activities and advising Service Committees accordingly;~~
 - ~~iv. To maintain a comprehensive Property Database and Asset Register of information which can be used in the decision-making process;~~
 - ~~v. In line with Standing Orders 53 (Asset Management Plans) and 56 (Disposal of Surplus Properties) and the duties set out within legislation, including the Localism Act 2011 and the Housing and Planning Act 2016, to monitor the effective and efficient use of all operational property assets;~~
 - ~~vi. Oversight of the management of operational leases with third parties, occupation by suppliers and those granted accommodation as benefits-in-kind; and~~
 - ~~vii. In accordance with Standing Orders 57 and 58, the Sub-Committee can make disposals of properties which are not suitable to be retained as investment property assets.~~~~
- ~~l) In accordance with thresholds stipulated within Standing Orders 55, 56 and 57, the Sub-Committee can approve acquisitions and disposal of operational properties which are not suitable to be re-use or to be retained as investment property assets.~~
- ~~m) The power to commission from Service Committees periodic management information on asset management performance including, where relevant:
 - ~~i. third party agreements, income, rent arrears (including HRA)~~
 - ~~ii. efficiency of operational assets including vacant space and utilisation in accordance with SO 55.~~~~
- ~~n) To be responsible for the upkeep, maintenance and, where appropriate, furnishing for operational properties (including the Guildhall Complex) which do not fall within the remit of another Service Committee;~~
- ~~o) To monitor major capital projects relating to operational assets to provide assurance about value for money, accordance with service needs and compliance with strategic plans;~~
- ~~p) To recommend to the joint meeting of the Resource Allocation Sub-Committee and the Efficiency and Performance Sub-Committee the annual programme of repairs and maintenance works (including surveys, conservation management plans, hydrology assessments and heritage landscapes) planned to commence the following financial year, and to monitor progress in these works (when not included within the Project procedure);~~
- ~~q) To be responsible for strategies, performance and monitoring initiatives in relation to energy;~~
- ~~r) To monitor and advise on bids for Heritage Lottery funding; and~~
- ~~s) To provide strategic oversight for security issues across the Corporation's operational property estate; with the objectives of managing security risk; encouraging consistent best practice across the Estate; and, in conjunction with the Corporate Services Committee, fostering a culture of Members and officers taking their responsibilities to keeping themselves and the buildings they occupy secure.~~

Agenda Item 8

Committee(s): Audit and Risk Management Committee – For decision Finance Committee – For decision	Dated: 11/09/2023 19/09/2023
Subject: City Fund and Pension Funds Statement of Accounts Update	Public
Which outcomes in the City Corporation’s Corporate Plan does this proposal aim to impact directly?	N/A
Does this proposal require extra revenue and/or capital spending?	N
If so, how much?	N/A
What is the source of Funding?	N/A
Has this Funding Source been agreed with the Chamberlain’s Department?	N/A
Report of: The Chamberlain	For Decision
Report author: Daniel Peattie, Assistant Director – Strategic Finance	

Summary

This report provides an update on the audit of the 2020/21 and 2021/22 Statement of Accounts, and the publication and audit of the 2022/23 Statement of Accounts.

Recommendation(s)

The **Audit and Risk Management Committee** is asked to:

- **Note** the progress made on the 2020/21 Statement of Accounts.
- **Consider** the Audit Progress Report 2021/22 as set out in Appendix 2.
- **Note** the responses from Management as per Appendix 3 and Appendix 4.
- **Authorise** to the Chamberlain, in consultation with the Chairman and Deputy Chairman of the Audit and Risk Management Committee, to approve any significant changes to the 2021/22 Statement of Accounts that may be necessary prior to the issuance of the audit opinion by Grant Thornton (GT), expected by the end of September 2023.

The **Finance Committee** is asked to:

- **Note** the progress made on the 2020/21 accounts.
- **Consider** the Audit Progress Report 2021/22 as set out in Appendix 2.
- **Note** the responses from Management as per Appendix 3 and Appendix 4.
- **Authorise** the Chamberlain, in consultation with the Chairman and Deputy Chairman of the Finance Committee, to approve any significant changes to the 2021/22 Statement of Accounts that may be necessary before the issuance of the audit opinion by GT, expected by the end of September 2023.

Main Report

Background

2020/21 Accounts

1. The 2020/21 City Fund and Pension Fund accounts were presented to the Audit and Risk Management Committee in November 2021 and subsequently to the Finance Committee in December 2021 for approval. Similar to previous years, while some matters remained unresolved, the audit was largely complete. As a result, authority was delegated to the Chamberlain, in consultation with the Finance Committee Chairman and Deputy Chairman, for final sign-off.
2. This process experienced delays due to a late audit issue relating to a disclosure note supporting the cashflow statement, as well as a national technical accounting concern regarding infrastructure asset accounting. This technical issue was resolved with the release of temporary variations to the accounting code by CIPFA in January 2023.

2021/22 Accounts

3. The audit of the draft 2021/22 accounts commenced in November 2022. However, revisions to the accounts were necessary in February 2023 to address the technical matter concerning the accounting for infrastructure assets referenced above. The draft 2021/22 accounts are set out in Appendix 1.
4. During the Audit and Risk Management Committee meeting in March 2023, Grant Thornton reported a substantial number of outstanding items that were preventing the completion of the 2021/22 audit. This included the completion of the audit for the 2020/21 accounts by previous auditors BDO.
5. Subsequent to that meeting, another national audit issue emerged regarding the impact of the latest triennial valuation of the pension fund on the City Corporation's pension fund liabilities. This was in contrast to the 'rollover' method used in producing the City Corporation's draft 2021/22 accounts.
6. Separately, the auditors also raised concerns about the appropriateness of the accounting treatment for lease premia (£176.9m).

2022/23 Accounts

7. The City Corporation released its draft accounts for the 2022/23 financial year on July 12, 2023, which can be accessed [here](#).

Current Position

2020/21 Accounts

8. Currently no outstanding queries remain regarding the 2020/21 accounts. The Statement of Accounts is undergoing final external audit checks before the issuance of an audit opinion, expected in mid-September from BDO.

2021/22 Accounts

9. Significant progress has been achieved since the last update to the Audit and Risk Management Committee in March 2023. Out of the 973 samples selected for the

2021/22 audit, 872 have now been cleared by the auditors, representing a completion rate of 90%.

10. The City Corporation has also commissioned and received updated actuarial reports to assess the impact of the triennial valuation on the City Corporation's pension fund liability. This assessment indicates a £37.8m change in the value reported on the balance sheet. Due to the value of the movement, the accounts will need to be restated. A working paper demonstrating the impact and the areas of the accounts that will be affected have been shared with the auditors. External audit procedures are currently underway to validate this conclusion using underlying data.
11. Updated actuarial reports for the Pension Fund itself have been commissioned and are expected imminently. This will enable the conclusion of the review in this area.
12. The issue regarding the accounting for lease premia has been largely resolved and the approach taken by the City Corporation agreed with, the auditors are in the final stages of their work in this area.
13. With the majority of the work on the 2021/22 audit now completed and the 2020/21 audit opinion expected in the coming weeks, it is anticipated that Grant Thornton will be able to issue their audit opinion on the 2021/22 accounts by the end of September 2023.
14. The Audit and Risk Management Committee as well as the Finance Committee are requested to grant authority to the Chamberlain, in consultation with the Chairman and Deputy Chairman of their respective Committees, for the approval of any significant changes to the 2021/22 Statement of Accounts prior to the issuance of Grant Thornton's audit opinion. A Member briefing session will be arranged prior to the end of September to consider Grant Thornton's final report and provide an opportunity for the scrutiny of the financial statements in more detail. The outcome from this meeting will be included in the delegation approval process.

2022/23 Accounts

15. The audit of the 2022/23 accounts is set to commence in September 2023. Grant Thornton's work plan for this audit of the City Fund and Pension Fund Accounts for 2022/23 is presented as a separate agenda item for the Audit and Risk Management Committee meeting on 11th September 2023.
16. Grant Thornton will present the findings from their work on the 2022/23 audit to the Audit and Risk Management Committee on November 6, 2023.

Corporate & Strategic Implications

17. Strategic implications – There are no specific links to the Corporate Plan. However, the accounts assist the City Corporation in maintaining a clear and transparent dialogue regarding its activities with residents and other stakeholders.

Conclusion

18. At present, there are no remaining queries regarding the 2020/21 accounts. The external audit is conducting final reviews of the Statement of Accounts, and an audit opinion is projected to be issued by BDO around mid-September.

19. The 2021/22 audit has now reached a substantial completion. It is expected that Grant Thornton will be in a position to provide their audit opinion on the 2021/22 accounts by the end of September 2023.

Appendices

- Appendix 1 – Draft Statement of Accounts 2021-22
- Appendix 2 – Audit Progress Report 2021-22
- Appendix 3 – City Corporation City Fund Responses of Management 2021-22
- Appendix 4 – City Corporation Pension Fund Responses of Management 2021-22

Background Papers

Audit and Risk Management Committee – Tuesday 30th November 2021 – Item 4: City Fund and Pension Fund Statement of Accounts 2020-21

Finance Committee – Tuesday 7th December 2021 – Item 9: 2020-21 City Fund and Pension Fund Statement of Accounts

Finance Committee – Tuesday 25th January 2022 – Item 15a: City Fund Accounts

Finance Committee – Tuesday 20th September 2022 – Item 7: 2020-21 City Fund and Pension Fund Statement of Accounts – Delegation of Approval

Audit and Risk Management Committee – Tuesday 22nd November 2022 – Item 6: 2020-21 City Fund and Pension Fund Statement of Accounts Approval

Audit and Risk Management Committee – Monday 16th January 2023 – Item 9: City Fund Audit Progress report and sector update

Audit and Risk Management Committee – Monday 13th March 2023 – Item 7: Auditor's Annual Report on the City of London Corporation: City Fund

Audit and Risk Management Committee – Monday 13th March 2023 – Item 15a: Audit Progress Report

Audit and Risk Management Committee – Monday 13th March 2023 – Item 15b: Audit Findings Report: Pension Fund

Daniel Peattie

Assistant Director – Strategic Finance

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Agenda Item 9

Committees:	Dates:
Finance Committee - For Decision Community & Children's Services Committee – For Information Only	19/09/2023 14/09/2023
Subject: City Assessment Centre – Procurement Stage 2 Award Report	Public (Appendix 1 – Non-Public)
Which outcomes in the City Corporation’s Corporate Plan does this proposal aim to impact directly?	Contribute to a flourishing society: outcomes 1, 2, 3 and 4
Does this proposal require extra revenue? and/or capital spending?	No
If so, how much?	N/A
What is the source of Funding?	DCCS Local Risk
Has this Funding Source been agreed with the Chamberlain’s Department?	N/A
Report of: Judith Finlay – Executive Director, Department of Community and Children’s Services Genine Whitehorne – Commercial Director, Chief Operating Officer	For Decision
Report authors: Mohammad Mostafa, Category Manager, City Procurement, Corporate Services John Barker, Commissioning Manager, Homelessness & Rough Sleeping	

Summary

Following a one-stage open tender procurement process, Thames Reach has been identified as the preferred agency to provide accommodation management and support at the City of London Rough Sleeper Assessment Centre.

Recommendation

Members are asked to:

- Approve the award of the contract to Thames Reach for a period of three years, from January 2024 at a value of £1,485,000, (plus the potential to extend for a further two years, at a total value of £2,475,000).
- Delegate the authority for the decision to extend the contract to the Department of Community and Children’s Services (DCCS) Category Board.

Main Report

Background/Current Contract

1. On 20 July 2022, the Stage One Procurement Strategy Report for the City of London Rough Sleeper Assessment Centre was presented and approved by the Operational Property and Projects Sub-Committee.
2. The service will form a key part of the accommodation pathway for those sleeping rough in the City of London and is integral to the City's commitment to ensure that anyone sleeping rough within the Square Mile is offered a credible route off the streets in line with their strengths, needs and entitlements. This will include supporting the effective operation of the wider accommodation pathway and complementary commissioned services, engaging and building strong relationships with the wider community (businesses, churches, local residents), maintaining effective partnerships with voluntary and statutory sector services that also have a role to play in supporting or working with service users, and maximising available accommodation opportunities.
3. The initial timeline outlined in the Stage One report was put back, primarily due to the accommodation refurbishment program being delayed as a result of supply-line inflation and the resulting need to re-evaluate refurbishment contract tenders. The refurbishment of the building and the procurement of the support service provider are running in tandem.

Agreed Scope/Objectives

4. The service will provide a safe, accessible space for people sleeping rough in the City of London so that their needs can be assessed and met whilst working on establishing a rapid route away from street homelessness. For many, who will not have a connection to the City of London, this will include reconnection to their local areas. The fundamental aim of the service is to identify a credible and sustainable route off the streets and encourage and support each service user to work with the service to take up the resettlement offer that is being made.

Procurement

5. A 'market warming' event was held on 6 June 2022. This was followed by a further presentation to market providers on 16 March 2023. This event served to refresh provider interest in the upcoming tender opportunity, update them on the most recent plans and status of the concurrent refurbishment works to the host building. The event attracted eight providers.
6. The tender for this service went live on 6 April 2023. A site visit for potential providers took place on 28 April 2023 and clarifications on the tender were invited up until 5 May 2023, with 48 clarifications received and responded to. The tender closed at 5pm on 19 May. The Capital E-Sourcing Portal used for this tender ensured that it was available to all relevant market providers. The tender was also advertised on the Government's Find a Tender portal.

Four bids were received from market providers. These were evaluated on prequalification criteria, technical response including a face-to-face presentation, responsible procurement, and value for money (See Appendix 1).

7. The full evaluation and moderation of all aspects of this tender has resulted in Thames Reach being chosen as the preferred provider for this service.

Opening the Scheme

8. Next Steps

With the refurbishment of the building currently underway and targeted for handover in December 2023, the timeline for this project is as follows:

Provisional contract award notification	20 September 2023
10-day standstill	20 th September – 29 September
Expected contract award	2 October 2023
Contract mobilisation	2 October 2023 – 2 January 2024
Contract commencement	January 2024

The mobilisation period for the successful provider will include such activities as:

- recruitment to relevant positions
- handing over and equipping the property
- establishing the service contracts needed to operate the scheme
- establishing partnerships with other services involved in the care and support of those sleeping rough
- forming policies and pathways
- establishing neighbourhood and wider relationships
- setting service standards and key performance indicators

As part of the technical evaluation, the preferred provider has submitted a full mobilisation plan. City of London Commissioners will manage their progress towards the scheme opening.

There will be opportunities for members to visit the scheme within this mobilisation period as we move towards handover of the site from the refurbishment contractors. Communication to the wider sector and liaison with the local community and neighbourhood will take place in this period with a view to an official opening once the scheme is established.

Corporate & Strategic Implications

9. Strategic implications

- None

10. Financial implications

The contract cost is fully funded from within the existing local risk revenue budget.

11. Legal implications

Thames Reach will be expected to comply with the agreed form of lease and will be expected to allow the City to retain a presence within the premises following practical completion of the refurbishment works and completion of the lease. Thames Reach will also have to comply with the contract's lease terms, including entering into a statutory declaration, excluding the provisions of Part II of the Landlord and Tenant Act 1954, prior to commencement of the services.

To mitigate any data protection risk, a Data Protection Impact Assessment is currently being undertaken in accordance with Article 35 of the UK's General Data Protection Regulation (GDPR). Thames Reach use Salesforce, which is a global sub-processor. As the City's Data Protection Officer, I am satisfied that there will be no need to enter into an International Data Transfer Agreement, assuming that the following contractual obligations are agreed:

- Any City Data must be solely and exclusively held by the provider's sub-processor, Salesforce, within their Data Centre based in the UK.
- Salesforce's Binding Corporate Rules, which were approved by the Information Commissioner on 13 February 2023, (see: https://www.salesforce.com/content/dam/web/en_gb/www/images/company/salesforce-uk-bcr-february2023.pdf), are an appropriate safeguard for the transfer of data in accordance with the provisions of Article 46 of the UK's GDPR.
- Thames Reach must remain liable for all Salesforce acts and omissions.

Following the expiry of the 10-day mandatory standstill period under the Public Contracts Regulations 2015, and provided there is no legal challenge to the contract award, further clarification will need to be sought from Thames Reach as to the subcontractors they intend to use for any maintenance services, and so on, since the contract terms require prior approval by the City.

As agreed with the City Surveyor, and in accordance with the terms of the contract, a written instruction will be issued to Thames Reach to commence the services following mobilisation as soon as the City Surveyor is satisfied that the refurbishment works have been completed.

12. Risk implications

The preferred provider, Thames Reach, is on a secure financial footing and an appraisal of their most recent accounts by the Chamberlain's Department as part of the procurement process gave no cause for concern. Thames Reach is very experienced in providing similar services, as was tested at pre-qualification and from market knowledge. The three-month mobilisation timeline mitigates risks as it is an adequate length of time to gear up the service, recruit quality staff and management and put partnerships in place with stakeholders.

In dealing with a cohort of vulnerable adults, there are a number of other risks to be managed. However, these risks are mitigated by procuring an experienced and capable provider to manage the project, and also reserving office space within the

scheme to ensure the presence of a City of London officer. Risks will be monitored on an ongoing basis via the contract management process.

13. Equalities implications

A project Equalities Impact Assessment undertaken concluded that the introduction of this Assessment Centre would have a positive impact on those with protected characteristics who are more likely to encounter rough sleeping. The provider understands fully that protected characteristics can add challenges to vulnerable people accepting a service.

14. Climate Implications/Responsible Procurement

Responsible procurement made up 15% of the total evaluation, and was broken down into three subsections: Sustainability, Carbon Reduction and Social Value. Contract monitoring will involve environmental inspections of properties to ensure that the tender's requirements are being carried out. The preferred provider has also undertaken to give access to its resources in training, fundraising, communications, and access to employment for young people.

15. Security implications

- None

Conclusion

This report seeks approval from Members to:

16. Award the contract to Thames Reach for a value of £1,485,000 from January 2024 for an initial period of three years, with the potential to extend for a further two years (total value £2,475,000).

17. Delegate any contract extensions to the DCCS Category Board.

Appendices

- Appendix 1 (Non-Public) City Assessment Centre – Procurement Stage 2 Award Report, 19 September 2023

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Committee(s): Finance	Dated: 19 th September 2023
Subject: Funding for Epping Forest Critical Health & Safety Works to Known Dangerous Trees	Public
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	1, 2, 11, 12
Does this proposal require extra revenue and/or capital spending?	Yes
If so, how much?	£210k
What is the source of Funding?	City's Cash Contingency
Has this Funding Source been agreed with the Chamberlain's Department?	Yes
Report of: Bob Roberts, Interim Executive Director, Environment Department	For Decision
Report author: Emily Brennan, Director, Natural Environment Division	

Summary

This report details the current health and safety risks in Epping Forest relating to dangerous trees in the public environment which pose a significant threat to the health and wellbeing of members of the public.

A sum of £210k was required in 2022-23 to carry out critical H&S works to dangerous trees throughout the Epping Forest but due to the unavailability of skilled staff this work was unable to take place.

A carry forward request of £210k (£125k outstanding works order for Ascending Arbs and £85k for works to remaining dangerous trees identified) was made by the Environment Department following the 2022-23 local risk underspend of £1.125m overall (City's Cash £569k and City Fund £556k), in relation to urgent works required to address critical H&S works to known dangerous trees throughout the Epping Forest.

The carry forward bid was considered by the Chamberlain in consultation with the Chairman and Deputy Chairman of Resource Allocation Sub Committee and it was decided not to approve the carry forward due to the required bid exceeding the year end underspend position for Epping Forest which was only £28k, as the main underspends for the Environment Department occurred in other Divisions of Service outside the remit of Epping Forest charity.

After consultation, the Chamberlain has recommended the appropriate source of funding should be City's Cash Contingency.

Recommendation

Members are asked to:

- Approve the bid of £210k in relation to critical H&S work required to known dangerous trees at Epping Forest within financial year 2023-24, financed from City's Cash contingency for 2023-24.

Main Report

Background

1. According to the UK Health and Safety Executive (HSE), each year between 5 and 6 people in the UK die when trees or branches fall on them. Around 3 people each year are killed by trees in public spaces. In accordance with the Health and Safety at Work Act 1974, employers and persons carrying out undertakings or in control of premises all have duties under the Act, in particular, there is a duty to do all that is reasonably predictable to ensure that people are not exposed to risk to their health and safety.
2. The UK HSE's enforcement guidance states that the following considerations would be made in the event of an investigation:
 - The frequency of public access to the trees (Epping Forest currently has more than 10 million visits per year)
 - The existence of a system for managing trees based on the level of risk (Epping Forest has a framework, but has been unable to take adequate maintenance action for several years due to understaffing and issues with contractors)
 - The implementation of the system in practice, including procedure to act on issues of concern (Epping Forest currently has a backlog of 2,020 dangerous trees it is unable to act upon)
 - The need to comply with other legislation including Tree Preservation Orders, the Countryside Act and legislation relating to Sites of Special Scientific Interest (Epping Forest is a Site of Special Scientific Interest which includes one of the UK's largest collections of ancient trees)
3. Over the course of the past year, the City of London Corporation has had to work with the police and HSE to evidence a tree maintenance framework, following a fatality in Highgate Wood. A robust maintenance framework was available to mitigate the potential for corporate manslaughter charges and significant reputational damage.
4. Epping Forest currently has a 3-year backlog of 2,020 dangerous trees – created due to Covid-19 staff absences, the effects of TOM staff reductions and the inability of using external contractors to catch up. This risk is reflected at the highest levels of the Risk Register. There is an additional risk of dangerous trees hanging over the M25 motorway.

5. Critical H&S works on known dangerous trees were contracted to Ascending Arbs at £147k (the only tender applicant) to be completed by the end of March 2023. The contractor suffered catastrophic equipment failures and were only able to complete £22k worth of works by 31st March 2023 and the Environment Department subsequently requested to continue the remaining £125k of works at Epping Forest. Additionally, the Natural Environment Division requested to carry out the remainder of works on known dangerous trees in early 2023-24 financial year for £85k, due to not being able to physically complete this work in other parts of Natural Environment lands. These trees are a known threat to life and works are H&S critical.
6. A carry forward request of £210k (£125k outstanding works order for Ascending Arbs and £85k for works to remaining dangerous trees identified) was made by the Environment Department following the 2022-23 local risk underspend of £1.125m overall (City's Cash £569k and City Fund £556k), in relation to urgent works required to address critical H&S works to known dangerous trees throughout the Epping Forest.
7. The carry forward bid was considered by the Chamberlain in consultation with the Chairman and Deputy Chairman of Resource Allocation Sub Committee and it was decided not to approve the carry forward due to the required bid exceeding the year end underspend position for Epping Forest which was only £28k, as the main underspends for the Environment Department occurred in other Divisions of Service outside the remit of Epping Forest charity.
8. After consultation, the Chamberlain has recommended the appropriate source of funding should be City's Cash Contingency rather than utilising an underspend from other Natural Environment charities to fund the works, which would not be appropriate. The additional funding is required as the Natural Environment Division is currently forecast to be over budget for the financial year 2023-24 due mainly to the continuing loss of income at Monument, therefore the cost of these urgent tree safety works cannot be covered by the Directors Divisional budget. Specifically, Epping Forest is on budget for this financial year and covering further additional costs for the tree works would have a significant negative impact upon service delivery and would also result in increased risk to H&S and operational management in other areas. The team is currently understaffed and do not have capacity to carry out the works themselves, which is why we need to appoint external contractors. The work was budgeted to take place last financial year, but the contractors who were appointed experienced unforeseen equipment failures and were therefore unable to carry out the work as planned.

Corporate & Strategic Implications

Strategic implications – none.

Financial implications

9. A bid for additional financial resources of £210k from City's Cash Contingency Fund is therefore required for financial year 2023-24 to complete urgent critical H&S work required to tackle known dangerous trees at Epping Forest.

Resource implications

10. Future works will be retendered and conducted by contractors.

Risk implications

11. Following previous deaths at Epping Forest from incidents involving dangerous trees, its essential known risks to identified dangerous trees are carried out due to further risks to the general public and staff at Epping Forest.

Legal implications – none.

Equalities implications – none.

Climate implications – none.

Security implications – none.

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Environment Department

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Committee(s): Finance Committee – For Information	Dated: 19 September 2023
Subject: Central Contingencies 2023/24	Public
Which outcomes in the City Corporation’s Corporate Plan does this proposal aim to impact directly?	n/a
Does this proposal require extra revenue and/or capital spending?	N
If so, how much?	n/a
What is the source of Funding?	n/a
Has this Funding Source been agreed with the Chamberlain’s Department?	n/a
Report of: The Chamberlain	For Information
Report author: Laura Yeo, Financial Services Division	

Summary

This report provides Members with a quarterly update on the Central Contingencies 2023/24 uncommitted balances.

Recommendation(s)

Members are asked to:

- Note the Central Contingencies 2023/24 uncommitted balances.

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 £125,000 to support humanitarian disaster relief efforts both nationally and internationally.

Current Position

3. The uncommitted balances that are currently available for 2023/24 are set out in the table below.

2023/24 Central Contingencies – Uncommitted Balances 5 September 2023			
	City's Cash £'000	City Fund £'000	Total £'000
Central Contingencies			
2023/24 Provision	950	800	1,750
2022/23 Brought forward	931	1,050	1,981
Total Provision	1,881	1,850	3,731
Previously agreed allocations	(427)	(390)	(817)
Pending request on the agenda	(471)	(243)	(714)
Total Commitments	(898)	(633)	(1,531)
Uncommitted Balances	983	1,217	2,200
Specific - Contingencies			
National and International Disasters			
Total Provision	125	0	125
Previous allocations	0	0	0
Uncommitted Balance	125	0	125

4. At the time of writing this report there are two requests on the non-public agenda. A total request of £595,000 split £261,000 from City's Cash and £243,000 from City Fund, and a request for £210,000 from City's Cash.
5. In the case of a request for additional funding for a project that affects all three funds, the Bridge House Estates Board would approve its portion of any such joint project. All requests specific to BHE only are considered solely by the BHE Board.

Conclusion

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

Appendices

- Appendix 1 - Allocations from 2023/24 Contingencies (non-public)

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Committee(s): Finance Committee	Date: 19 September 2023
Subject: Chamberlain’s Business Plan Quarter 1 2023/24 update	Public
Which outcomes in the City Corporation’s Corporate Plan does this proposal aim to impact directly?	3, 5, 8 & 10
Does this proposal require extra revenue and/or capital spending?	N
If so, how much?	N/A
What is the source of Funding?	N/A
Has this Funding Source been agreed with the Chamberlain’s Department?	N/A
Report of: The Chamberlain	For information
Report author: Anna Flashman – Head of the Chamberlain’s Office	

Summary

1. Overall, the Chamberlain’s department has made good progress on its 2023/24 Business Plan. This report outlines key progress against departmental objectives for quarter 1 (Q1). Progress has been made against a backdrop of a high number of vacancies in the Financial Services Division and the outcomes delivered has required significant commitment and effort from Chamberlain’s staff as well as careful management, reprioritisation of workloads and deliverables. Interim appointments are in place and officers have been bought up to speed which will support the on-going pressures as well as the opportunity to catch up with the backlog of work.
2. Highlights for each division from Q1 2023/24 plans can be found under appendix 1.
3. In year collection rates for Council Tax and Business Rates during 2023/24 have increased when compared to previous years collection. Q1 Council Tax collection has increased from 30.90% in 2022/23 to 31.20% in 2023/24. Q1 Business Rates collection has also increased from 36.40% to 41.01%. Investment Property Income continues to improve with the overall collection up from 91.35% at the end of June 2022 to 96.02% at the end of June 2023. Arrears have reduced from £15.9m to £6.6m.
4. The City’s performance for the payment of invoices within 30 days was 93% in Q1 of 2023/24, which is a 4% shortfall of the target, however, up by 1% since the last quarter. The Accounts Payable (AP) team have continued to struggle with the volume of incoming supplier invoices during Q1 due to pressure on resources. Two temporary members of staff have since been brought in to help clear the invoice processing backlog. In addition, they continue to work with a third-party provider on an invoice automation project to reduce manual invoice processing by the AP team by using data extraction and e-invoicing routes and it

is anticipated that improvements will be seen in Q3 2023/24.

5. The delay in audit sign off for City Fund accounts, from 2020/21, remains a challenge due to the national issue on the accounting for the infrastructure assets and the pension triennial review. The additional workload arising from these issues is having a knock-on impact on the Financial Services Division and our auditors, causing significant delays. Whilst the audit work for 2020/21 City Fund accounts is now complete, the audit firm's quality control review remains outstanding and is scheduled for week commencing 4 September.
6. City Fund draft statement of accounts for 2022/23 has been published, work on City's Cash accounts and Sundry Trusts continues and is expected to be completed by the end of August. Auditors are back on site to continue with the 2021/22 City Fund audit and implementing plans for 2022/23 City Fund, City's Cash and Sundry Trusts audit work.
7. The five-year medium term financial plan for the City Fund and City's Cash was updated for Resource Allocation Sub Committee Away Day in July. Assumptions to be used in budget setting for 2024/25 were agreed with Finance Committee, allowing the next stage of budget setting to progress, namely, service committee budgets to be prepared in line with their business plans.
8. Pace has been maintained on the Chamberlain's Transformation Programme; in particular, we are currently in the process of procuring a new Enterprise Resource Planning (ERP) system to replace the current HR, Payroll and Finance systems.

Recommendation

Members are asked to note the report.

Main Report

Current Position

9. Highlights for each division from quarter 1 plans can be found under appendix 1.
10. Financial Services has moved closer to filling key positions which will improve the resilience of the service, including the appointment of the Assistant Director of Financial Services who will join the City on 31 July 2023
11. In year collection rates for Council Tax and Business Rates during 2023/24 have increased when compared to previous years collection. Q1 Council Tax collection has increased from 30.90% in 2022/23 to 31.20% in 2023/24. Q1 Business Rates collection has also increased from 36.40% to 41.01%. Investment Property Income continues to improve with the overall collection up from 91.35% at the end of June 2022 to 96.02% at the end of June 2023; arrears have reduced from £15.9m to £6.6m.
12. This quarter, the Chamberlain's Court shop increased its profits by 62% compared to quarter 1 in 2022/23.
13. The City's performance for the payment of invoices within 30 days was 93% in Q1 of 2023/24, which is a 4% shortfall of the target, however, up by 1% since the last quarter. The Accounts Payable (AP) team have continued to struggle with the volume of incoming supplier invoices during Q1 due to pressure on resources. Two temporary members of staff have since been brought in to help clear the invoice processing backlog. In addition, they continue to work with a third-party provider on an invoice automation project to reduce manual invoice processing by the AP team by using data extraction and e-invoicing routes and it is anticipated that improvements will be seen in Q3 2023/24. Additionally further training is planned for PO requestors and AP code providers across all departments to improve their purchase-to-pay housekeeping and support them in fulfilling their duties. Delivery of a data cleansing plan is underway to tackle long outstanding POs, invoices on hold and outstanding credit notes in preparation for the ERP implementation.

Closing Accounts Update

14. The statutory deadlines for the City Fund draft and final accounts were moved from 1 June and 31 July (respectively) to 1 August and 30 September for 2020/21 and 2021/22 accounting years. Further to this change, an extension was made to the audit deadline for the 2021/22 accounts to November 2022 in response to the continued audit delays.
15. The draft City Fund accounts for 2020/21 were published on 30 July, in line with the statutory deadline. Despite all efforts to sign off the City Fund accounts in December 2022, this was not achieved due to a late technical query which could not be resolved in time. Whilst the above issue was being resolved, another issue, regarding the accounting for infrastructure assets, was raised at

a national level which prevented sign-off of any outstanding accounts. An agreement between audit firms and CIPFA on a practical solution was confirmed in March 2023 with changes being applied from 1, however, further scrutiny by the Finance Reporting Council (FRC) delayed the signing of 2020/21 accounts. This has had an impact on 2021/22 and now 2022/23 accounts.

16. The audit sector more widely has highlighted a capacity issue in delivering to the revised local authority accounts publication deadlines; and DLUHC wrote last year to local authorities recognising the issue. Key interventions proposed include delays to amendments to the valuation's requirements of operational property to 2025/26 and implementation of IFRS 16 covering lease recognition to 2024/25 to help reduce the burden on preparation and audit of accounts. The Chamberlain is working with colleagues at DLUHC, Financial Reporting Council, CIPFA and London Councils on the national solution to the problem.
17. These are welcomed interventions, however, due to the backlog of work created by these delays, the draft City Fund accounts for 2021/22 were significantly delayed and published on 28 February 2023 this has subsequently impacted the work on audit and is coupled with new auditors beginning their term and a loss of key resources within Financial Services Division.
18. The draft City Fund accounts 2022/23 were published on 12 July 2023 and draft Bridge House Estates 2022/23 accounts were completed at the end of June. Work on draft City's Cash accounts and Sundry Trusts continues and is expected to be completed by end of August. Auditors are back on site to continue with 2021/22 City Fund audit and implementing plans for 2022/23 City Fund, City's Cash and Sundry Trusts audit work. The Financial Services Division is working closely with both auditors to sign off 2020/21 and 2021/22 accounts during September 2023. It is anticipated that the 2022/23 audit work for all accounts will be completed in November.

Budget setting process 2024/25

19. The five-year medium term financial plan for the City Fund and City's Cash was updated for the Resource Allocation Sub Committee Away Day in July and assumptions to be used in budget setting for 2024/25 agreed with Finance Committee. New challenges identified at the departmental Star Chamber meetings were completed ahead of the Resource Allocation Sub Committee's away day, which provided a better understanding on how cost pressures will be tackled during 2023/24, how outstanding permanent savings targets will be met as well as the opportunity to discuss risks and opportunities.
20. The budget envelope has been set for the financial year 2024/25, allowing the next stage of budget setting to progress, namely, service committee budgets to be prepared in line with their business plans.

Chamberlain's Transformation

21. In Q1 2023/24 a prioritisation review of the Chamberlain's Transformation Programme was undertaken, identifying the top 20 workstreams and priorities for 2023/24. The review criteria for identifying the workstreams priority workstreams included those that will mitigate departmental risks, focus on staff wellbeing and development, create efficiencies, or remove pain points and/or workstreams that are fundamental to the ERP programme.

Four workstreams were completed during Q1 2023/24 as shown below:

Strategic Pillar	Priority Initiatives	Intended Outcomes	Lead Team	Priority	Status
Digital First	Intranet update	To ensure better knowledge sharing and efficiency and effective comms across the department and the CoL	CHB OFFICE	High	Complete (Ongoing)
Empower	Create a team learning and development strategy and associated learning board	Skilled and knowledgeable staff with access to learning and development opportunities	SLT	High	Complete (Ongoing)
Empower	An extensive recruitment campaign to fill vacancies	Structure at full capacity with majority of permanent staff with interims appointed to fill vacancies until these are permanently appointed to	SLT	High	Complete
Empower	Review Health and Safety processes for DSE assessors	Executive Assistants to take over this process as they already order the equipment and are CHB's DSE assessors	CHB OFFICE	High	Complete (Ongoing)

ERP Oracle Programme Update

22. The ERP programme will deliver the replacement of the current HR, Payroll and Finance systems (Midland HR and Oracle) into a single ERP solution for the Corporation and its Institutional Departments to align with the new Target Operating Model (TOM).

23. In Quarter 1 2023 the key focus was to:
- Launch the restricted procurement for the software selection;
 - Complete the Supplier Qualification stage and evaluate and shortlist suppliers;
 - Complete preparation for the ITT phase with shortlisted suppliers.
24. The Supplier Qualification was released as a restricted procedure on 24 April 2023.
25. Three suppliers submitted a response to the Supplier Qualification deadline of 29 May 2023.
26. Following evaluation and consultation with the ERP Board all three suppliers were progressed to the Invitation to Tender stage which was scheduled to commence on 10 July 2023.
27. Alongside the above work continued on business readiness for the ERP Programme to commence including:
- Data cleansing activities for Finance on open/ legacy items;
 - HR work on updating the City hierarchy within the CityPeople solution;
 - Business change readiness with the HR Transformation Board meeting twice to discuss the changes.
28. The ERP Programme Board continues to meet monthly chaired by the Chamberlain as SRO.
29. The focus for Quarter 2 will be:
- Completing the procurement for the software selection September 2023;
 - Seeking approval for Gateway 4B;
 - Commencing procurement for a System Integrator (implementation partner).

Corporate & Strategic Implications

Strategic implications – Strategic priorities and commitments are expressed in Appendix 1.

Financial implications – The 2023/24 Business Plan reflected a 12% reduction in the departmental budget agreed and implemented in previous years.

Resource implications – Any changes to resources have been identified and will be delivered through the implementation of the Target Operating Model.

Legal implications – None.

Risk implications – Key risks managed by the department are included in the Risk Update Report also received by this committee.

Equalities implications – The department has a separate Equalities and Inclusion Plan which aims to improve the department’s Equalities position for employees. Where appropriate the department will complete Equality Impact Assessment for upcoming changes.

Climate Implications – Under the Climate action strategy the departments Corporate Treasury function is responsible for delivering Scope 3 emission actions related to our financial investments.

Security implications – None.

Appendices

Appendix 1 – Chamberlain’s Business Plan update

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Committee: Finance	Dated: 19 September 2023
Subject: City Re Limited – Performance Monitoring	Public
Which outcomes in the City Corporation’s Corporate Plan does this proposal aim to impact directly?	All
Does this proposal require extra revenue and/or capital spending?	N/A
If so, how much?	£N/A
What is the source of Funding?	N/A
Has this Funding Source been agreed with the Chamberlain’s Department?	N/A
Report of: The Chamberlain	For Information
Report author: Kate Limna	

Summary

The City Corporation established a Reinsurance Captive Insurance Company (the Captive), City Re Limited, on 24 December 2010, a separate legal structure which allows the City to share in the risks and benefits of insuring its property portfolio, whilst controlling the financial exposure.

This report provides information on the claims experience and Underwriting Profit and Loss Account for the twelfth accounting period of the Captive, from 1 April 2022 to 31 March 2023 and advises that the retained loss for the year is £60,430 (20221/22: retained profit of £258,675).

At its meeting on 4 July 2023, the Board of City Re Limited agreed that no dividend should be declared at the present time but that this would be reviewed at the next meeting in December.

Included in this report is information on the governance arrangements for the Captive and of various matters discussed at the Board meeting on 4 July, including the adoption of the accounts, and the receipt of the auditors’ Management and Governance Letter, which states there were no material issues arising during the course of their audit.

The auditors’ Management and Governance Letter and the signed, audited Directors’ Report and Financial Statements are attached to this report.

Recommendation

Members are asked to note this report.

Main Report

Background

1. The Finance Committee, at its meeting on 26 October 2010, approved the principle of establishing a Reinsurance Captive Insurance Company (the City Captive). On 24 December 2010, such an entity, City Re Limited, was created, based in Guernsey, where the optimum managerial and administrative expertise is located to operate such a company. The City provided initial share capital of £500,000.
2. The Captive provides a separate legal structure which allows the City to share in the risks and benefits of insuring its property portfolio, whilst controlling the financial exposure. Effectively, the Captive allows the City to participate in its own insurance placement and to capture underwriting profits with a known capped downside financial risk.
3. From 2010 until 2017, the City Captive has received £1.664 million per annum as the reinsurance premium from the main insurers. When the property insurance was tendered in 2021 it was on the basis that the minimum reinsurance premium payable to the City Captive would be £2.04m which would then be fixed as a percentage (34.41%) of the annual underlying premium going forward. For the policy year 2021/22, the reinsurance premium was £2.25m. For policy year 2022/23 it is £2.45m.

Main Characteristics of the Captive

4. The main elements of the Captive are set out below:
 - The City Captive covers the first £250,000 of each and every property claim, effectively leaving the main insurers, RSA and Aviva, to cover any greater losses.
 - From the insuring period (25 December to 24 December) for 2022/23 the City Captive received an initial reinsurance premium of approximately £2.45m (2021/22: £2.25m), against which payments are drawn down.
 - The maximum payable (downside) by the City Captive is limited to £250,000 per annum above the reinsurance premium received from RSA and Aviva i.e. for the 2022/23 insurance period an amount of £2.70m i.e. £2.45m plus £250,000 (2021/22: £2.50m).
 - The Captive does not cover any terrorism risk which continues to be covered by RSA and Aviva and re-insured with Pool Re.

Financial Performance for period 1 April 2022 to 31 March 2023

5. The audited Financial Statements for the twelfth trading period of the City Captive were submitted for approval and signing to a meeting of the Board of Directors held in Guernsey on 4 July 2023. They are attached to this report. The City of London Corporation's Directors on the City Re Board, (the Chairman of the Finance Committee and the Chamberlain) along with the Corporate Treasurer attended the meeting in person.
6. The accounts also include an 'Incurred But Not Reported' (IBNR) loss reserve of £250,000 (2021/22: £125,000). The Directors consider, on an annual basis, whether to release the IBNR by the close of the following accounting period. At the Board meeting the Directors discussed in detail the level of the IBNR and whether

the consistent, prudent but not excessive reserves policy of City Re Ltd remained appropriate. The Directors agreed that the overall level of the IBNR be retained at £250,000 supported by past year analysis of loss development and nature of reinsurance protection.

7. For the accounting period, City Re Limited made a loss of £ 60,430 (2021/22: a profit of £ 258,675). Under the Companies (Guernsey) Law 2008 and the Guernsey Insurance Business (Solvency) Rules 2015, and in order for any Captive to be able to carry out its business there are two solvency ratios that must be met - the Prescribed Capital Requirement (PCR) and the Minimum Capital Requirement (MCR). The Board noted that no breaches of solvency had occurred and that City Re continued to meet the solvency test.
8. The Board considered whether or not to declare a dividend. After due consideration of the finances and solvency position of City Re, the Board agreed that no dividend would be declared at this time and that consideration to a dividend would be given at the next meeting, depending on the loss developments.
9. When the Captive was set up the City Corporation provided share capital of £500,000. It was always recognised that there would be “good periods” and “not so good periods”. In 2018/19 the City injected a further £250,000 as share capital (total share capital is now £750,000). Since its inception, the City Corporation has received dividends totalling some £5.03m. The level of dividend demonstrates the value for money in our insurance placement as without a captive the net premium costs may have been higher and the City would not have received the dividends. The table below sets out the dividends received in each financial year since inception.

Year	Dividend
2021/22	£500,000
2020/21	£1,000,000
2019/20	£500,000
2018/19	£0
2017/18	£0
2016/17	£161,341
2015/16	£140,984
2014/15	£830,013
2013/14	£92,569
2012/13	£810,883
15 months to 31/03/12	£997,747
	£5,033,537

Auditor’s Management and Governance Letter and Company Compliance

10. Moore Stephens are the auditors for City Re Limited and they have issued their Management and Governance Letter which stated that there were no material

issues arising during the course of their audit that required being brought to the attention of the Board.

11. As in previous years, the audited Directors' Report and Financial Statements will be made available as a distinct item on the City of London Corporation's website following this Finance Committee Meeting.

Conclusion

12. At their Board meeting on 4 July 2023, the Directors of City Re Limited
 - confirmed that the IBNR should be set at £250,000;
 - noted that City Re continued to meet the solvency test; and
 - agreed that no dividend should be declared but that the matter would be kept under review.

Appendices

- Appendix – Auditors' Management and Governance Letter and Financial Statements to 31 March 2023

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Committee(s): Corporate Services Committee Finance Committee	Dated: 6 September 2023 19 September 2023
Subject: Employee Rights Acts	Public
Which outcomes in the City Corporation’s Corporate Plan does this proposal aim to impact directly?	1, 2, 3, 5
Does this proposal require extra revenue and/or capital spending?	No
If so, how much?	N/A
What is the source of Funding?	N/A
Has this Funding Source been agreed with the Chamberlain’s Department?	N/A
Report of: Remembrancer	For Information
Report author: Katie Foster, Office of the City Remembrancer	

Summary

1. During this Parliamentary Session, three Private Member’s Bills, which make provision providing some enhancements to employee rights, successfully completed their Parliamentary passage and received Royal Assent. The effect of these Acts on the Corporation, which has been highlighted to Corporation HR colleagues, is outlined below.
2. This Report also provides information on the High Court judgement in the Unison case as regards the quashing of the Regulations allowing the use of agency workers during strike action.

Recommendation(s)

3. Members are asked to note the report.

Main Report

The legislation/case-law and its application to the City Corporation

The Neonatal Care (Leave and Pay) Act 2023

4. This Act originated as a Private Members Bill introduced by Stuart McDonald SNP and received Royal Assent on 24th May 2023. The Act amends or inserts a number of provisions into the Employment Rights Act 1996 and the Social Security Contributions and Benefits Act 1992, providing powers to make regulations to create an entitlement to Neonatal Care Leave and Pay for eligible employees with parental or other personal relationship (these are referred to as parents for the remainder of this summary for brevity) with a child who is receiving, or has received, neonatal care. The Bill’s powers allow provision (Regulations) to be made for the following:

- Neonatal Care Leave - a right for employed parents to be absent from work for a prescribed period (to be set at a minimum of one week) in respect of a child who is receiving, or has received, neonatal care. All employees who meet the eligibility conditions will be entitled to this leave, regardless of how long they have worked for their employer. The leave must be taken before the end of a period of at least 68 weeks beginning with the date of the child's birth.
 - Neonatal Care Pay – a right for those eligible parents who meet minimum requirements relating to continuity of employment (at least 26 weeks with their current employer) and earnings to be paid during that leave at a prescribed rate. In line with other entitlements to paid statutory leave, the Bill allows provision to be made for employers to reclaim payments from the Government.
 - Employment protections – parents taking Neonatal Care Leave will have the same employment protections as those associated with other forms of family related leave (i.e. Maternity, Paternity, Adoption, Parental Bereavement and Shared Parental Leave). This includes protection from dismissal or detriment as a result of having taken leave.
5. Whilst the powers in the Act came into force on Royal Assent, the Explanatory Notes state that *“HM Revenue & Customs and commercial payroll providers usually require at least 18 months’ lead-in time to implement the changes which enable employers to administer new statutory payments. If the Bill successfully completes all of its Parliamentary stages in 2023 it is likely that implementation will take place at least 18 months after that date.”*. So these new rights are likely to be in force (i.e. with Regulations made under the Act in place) at some point in 2025.
 6. Officers in the Corporations HR Function were alerted to these measures in July 2023. The measures will mean that the Corporation’s HR policies/systems will need revising in due course to reflect the new measures. It is unlikely that they will require any significant level of extra resource given that it would be a relatively small number of employees who would benefit from the new provisions in each financial year (and the ability for employers to reclaim payments from the Government, in similar manner to statutory maternity pay etc).

Employee Relations (Flexible Working) Act 2023

7. This Act originated as a Private Member’s Bill that had Government support. The provisions in the Act implement the Government’s response to a consultation it held on the flexible working provisions concerned. It received Royal Assent on 20th July 2023.
8. The Act makes amendments to the Employment Rights Act 1996 to:-

- introduce a requirement for employers to consult with an employee before rejecting their flexible working request;
 - allow an employee to make two statutory requests in any 12-month period (rather than the current one request);
 - reduce the decision period within which an employer is required to administer the statutory request from three months to two months; and
 - remove the requirement that the employee must explain in the statutory request what effect the change would have on the employer and how that might be dealt with.
9. The substantive provisions in the Act will be brought into force by Commencement Regulations at a future date: it is therefore not as yet known on what date the substantive changes will be “switched on”. Government communication on the provisions in the Act indicate that the Government is anticipating that the substantive changes will come into force one year after Royal Assent (so July 2024) to give employer’s the chance to prepare for the changes – and presumably for the Government to put in place the necessary Regulations under the Act to fully implement the new provisions. Government ministers in the House of Commons indicated that they will implement the changes so that the right of an employee to request flexible working is available on ‘day one’ of employment (rather than after 26 weeks of employment, which is the current position).
10. Officers in the Corporation’s HR Function are aware of the provisions in this Act and the timelines. The Act means that that the Corporation’s HR policies/systems will need revising in due course to reflect the new measures. It is unlikely that they will require any significant level of extra resource given the nature of the provisions.

The Protection from Redundancy (Pregnancy and Family Leave) Act 2023

11. This Act originated as a backbench Private Member’s Bill introduced by Labour MP Dan Jarvis. It had Government Support and received Royal Assent on 24th May 2023. The Act makes amendments to the Employment Rights Act 1996 to:-
- provide a new power to enable provision to be made by Regulations about protection from redundancy during and after pregnancy;
 - amend existing powers to make Regulations to enable protection from redundancy on return to work from maternity, adoption or shared parental leave.
12. Currently, women on maternity leave and employees on adoption leave or shared parental leave have priority over other employees who are also at risk of redundancy. This means that where a redundancy situation arises during a woman’s maternity leave (or during an employee’s shared parental leave or adoption leave), they have the right to be offered a suitable alternative vacancy where there is one available.
13. The 2023 Act empowers the Secretary of State through regulations to extend the period over which redundancy protection is available. It is widely expected

that the regulations will extend the protection currently only available during maternity leave, so that it begins from when an individual tells their employer they are pregnant and ends 18 months after the birth. Equivalent protections are also expected to be extended to parents returning from adoption leave and shared parental leave (but not paternity leave). During the parliamentary debates on the Bill, Kevin Hollinrake, Parliamentary Under Secretary of State at the Department for Business and Trade, said that the Government is working with the Pregnancy and Maternity Discrimination Advisory Board in advance of settlement on the precise details of the Regulations. The debates also indicate that consideration is being given to a qualifying period, whereby a new parent must take six consecutive weeks of family leave to be entitled to the redundancy protections. Significantly, the protection may also apply post miscarriage since the new Act gives power to the Secretary of State to start calculating the period of protection from the end of pregnancy.

14. The effect of these provisions is that those returning from family leave are to be given first refusal to alternative employment opportunities for a longer period of time. The government believes that this will help shield new parents and expectant mothers from workplace discrimination, offering them greater job security at an important time in their lives.
15. The Act comes into force on 24th July 2023 (two months after Royal Assent) but extended protections under these enabling powers will not be in place until the Government makes the Regulations under the powers. Whilst it is as yet unknown when the new Regulations will be in place, it is envisaged that this would be within the next 12 months and this Office will monitor for and flag to the Corporation's HR function any Regulations brought forward under the new powers. The Act means that that the Corporation's HR policies will need revising in due course to reflect the new measures. It is unlikely that they will require any significant level of extra resource given the nature of the rights concerned.

Unison case

16. For more than 40 years, it was illegal in the UK to supply agency workers for employers to use to cover the jobs of staff on strike. In the Summer of 2022, the Government brought in new Regulations changing this position. In July 2023, the High Court upheld the claims of UNISON and other unions that the government acted unfairly, unlawfully and irrationally. The effect of the judgment was to quash the new Regulations: it is possible that the Government might bring forward further legislation in the future but in order to do so, the Judgement means there would have to be a rigorous consultation process. The effect of the judgement is that employers will not be able to use agency staff to fill in for striking workers during industrial action. Officers in the Corporation's HR Function are aware of the judgement and the need to take it into account in any planning around future strike action.

Conclusion

17. The Committee is asked to note the effect of these three Acts and the implications for the Corporation's HR function, as well as the judgment in the UNISON case.

Appendices

18. None.

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Committee(s)	Dated:
Finance Committee – For information	19 September 2023
Subject: Chamberlain’s Departmental Risk Management Update	Public
Does this proposal require extra revenue and/or capital spending?	No
If so, how much?	N/A
What is the source of Funding?	N/A
Has this Funding Source been agreed with the Chamberlain’s Department?	N/A
Report of: The Chamberlain	For Information
Report author: Leah Woodlock, Chamberlain’s Department	

Summary

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

There is currently one RED risk on the Corporate Risk Register within the responsibility of the Chamberlain and one RED risk on the Chamberlain’s departmental risk register.

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. The Finance Committee has determined that it will receive the Chamberlain’s Risk Register at each meeting.

Current Position

2. This report provides an update on the current risks that exist in relation to the operations of the Chamberlain’s Department. The risk register has been reviewed and the details are reflected in the appendix of this report.
3. The **CHB 001 Chamberlain's department transformation and knowledge transfer** remains a RED risk with a score of 16. The Chamberlain’s Department risks are discussed at the monthly Senior Leadership Team (SLT) meetings. At the July SLT meeting, it was decided that a departmental procedure note review would be undertaken to further mitigate this risk.
4. The review aims to review the existence, quality, accuracy and validity of procedure notes across the teams within the department. In August, Line

Managers received the request to collate and share existing procedures and the initial review of these returns is currently underway.

5. At the end of July, Chamberlain's welcomed the Assistant Director (Strategic Finance), and a phased induction is underway to onboard them into the role. Recruitment to the permanent Chief Accountant role has commenced, the role is currently advertised with applications due by 18th September.
6. The **CR38 Unsustainable Medium Term Finances - City's Cash** risk score remains at RED 16. In efforts to mitigate this risk, continued close monthly monitoring of spend and key income streams.
7. Details of CHB001, CR35 and CR38 can be found in Appendix 1.

Conclusion

8. Members are asked to note the actions taken by Chamberlain's Department to manage all risks. Actions aim to continue monitoring and reducing the risk level and will be reported on at future Finance Committees.

Appendices

- Appendix 1 - Departmental Risk Register

Background Papers

Chamberlain's Departmental Risk Management Update Reports to Finance Committee.

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