Public Document Pack

CITY OF LONDON

Finance Committee

Date: TUESDAY, 4 SEPTEMBER 2012

Time: 1.45pm

Venue: COMMITTEE ROOMS - WEST WING, GUILDHALL

Members:

Roger Chadwick (Chairman)
Ray Catt (Deputy Chairman)
George Abrahams
Deputy John Barker
Alderman Sir Michael Bear
Nigel Challis
Deputy Dennis Cotgrove
Nicolas Cressey
Simon Duckworth
Deputy Anthony Eskenzi
Alderman Jeffrey Evans
Deputy Robin Eve
Kevin Everett
Deputy Revd Stephen Haines
Deputy Pauline Halliday
Brian Harris
Tom Hoffman
Wendy Hyde
Alderman Sir Paul Judge
Deputy Alastair King
Anthony Llewelyn-Davies
Deputy Edward Lord
Jeremy Mayhew
Deputy Janet Owen
Henry Pollard
Alderman Neil Redcliffe
Matthew Richardson
John Scott
Ian Seaton
Deputy Dr Giles Shilson
Deputy Sir Michael Snyder
David Thompson
John Tomlinson
Vacancy
Mark Boleat (Ex-Officio Member)
Stuart Fraser (Ex-Officio Member)
Deputy Michael Cassidy (Ex-Officio Member)

Enquiries: **Claire Sherer**
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claire.sherer@cityoflondon.gov.uk

Lunch will be served for Members in Guildhall Club at 1pm

Chris Duffield
Town Clerk and Chief Executive

AGENDA

Part 1 - Public Agenda

1. **APOLOGIES**

2. **DECLARATIONS BY MEMBERS OF ANY PERSONAL OR PREJUDICIAL INTERESTS IN RESPECT OF ANY ITEMS ON THIS AGENDA**

3. **MINUTES OF THE PREVIOUS MEETING**
   To agree the public minutes and non-public summary of the meeting held on 25 July 2012.

   For Decision
   (Pages 1 - 8)

4. **MINUTES OF THE EFFICIENCY AND PERFORMANCE SUB-COMMITTEE**
   To note the public minutes and non-public summary of the meeting held on 17 July 2012.

   For Information
   (Pages 9 - 14)

5. **LOCAL GOVERNMENT FINANCE BILL**
   Report of the Chamberlain.

   For Decision
   (Pages 15 - 38)

6. **PROCUREMENT & PROCURE TO PAY (PP2P) UPDATE**
   Report of the Chamberlain.

   For Information
   (Pages 39 - 52)

7. **IS REVIEW (SOURCING OPTIONS) PROGRESS REPORT**
   Report of the Chamberlain.

   For Information
   (Pages 53 - 56)

8. **CAPITAL AND SUPPLEMENTARY REVENUE PROJECTS AND PRUDENTIAL INDICATORS - 2011/12 OUTTURN**
   Report of the Chamberlain.

   For Information
   (Pages 57 - 66)

9. **DECISIONS TAKEN UNDER DELEGATED AUTHORITY AND URGENCY PROCEDURES**
   Report of the Town Clerk.

   For Information
   (Pages 67 - 68)

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

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

12. **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 the Schedule 12A of the Local Government Act.

Part 2 - Non-Public Agenda

13. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**
To agree the non-public minutes of the meeting held on 25 July 2012.

For Decision
(Pages 69 - 76)

14. **GRANT APPLICATION FROM THE CITY UNIVERSITY**
Report of the Town Clerk.

For Decision
(Pages 77 - 106)

15. **ST LAWRENCE JEWRY - PROPOSAL FOR REPAIRS & MAINTENANCE**
Report of the Town Clerk.

For Decision
(Pages 107 - 114)

16. **NON-DOMESTIC RATES - DISCRETIONARY RATE RELIEF**
Report of the Chamberlain.

For Decision
(Pages 115 - 122)

17. **BARBICAN CENTRE CAPITAL CAP PROGRAMME - ANNUAL REPORT (2012)**
Report of the Managing Director, Barbican Centre.

For Decision
(Pages 123 - 144)

18. **BARBICAN CENTRE CAPITAL CAP PROGRAMME – GARDEN ROOM REFURBISHMENT PROJECT PHASING SHIFT**
Report of the Managing Director, Barbican Centre.

For Decision
(Pages 145 - 148)

19. **NON-PUBLIC DECISIONS TAKEN UNDER DELEGATED AUTHORITY AND URGENCY PROCEDURES**
The Town Clerk to be heard.

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

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

FINANCE COMMITTEE

Wednesday, 25 July 2012

Minutes of the meeting of the Finance Committee held at Guildhall, EC2 on Wednesday, 25 July 2012 at 1.45pm

Present

Members:
Roger Chadwick (Chairman)
Ray Catt (Deputy Chairman)
Deputy John Barker
Alderman Sir Michael Bear
Deputy Dennis Cotgrove
Nicolas Cressey
Simon Duckworth
Deputy Anthony Eskenzi
Alderman Jeffrey Evans
Deputy Robin Eve
Deputy Revd Stephen Haines
Deputy Pauline Halliday
Brian Harris
Wendy Hyde
Alderman Sir Paul Judge
Jeremy Mayhew
Deputy Janet Owen
Alderman Neil Redcliffe
John Scott
Ian Seaton
David Thompson
John Tomlinson
Mark Boleat (Ex-Officio Member)

Officers:

Chris Duffield	-	Town Clerk and Chief Executive
Susan Attard	-	Deputy Town Clerk
Claire Sherer	-	Town Clerk's Department
Daniel Hooper	-	Town Clerk's Department
Chris Bilsland	-	Chamberlain
Caroline Al-Beyerty	-	Chamberlain's Department
Suzanne Jones	-	Chamberlain's Department
Steve Telling	-	Chamberlain's Department
Peter Young	-	City Surveyor's Department
Jim Turner	-	Barbican Centre

Part 1 - Public Agenda

1. **APOLOGIES**
Apologies were received from George Abrahams, Nigel Challis, Kevin Everett, Tom Hoffman, Anthony Llewelyn-Davies, Deputy Edward Lord, Henry Pollard and Deputy Dr Giles Shilson.

2. **DECLARATIONS BY MEMBERS OF ANY PERSONAL OR PREJUDICIAL INTERESTS**
Mark Boleat declared a personal interest in Item 21 in his capacity as Chairman of the Jersey Competition Regulatory Authority.

Alderman Sir Michael Bear declared a personal interest in Item 25 in that he is a Consultant Adviser to Hammerson PLC.

3. **MINUTES OF THE PREVIOUS MEETING**

RESOLVED: That the public minutes and non-public summary of the meeting held on 26 June 2012 be approved as an accurate record.

4. **MINUTES OF THE EFFICIENCY AND PERFORMANCE SUB-COMMITTEE**
The item was withdrawn and would instead be submitted to the Committee's next meeting.

5. **2011 TURKEY EARTHQUAKE DONATION UPDATE**
Members were updated on how a £25,000 donation from the Finance Committee had supported the British Red Cross and Turkish Red Crescent relief efforts following the earthquake in Turkey in October 2011.

RECEIVED

6. **2011 REDR UK DONATION UPDATE**
Members considered a report from RedR UK which provided an update on the City of London Corporation's donation of £27,000 towards a training project in Eastern Europe known as 'Prepare to Respond'.

RECEIVED

7. **CITY FUND AND PENSION FUNDS FINANCIAL STATEMENTS 2011/12**
Members were given an overview of the City Fund and Pension Funds Financial Statements.

A note of the discussion and resolution from the Audit & Risk Management Committee meeting the previous day was tabled and endorsed by the Chairman of that Committee. It recommended that the Finance Committee approve the City Fund and Pension Funds Financial Statements for the year ended 31 March 2012.

RESOLVED: That -

i. the note of the Audit & Risk Management Committee's discussion and resolution be noted;
ii. the contents of Deloitte's Management Letter be noted;
iii. the City Fund and Pension Funds Financial Statements for the year ended 31 March 2012 be approved;
iv. the Annual Reports and Financial Statements be signed by the Chairman and Deputy Chairman of the Finance Committee on behalf of the Court of Common Council;
v. authority be delegated to the Town Clerk, in consultation with the Chairman and Deputy Chairman of the Finance Committee to approve any material changes to the Financial Statements as required before the

signing of the audit opinion by Deloitte which is expected to be by the end of August or early September; and

vi. it be noted that the Audit & Risk Management Committee had also delegated authority to the Town Clerk, in consultation with the Chairman and Deputy Chairman of the Audit & Risk Management Committee to approve any material changes as per v. above.

8. **BRIDGE HOUSE ESTATES AND SUNDRY TRUST FUNDS ANNUAL REPORTS AND FINANCIAL STATEMENTS 2011/12**

Members were given an overview of the Bridge House Estates and Sundry Trust Funds Annual Reports and Financial Statements.

A note of the discussion and resolution from the Audit & Risk Management Committee meeting the previous day was tabled and endorsed by the Chairman of that Committee. It recommended that the Finance Committee approve the Bridge House Estates and Sundry Trust Funds Annual Reports and Financial Statements for the year ended 31 March 2012.

RESOLVED: That -

i. the note of the Audit & Risk Management Committee's discussion and resolution be noted;
ii. the contents of Deloitte's Management Letter be noted;
iii. the Bridge House Estates and Sundry Trust Funds Annual Reports and Financial Statements for the year ended 31 March 2012 be approved;
iv. the annual reports and financial statements be signed by the Chairman and Deputy Chairman of the Finance Committee on behalf of the Court of Common Council;
v. authority be delegated to the Town Clerk, in consultation with the Chairman and Deputy Chairman of the Finance Committee to approve any material changes to the financial statements required before the signing of the audit opinion by Deloitte which is expected to be by the end of August or early September; and
vi. it be noted that the Audit & Risk Management Committee had also delegated authority to the Town Clerk, in consultation with the Chairman and Deputy Chairman of the Audit & Risk Management Committee to approve any material changes as per v. above.

9. **REVENUE OUTTURN 2011/12 - FINANCE COMMITTEE OPERATIONAL SERVICES**

Members considered a report of the Chamberlain on the revenue outturn for the 2011/12 operational services overseen by the Finance Committee.

RESOLVED: That the revenue outturn report for 2011/12 be noted together with the Chamberlain's proposal to carry forward £633,000 to 2012/13.

10. **BUDGET MONITORING REPORT TO JUNE 2012**

Members considered a report of the Chamberlain which set out a review of the forecast revenue outturn for the year and progress against the budgets for capital and supplementary revenue projects for the first quarter.

RECEIVED

11. **PROCUREMENT & PROCURE TO PAY (PP2P) UPDATE**

The Committee considered the regular Procurement and Procure to Pay (PP2P) report giving an update on the progress in Year 2 of the programme and were advised that cashable savings were expected to be £22m if calculations included savings beyond the lifetime of the PP2P programme. These figures would be incorporated into the four year financial plans in the autumn.

Members asked for clarification on a number of points within the report, including some further clarification on the graphs set out in Appendix B of the report. It was agreed that Officers would consider how to present this information in future.

One Member asked whether the City Corporation was confident in achieving the savings given that many major savings had already been achieved through new large scale contracts. The Chamberlain assured the Committee that he fully expected the forecast savings to be realised.

The Chairman advised Members that the Efficiency & Performance Sub Committee would be considering the PP2P programme in more detail, including an overview of the CLPS (City of London City of London Procurement Service).

It was noted that the Committee were currently required to approve any amendments to the Procurement Regulations but due to time limitations at the meeting, Members agreed to delegate authority to the Town Clerk in consultation with the Chairman and Deputy Chairman to make the amendments set out in Appendix C of the report.

RESOLVED: That –

i. the progress with respect to the work for Year 2 of the sourcing projects; and the progress in establishing the new CLPS be noted;
ii. the HR Category Board's proposal to extend the existing contracts for a further 2 years for the provision of Clothing, Uniforms and Safety Apparel be noted;
iii. the signing of the access agreement for the Haringey Framework to determine its suitability for the provision of Professional Services for the Construction Category Board be noted; and
iv. authority be delegated to the Town Clerk, in consultation with the Chairman and Deputy Chairman, to make the proposed amendments (as set out in Appendix C of the report) to the Procurement Regulations.

12. **LOCAL GOVERNMENT PENSION SCHEME 2014 EMPLOYER CONSULTATION**
The Chamberlain advised Members of proposals to revise the Local Government Pension Scheme (LGPS) and that the new scheme would be more affordable for employers and for most employees as well as offering more flexibility for the modern workplace.

RESOLVED: That the Committee support the proposals set out in the report.

13. **DECISIONS TAKEN UNDER DELEGATED AUTHORITY AND URGENCY PROCEDURES**
There were no decisions taken under Delegated Authority or Urgency Procedures since the previous meeting on 26 June 2012.

14. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
One Member asked for assurance that the City Corporation was taking appropriate decisions in relation to its financial investments as a response to current uncertainty in the Eurozone. The Chamberlain advised that the Financial Investment Board were very aware of these matters and this, for example, had impacted on the approved lending list.

15. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**
There was two items of other business as follows:

a) City Corporation Website

The Chairman advised Members that the new City Corporation website had been launched on 17 July 2012 and although there had been a few minor issues it had generally been well received.

b) Business Rates Retention

The Chamberlain advised that Government had issued a consultation paper which could result in a fundamental change to Local Government funding. Officers were working on a response which would make clear the City Corporation's position and a full report would be brought to the next Finance Committee and Policy & Resources Committee meetings. Members were also advised that an informal briefing session might be arranged.

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 the Schedule 12A of the Local Government Act.

Part 2 - Non-Public Agenda

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

RESOLVED: That the non-public minutes and of the meeting held on 26 June 2012 be approved as an accurate record.

18. **LONDON LIVING WAGE**
Members considered a report of the Town Clerk on the London Living Wage.

RESOLVED: That the recommendations in the report be agreed.

19. **CITY'S CASH AND CITY'S CASH TRUST FUNDS ANNUAL REPORTS AND FINANCIAL STATEMENTS 2011/12**
Members were given an overview of the City's Cash and City's Cash Trust Funds Annual Reports and Financial Statements 2011/12.

A note of the discussion and resolution from the Audit & Risk Management Committee meeting the previous day was tabled and endorsed by the Chairman of that Committee. It recommended that the Finance Committee approve the City's Cash and City's Cash Trust Funds Annual Reports and Financial Statements for the year ended 31 March 2012.

RESOLVED: That -

i. the note of the Audit & Risk Management Committee’s discussion and resolution be noted;
ii. the contents of Deloitte’s Management Letter be noted;
iii. the City's Cash and City's Cash Trust Funds Annual Reports and Financial Statements for the year ended 31 March 2012 be approved;
iv. the annual reports and Financial Statements be signed by the Chairman and Deputy Chairman of the Finance Committee on behalf of the Court of Common Council;
v. authority be delegated to the Town Clerk, in consultation with the Chairman and Deputy Chairman of the Finance Committee to approve any material changes to the Financial Statements required before the signing of the audit opinion by Deloitte which is expected to be by the end of August or early September; and
vi. it be noted that the Audit & Risk Management Committee had also delegated authority to the Town Clerk, in consultation with the Chairman and Deputy Chairman of the Audit & Risk Management Committee to approve any material changes as per v. above.

20. **NON-DOMESTIC RATES - APPLICATION FOR RELIEF ON THE GROUNDS OF HARDSHIP**
This Committee considered an application for relief from non-domestic rates on the grounds of hardship.

21. **CITY RE LIMITED - PERFORMANCE MONITORING**
The Committee considered a performance monitoring report on City Re Limited, the City Corporation's Reinsurance Captive Insurance Company.

RECEIVED

22. **GUILDHALL FIRE ALARM REPLACEMENT - PHASE 2 & 3**
Members considered a report of the City Surveyor on the Guildhall Fire Alarm Replacement.

RESOLVED: That the recommendations in the report be approved.

23. **FIXED TERM FIXED PRICE ENERGY CONTRACTS - DELEGATION OF AUTHORITY**
Members considered a report of the City Surveyor on Fixed Term Fixed Price Energy Contracts.

RESOLVED: That the recommendations in the report be approved.

24. **RESIDENTIAL FLATS ABOVE OLD SPITALFIELDS MARKET - DISPOSAL OPTIONS**
The Committee considered a report setting out Disposal Options for Residential Flats above Old Spitalfields Market.

RESOLVED: That the recommendations set out in the report be approved subject to a stipulation made by the Committee.

25. **NICHOLLS & CLARKE SITE - DISPOSAL (CITY'S CASH)**
Members considered a report of the City Surveyor which set out proposals for disposing of the Nicholls & Clarke Site.

RESOLVED: That the recommendations as set out in the report be agreed.

26. **BARBICAN CENTRE - CAPITAL CAP PROGRAMME 2013/14 TO 2017/18**
Members considered a report on the Barbican Centre Capital Cap programme 2013/14 to 2017/18.

RESOLVED: That –

i. the recommendation in the report be agreed; and
ii. the draft minute and resolution of this Committee be submitted to the Resource Allocation Sub (Policy & Resources) Committee for consideration at its meeting on 26 July 2012.

27. **NON-PUBLIC DECISIONS TAKEN UNDER DELEGATED AUTHORITY AND URGENCY PROCEDURES**
There were no non-public decisions taken under Delegated Authority and Urgency Procedures since the previous meeting.

28. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
There were no non-public questions.

29. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**
A report of the Chamberlain regarding the findings of the Audit Review Panel was instead considered in conjunction with the report on City's Cash and City's Cash Trust Funds Annual Reports and Financial Statements 2011/12 at Item 19.

The meeting ended at 3.30pm

Chairman

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EFFICIENCY AND PERFORMANCE SUB (FINANCE) COMMITTEE

Thursday, 12 July 2012

Minutes of the meeting of the Efficiency and Performance Sub (Finance) Committee held at Guildhall, EC2 on Thursday, 12 July 2012 at 1.45pm

Present

Members:
Roger Chadwick (Chairman)
Ray Catt (Deputy Chairman)
Nigel Challis
Deputy Anthony Eskenzi
Alderman Jeffrey Evans
Deputy Revd Stephen Haines
Anthony Llewelyn-Davies
Jeremy Mayhew
Deputy Dr Giles Shilson
John Tomlinson

Officers:

Susan Attard	-	Deputy Town Clerk
Claire Sherer	-	Town Clerk's Department
Neil Davies	-	Town Clerk's Department
Daniel Hooper	-	Town Clerk's Department
Chris Bilsland	-	Chamberlain
Caroline Al-Beyerty	-	Chamberlain's Department
Suzanne Jones	-	Chamberlain's Department
Michael Cogher	-	Comptroller and City Solicitor

Part 1 - Public Agenda

1. **APOLOGIES**
Apologies were received from Deputy Edward Lord.

2. **DECLARATIONS BY MEMBERS OF ANY PERSONAL AND PREJUDICIAL INTERESTS**
Jeremy Mayhew made a declaration of interest in respect of Item 4 given his current role as a Senior Adviser to PwC's Entertainment & Media Consulting Practice, who produced the report 'The (local) state we're in' referred to in the report to Item 5.

3. **MINUTES OF THE PREVIOUS MEETING**

RESOLVED: That the minutes of the meeting held on 18 May 2012 be agreed as an accurate record.

MATTERS ARISING:

Item 4 - The Chamberlain advised Members that he would report to a meeting later this year on possible trigger points and metrics for the Sub Committee to use when deciding on whether to review a particular department in detail.

4. **DEPARTMENTAL REVIEW FOLLOW UP**
Members considered a report of the Town Clerk which updated them on the agreed actions arising from the Committee's departmental reviews that had been undertaken in the previous year.

Although this report had been designed to provide assurance that the actions arising from the departmental review had been addressed, Members discussed expanding this to include actions arising from all reports. The Deputy Town Clerk recognised that any future action updates should be issued on time and in a more user-friendly format such as the format used for the Audit & Risk Management Committee.

The Deputy Town Clerk then gave an update on the potential for Shared Services between the City of London Corporation and the City of London Police, including the resolution of the Police Committee at its meeting on 27 April 2012. A full report would be brought to the Sub Committee for further consideration and Members requested that this report also set out any possible data security issues.

One Member also asked what progress had been made in the alignment of financial and business planning and was informed that this was being actively considered by the Chamberlain's department in time for the 2013/14 estimates reports.

RECEIVED

5. **TRANSFORMATION AND EFFICIENCY BOARDS UPDATE**
The Committee received an update from the Transformation and Efficiency Boards and, in particular, considered the following areas:

<u>Guildhall Accommodation Review</u>
The Deputy Town Clerk confirmed that the timetable in relation to implementing the Guildhall Accommodation Review (as reported in paragraph 4 of the report) was correct and that approximately 500 people would be affected by the various office moves. The timetable had also been planned to ensure minimal disruption to departments during key events such as delivering the annual accounts. In response to a question, the Deputy Town Clerk acknowledged that the City Corporation could also look at new ways of working which could capitalise on certain staff being located closer together.

<u>Strategic Finance Review</u>
New style monthly budget monitoring reports to be sent directly to responsible budget managers from June would aim to be clear to non-finance

professionals. Members were invited to provide feedback to the Chamberlain as these could be refined as necessary.

The Chairman stated that it would be useful if reports could include a breakdown of internal and external staffing costs charged to City Corporation projects, especially where recharges could be made such as Transport for London (TfL) initiatives and under 'Section 106 agreements'. The Chamberlain agreed to consider this area and report back to the Sub Committee.

Value for Money (VfM) conclusion
The Chamberlain informed Members that a positive Value for Money (VfM) conclusion for 2011/12 had been received from the external auditors (further to the reference in paragraph 16 of the report).

Local Area Performance Solution (LAPS)
Members noted some concerns regarding the number of carers that had received a carer assessment (as identified in paragraph 25 of the report) and it was noted that this matter had been referred to the Director of Community & Children's Services for an update to be provided to Members at the next meeting. It was noted that the LAPS dashboards showed that the City of London Corporation was performing very well but it would be useful if this could also show whether this had been achieved within any VfM criteria.

Members were advised that the Sub Committee's work programme (as agreed at 18 May 2012 meeting) would be revised and brought back to the Committee for consideration at its next meeting.

RECEIVED

6. **GUILDHALL SCHOOL OF MUSIC AND DRAMA - UPDATE**
Members considered an update report on the overall financial position and fundraising activities for the Guildhall School of Music & Drama's new building at Milton Court as requested by the Sub Committee at its meeting on 23 May 2012.

Members expressed some concerns that any shortfall in funding would be underwritten by the City Corporation. Members also sought assurance that the Guildhall School of Music & Drama (GSMD) was able to meet all of its revenue expenditure as had been stipulated by the City Corporation when it agreed to provide capital funding to develop the Milton Court facility.

The Chamberlain noted these concerns although he suggested that it might be appropriate to review in more detail whether further revenue funding might be needed as the GSMD would need to meet higher operational costs at Milton Court whilst it develops new ways of working and increasing student numbers now that they could be accommodated.

Members requested further updates from the Chamberlain and representatives of the GSMD and were particularly keen to be kept informed on fundraising targets as well as financial performance including variations on the agreed budget.

RESOLVED: That –

i. the report be noted;
ii. the Chamberlain would issue a report to Members as soon as the GSMD student intake for 2012/13 was finalised;
iii. the Chamberlain would provide an update report on Milton Court fundraising at the next meeting, including a breakdown of funds that had been pledged and those that had been received; and
iv. the GSMD's Principal, Chief Operating & Financial Officer and Chairman of the Board of Governors be invited to attend the 14 November 2012 meeting with a full report.

7. **CROSS-BOROUGH WORKING**
As requested at the previous meeting on 18 May 2012, the Comptroller & City Solicitor provided an overview of his experience in cross-borough working. Afterwards, Members asked a number of questions, particularly his views on how cross-borough working works in different political environments and the scope for quantifiable savings.

The Chairman thanked the Comptroller & City Solicitor for his useful presentation.

RECEIVED

8. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
One Member asked about the cost of benefits in kind to the three Academies and the Chamberlain advised that this would be a matter for the Policy & Resources Committee.

9. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**
There was no other business.

10. **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 the Schedule 12A of the Local Government Act.

Item No.	**Paragraph(s) in Schedule 12A**
11 – 12	-

Part 2 - Non-Public Public Agenda

11. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
    There were no questions.

12. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**
    There was no other business.

The meeting ended at 3.35pm

Chairman

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Committee(s):	Date(s):
Finance Policy and Resources	4th September 2012 6th September 2012
Subject: Local Government Finance Bill	Public
Report of: The Chamberlain	For Decision

Summary

This report updates members on key matters relating to local government finance and covers:

- Localising support for council tax;
- Technical reforms to council tax including greater discretion for council tax discounts and exemptions; and
- Business Rate Retention

For the City, the council tax localising support proposals are not so significant. The Finance Committee has already decided not to introduce a local scheme but it looks sensible that the future responsibility for administration should be relocated to the Chamberlain's Department and officers are currently working up proposals on this for future member consideration.

Similarly the impact of the new discretions for council tax discounts will not have a great effect. A separate report will be prepared on this later in the year.

The consultation on business rate retention is however very detailed and extensive, running to over 250 pages plus exemplifications. Although of a technical nature, the proposals have significant policy implications. The key policy issues for the City are the proposals that mean that :

- the current special arrangements – the City Offset and the City Premium are unchanged; and
- the impact of appeals seems to be unfairly treated.

Recommendations

That this report be noted and that the Town Clerk be given delegated authority to respond to the Government Consultation papers, in consultation with the Chairmen and Deputy Chairmen of the Finance and Policy and Resources Committees.

Main Report

Background

1. The Local Government Finance Bill continues through the legislative process. Prior to the recess, the Chamberlain and the Remembrancer have been monitoring the Report stage in the House of Commons and the second reading debate in the House of Lords. Our key concern – that of the impact of revaluations – has been raised in the House of Lords and has some support.

2. The Bill will be enacted and will come in to force from April 2013.

Localising support for Council Tax

3. The Department for Communities and Local Government (CLG) has released a number of documents on local council tax support schemes. They provide further guidance and information on the issues behind the design and implementation of a local scheme. These include:

- Overall Statement of Intent: This document provides operational guidance on the implementation and delivery of local schemes. This includes information on:

  - the proposed policy covering how a billing authority will prepare a local scheme;
  - the process behind the transition from council tax benefit to a local scheme;
  - prescribed requirements within the regulations;
  - risk sharing arrangements between the billing and major precepting authorities; and
  - Technical changes relating to council tax calculations.

- Vulnerable People - Key local authority duties: Beyond the requirement to protect pensioners, the government confirmed that it does not intend to prescribe the level of support for other vulnerable groups. This document provides further guidance for local authorities and highlights the considerations required in relation to other vulnerable groups.

- Taking work incentives into account: This document sets out the key considerations in designing a scheme, which maintains work incentives.

- Funding arrangements consultation: This document sets out how the Government intends to distribute funding to support local schemes. The consultation closed on 12 July 2012.

4. It is proposed that funding will be distributed on the basis of shares of previous subsidised council tax benefit expenditure, which for London Boroughs generally results in a 12% funding reduction although the final allocations will differ in both amount and also the relative distribution between authorities

5. For most London Boroughs this is a major concern. However, for the City, the figures and issues are not so significant. It is indicated that our funding will reduce from £250,000 p.a to £207,000 p.a and this shortfall will be covered in the financial forecasts as members of the Finance Committee have not decided to set up a local scheme, which would require a formal consultation process to be followed, . However it looks sensible that the responsibility for administration should in future rest with the Chamberlain's Department and officers are currently working up proposals on this for future member consideration.

Technical Changes to Council Tax Discounts and Greater Local Discretion over Discounts and Exemptions

6. Following consultation last autumn, in May this year the Government issued a report summarising responses received to the consultation; this document also sets out the Government's intentions of which reforms to implement. The main proposals are:

    - To allow discretion to local authorities over the amount of discount awarded to second homes from 0% to 50% (currently a minimum of 10% discount);

    - To allow discretion in the amount of discount awarded to uninhabitable properties from 0% to 100% (currently they are completely exempt for the first year) but for any discount to apply for one year;

    - To allow discretion in the level of discount awarded to empty properties from 0% to 100% (currently they are completely exempt from council tax for 6 months and thereafter may receive up to 50% discount);

    - To make mortgagees in possession liable for council tax (currently these properties are exempt);

- To allow a discretionary "empty homes premium" of up to 50% to be charged on dwellings after they have been continuously empty for at least two years;

- To give council tax payers the right to pay by 12 monthly instalments instead of over 10 months; the default will remain at 10 monthly instalments;

- There are also a few minor purely technical changes.

7. Some of the enabling legislation was contained in the Localism Act 2011 which received Royal Assent late last year and further provisions are in the Local Government Finance Bill currently before Parliament. Detailed regulations are required for the changes to be implemented. All reforms are due to come into effect from 2012/13.

8. The Government's intention is that local authorities will retain any additional revenue raised from changing levels of discount and removing exemptions and that the changes may help keep the headline level of council tax down. In the City, the effect will inevitably be quite small and in some instances the additional administration and likely write offs would outweigh any financial advantage.

9. A more detailed report will be presented to Members in the autumn.

Business Rate Retention Scheme

10. The government has released five consultation papers on the proposals for business rate retention. These papers provide further detail on how the scheme will work. The key features of the proposed scheme include:

- Local government will be able to retain a share of business rates yield. This share has been confirmed at 50% and has been set to maintain the control totals for local government spending announced in Spending Review 2010 (SR2010).

- The large size of the central share means that the Government will have to continue to distribute Revenue Support Grant (RSG) in at least the first two years of the scheme to ensure that local government receives funding equal to that set out in the control totals for 2013-14 and 2014-15

- A rebalancing of resources and spending need will occur at the start of the scheme (setting the baseline). Authorities (such as the City) raising more in business rates than their assessed spending need will be tariff authorities and will pay the excess to Government. Authorities raising less in business rates than their assessed spending need will be top up authorities and will receive a top up payment from Government.

- Top ups and tariffs will increase with RPI each year and will be self-financing nationally.

- Once the baseline has been set, local authorities will retain any growth or bear any decline in their local business rates yield (net of central share payments and the element due to the GLA), subject to the application of a levy on disproportionate growth and the operation of a safety net system to protect from large shocks.

- The levy ratio has been set such that only tariff authorities will be affected.

- The safety net threshold will be set to apply if an authority's business rates yield drops by more than a defined threshold below its initial baseline. The government is proposing that this threshold should be set between -7.5 to -10%.

- Local authorities will only be able to benefit from the impact of physical growth. The impact of rental price growth (picked up by revaluation) will be neutralised.

- Once baseline parameters have been set, the Government does not intend to make any changes to the system until the first reset which is not likely to occur until 2020. After this point resets are intended at 10 yearly intervals. The methodology for resets has not been confirmed. Depending on the methodology applied an authority's accrued benefit from growth may be removed at the point of reset.

- In London, the GLA family – including all of LFEPA's revenue funding, and a proportion of TfL's revenue funding will be included in the system. It has now been agreed that the GLA family will receive a 40% share of any growth.

- Officers are working closely with senior finance and revenues and benefits officers from other boroughs, central government and the GLA to understand the implications of these proposals. The Business Services Director sits on the CLG Advisory Group and the Chamberlain attends the CLG Formula Review Group which gives a very useful additional insight and influence.

Impact on the City

11. The DCLG has produced a useful exemplification of how the business rates retention scheme will operate (Appendix A). We have hypothecated the calculation for the city (Appendix B). We have reproduced the whole calculation to illustrate the complexity of the new system but members should note that the key figure for the City is the business rate funding level estimated at £14.4m which is only a fraction of the business rate baseline figure estimated at £342.9m. It follows from this that any percentage gain (or loss) will have a relatively small impact on the City's finances. So on the one hand, there is not a great incentive; on the other hand, the changes shouldn't present a major financial risk.

12. It should be noted that Police Finance is entirely out of the system. The City is already treated as a "hybrid" authority with both police and local authority functions and the future government funding regime will be quite separate for City Police.

Specific City Concerns

13. There are two particular issues for the City. The first of these is that the City's special arrangements (the City Offset and the City Business Rate Premium) continue and are unaffected by these changes. The Government intent on this is, and always has been, very clear although it should be noted that these are very explicitly stated in the consultation documents and all authorities are invited to comment on this. The specific questions on this are reproduced on Appendix C.

14. The second issue is that of appeals. As presently constructed the impact of appeals will be included in the percentage growth calculations. That seems wrong in principle as appeals are generally to do with the impact of rental prices. It is a significant issue for the City because of the homogeneity of City business premises and vulnerability to rent volatility. We will continue to press this point

15. However although this is an important point of principle, the financial impact is not necessarily that great. Members will recall that I have previously reported a specific concern relating to oversupply appeals. I have recently been advised by the Valuation Officer that the City oversupply appeals have now been agreed with the major rating agents. He has agreed a 5% reduction on post 1990 offices for 2009/10. There are about 5,500 properties affected leading to a reduction in £37 to £40 million rateable value and actual rates refunds of around £20 million. This is fewer properties and a smaller reduction than might have occurred (about 3,000 appeals are to be withdrawn). However, the final amount will be higher as there will be a knock on effect in the 2010 rating list as transitional relief is recalculated and also for those properties where there

is not an appeal and the List cannot be amended, there will inevitably be certificates of value to enable more transitional relief to be granted from 2010. The VO intends making all the amendments during the 2012/13 financial year.

16. Therefore in 2012/13, a £20m refund will be shared 60:40 between the City and the GLA. The City's share of £12m equates to about 3.5% of the business rate baseline figure and in turn, other things being equal will result in a 3.5% reduction in the baseline funding level of £14.4m – a real loss of funding of around £0.5m p.a. An unfair outcome but not a material figure in the context of the City's overall finances.

Conclusion and next steps

17. The Government's intentions are clear and Appendix D – "Why we are changing the Scheme" sets these out in plain English. The key issue for the City now relate to the proposals to maintain the status quo for our special arrangement and obviously the City response will be to support these and to enlist support from other authorities as possible.

18. We will also press the point regarding the treatment of valuation appeals where we expect to have some common grounds with other authorities.

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- Appendix A: Business Rates Retention Scheme: Step by Step Exemplification
- Appendix B: City Exemplification
- Appendix C: Specific Questions relating to the City Corporation
- Appendix D: Plain English Guide "Why we are changing the system"

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Department for Communities and Local Government

Business Rates Retention Scheme

A STEP-BY-STEP EXEMPLIFICATION

EXEMPLIFICATION OF BUSINESS RATES RETENTION SCHEME

This document provides a step-by-step guide on how the business rates retention scheme will be set up and will operate, including how the central and local share will operate and how levy and safety net payments will be calculated.

The current consultation, which runs until 24 September 2012, sets out the technical detail underpinning the business rates retention scheme ahead of the 2013-14 local government finance report. This consultation includes income definitions for the purpose of calculating the payments from billing authorities to their major precepting authorities, in respect of the central share and for the purposes of levy and safety net calculations. It also deals with the calculation and distribution of Revenue Support Grant, which is not discussed here.

This step by step guide is intended to aid councils in understanding the scheme, as such, the numbers used in this document are for illustrative purposes only and do not reflect actual sums of business rates at either aggregate or individual authority level.

The exemplification is based on the operation of the scheme in a two-tier area. Single tier authorities and other major precepting authorities, such as single purpose fire and rescue authorities, can see how the scheme will operate for them by substituting the relevant major precepting authority shares for their areas as necessary in steps 4, 7 and 8.

BUSINESS RATES RETENTION SCHEME SET-UP

1. **DCLG will first calculate the total business rates that will be collected by all English billing authorities in 2013-14 i.e. the estimated business rates aggregate.**

   This will be on the basis of an Office of Budget Responsibility UK forecast. The details of how this will be done are set out in the summer consultation.

Estimated business rates aggregate: £10bn

2. **The central and local share percentages will then be applied to the estimated business rates aggregate.**

   The Statement of Intent, 'Business Rates Retention Scheme: the central and local share of business rates', set out the Government's intention to set the local share at 50% and the central share at 50%.

Estimated business rates aggregate= £10bn
Central share @ 50%= £5bn
Local share @ 50%= £5bn

   The central share will be paid by billing authorities to central government. This will be used in its entirety to fund local government through Revenue Support Grant or other specific grants.

   Payment schedules will be set up on the basis of the estimated business rates aggregate but will be subject to a process of reconciliation to ensure payments represent 50% of actual receipts.

3. **DCLG calculates a proportionate share for each billing authority** in order to work out a billing authority business rates baseline**.**

   It first works out a proportionate share percentage for each billing authority based on its historic business rates collection averaged over a number of years. The methodology for how proportionate shares will be calculated is set out in the summer consultation.

   The proportionate share percentage is then applied to the local share of estimated business rate aggregate (as set out in step 2) to determine the billing authority business rates baseline.

Local share: £5bn
Proportionate share percentage for billing authority A: 1%
Billing authority business rate baseline: £5bn x 0.01= £50m

4. **This billing authority business rate baseline is then split between the billing authority and its major precepting authorities (on the basis of major precepting authority shares) to determine individual authority business rate baselines.**

In December 2011, the Government set out that it intended to set the major precepting shares in two tier areas at 80% for district councils and 20% for county councils that have responsibility for fire and rescue services. The summer consultation proposes to set the percentage share for single purpose fire and rescue authorities at 2%, and county councils in such areas would receive an 18% share.

Billing authority business rates baseline: £50m

Individual authority business rate baseline (for billing authority A) @ 80%= £40m

Proportion of billing authority business rates baseline which is passed to major precepting authority B @ 20%= £10m

A major precepting authority's individual authority business rate baseline will be formed from adding together the proportions they receive from the billing authorities in their area.

Proportion from billing authority A: £10m

Proportion from billing authority C: £5m

Proportion from billing authority D: £7m

Individual authority business rate baseline (for major precepting authority B)= £22m

5. **For each authority, DCLG will then calculate the baseline funding level for the purpose of the business rates retention scheme.**

This is done by applying the 2012/13 formula grant process to the local share of the estimated business rates aggregate. Proposals for using updated datasets, making limited methodological updates and other technical adjustments are set out in the summer consultation.

Billing authority A's baseline funding level = £25m

6. **Tariffs and top-ups are then calculated.**

A local authority must pay a tariff if its individual authority business rate baseline is greater than its baseline funding level. Conversely, a local authority will receive a top-up if its baseline funding level is greater than its individual authority business rate baseline.

Tariffs and top-ups will be fixed until the business rates retention system is reset but will be uprated by RPI each year.

Billing authority A's individual authority baseline funding level: £25m

Billing authority A's business rate baseline: £40m

Billing authority A is a tariff authority as its individual authority business rate baseline is greater than its baseline funding level.

Tariff: £40m- £25m= £15m

RUNNING THE SYSTEM: MAJOR PRECEPTING SHARES

7. **In setting up the system, major precepting shares will be used to determine individual authority business rates (see step 4). They will also be used once the system is running to determine how much of the business rates it collects a billing authority has to pay to central government and its major precepting authorities.**

   In December 2011, the Government set out that it intended to set the major precepting shares in two tier areas at 80% for district councils and 20% for county councils. After central share payments are taken into account, this percentage split becomes 40% and 10% respectively of the total rates collected. For single purpose fire and rescue authorities, this means they will receive 1% of the business rates collected by the billing authority and a further 1% would be paid to central government as a central share payment by the billing authority.

Business rates collected by billing authority A in 2013-14: £120m
Central share payment of 50%: £60m

Payment to major precepting authority B@ 10% of rates collected= £12m
Retained income by billing authority A@ 40% of rates collected= £48m

8. **Major precepting authorities will receive business rate income from each of the billing authorities in their area.**

   They will also receive Revenue Support Grant and are likely to receive a top-up payment because county councils in two tier areas are receiving 10%, and single purpose fire and rescue authorities are receiving 1%, of locally retained business rates.

10% of billing authority A's business rate income: £12m
10% of billing authority C's business rate income: £8m
10% of billing authority D's business rate income: £5m

Total business rate income of major precepting authority B= £25m

RUNNING THE SYSTEM: THE LEVY AND THE SAFETY NET

9. A levy will be calculated for each local authority.

In the Statement of Intent, 'Business rates retention scheme: the safety net and levy', the Government stated that the levy would be a 1:1 proportionate levy. This means that for every 1% increase in a local authority's business rate income, the local authority would see no more than a corresponding 1% increase in its baseline funding level.

This relationship is expressed in the levy rate, which is:

$$1 - \left(\frac{\text{baseline funding level}}{\text{individual authority business rates baseline}} \right)$$

If the calculation produces a negative levy rate, the local authority will not be levied.

Local authority A's individual authority business rate baseline= £40m

Local authority A's baseline funding level= £25m

Levy rate: 1- (£25m/ £40m) = 0.375%

10. Calculating levy payments

At the end of a financial year, DCLG will calculate whether a levy payment was due from an authority. It will do this by comparing an authority's pre-levy income under the business rates retention scheme with its baseline funding level.

Total business rates collected by billing authority A in 2013-14= £120m

Less:

Central share @ 50%: £60m

Payments to major precepting authority B @ 10%: £12m

= Billing authority A's retained business rate income= £48m

Less:

Tariff =£15m

= Pre-levy income under rates retention scheme = £33m

Baseline funding level = £25m

Growth= £8m

Levy rate of 0.375% = Levy due of £3m

Growth Retained= £5m

For major precepting authorities, the levy ratio will be applied to the cumulative total of business rate payments from their billing authorities.

11. Calculating safety net entitlements

At the end of a financial year, DCLG will calculate whether a safety net payment should be paid. It will do this by comparing an authority's pre-safety net income under the business rates retention scheme with its baseline funding level. For the purpose of these calculations, the baseline funding levels will be indexed to RPI.

Safety net payments will ensure that a local authority's income does not drop below more than a set percentage of its baseline funding level uprated by RPI. In the Statement of Intent, 'Business rates retention scheme: the safety net and levy', the Government announced that the safety net threshold would be set at between 7.5% and 10%. The Government is consulting on the safety net threshold in the summer consultation, as well as the mechanism for providing in-year safety net payments.

Assuming a safety net threshold of 8.5%.

Total business rates collected by billing authority A in 2013-14= £80m

Less:

Central share @ 50%: £40m

Payments to major precepting authority B @ 10%: £8m

= Billing authority A's retained business rate income= £32m

Less:

Tariff= £15m

= Pre-safety net income under rates retention scheme = £17m

Baseline funding level = £25m

Safety net level (@ 8.5% threshold) = £22.9m

= Safety net payment of £22.9m- £17m = £5.9m

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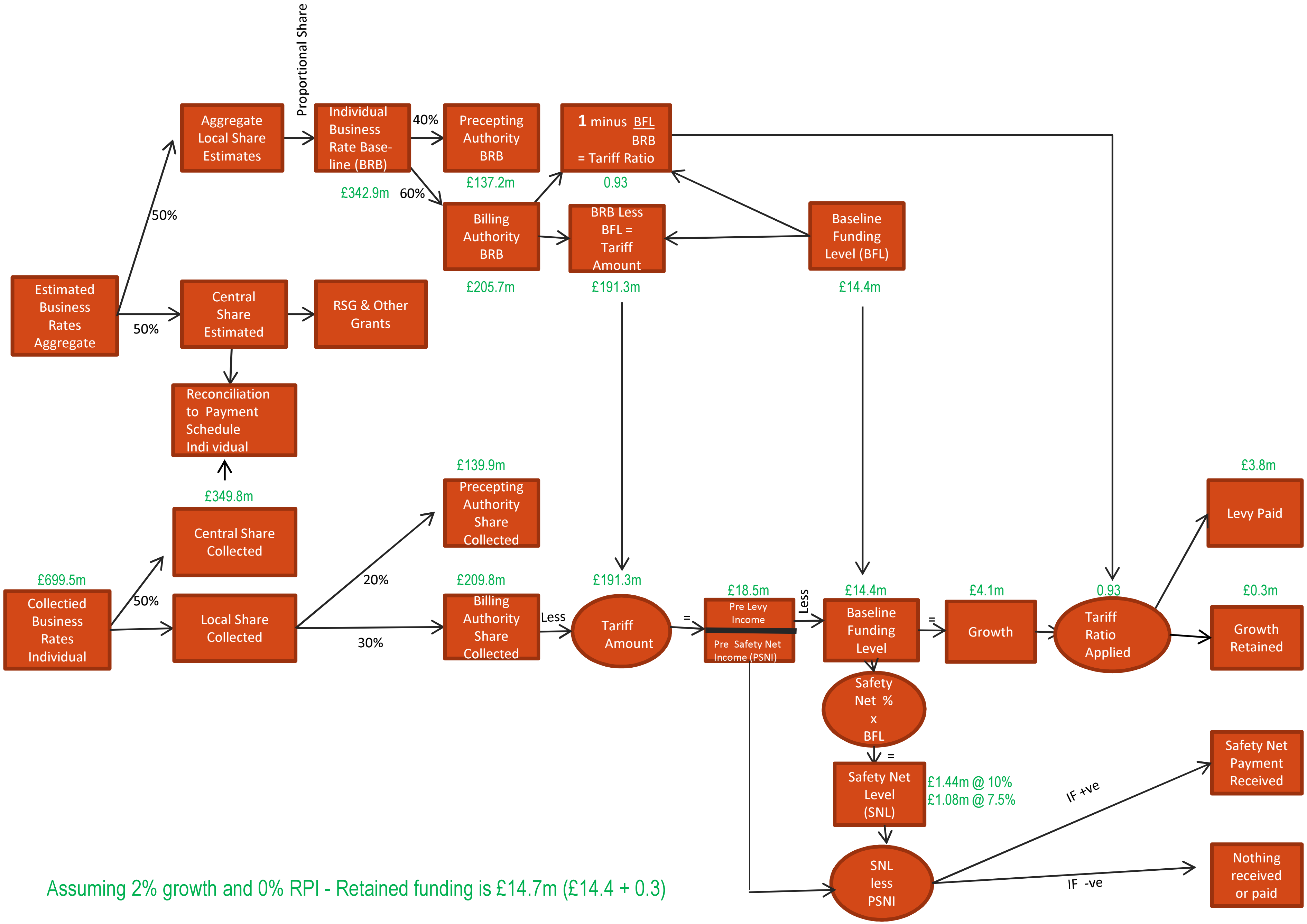
Source for BRB, and BFL figures is London Councils



Assuming 2% growth and 0% RPI - Retained funding is £14.7m (£14.4 + 0.3)

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Appendix C

Specific Questions relating to the City Corporation

Questions 64-68 of the Consultation Document deal with the City's Special arrangements:

Question 64: Do you agree with the Government's proposal to reflect the current arrangements for the City of London Offset by making an adjustment to the City of London's *individual authority business rate baseline?*

Question 65: Do you agree with the proposal to take account of the City of London Offset when calculating *proportionate shares*?

Question 66: Do you agree with the proposal to calculate the City of London's levy ratio by using its adjusted *individual authority business rate baseline*?

Question 67: Do you agree with the proposal to calculate the City of London's eligibility for the *safety net* by using its business rates income after the deduction of the City of London Offset?

Question 68: Do you agree that the City of London Premium should be disregarded in the definition of business rates income used in the business rates retention scheme?

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Appendix D

Why are we changing the system?

Government wants to give councils more freedoms and flexibilities. This is since we want to reduce Whitehall interference and give more power to local people. We also want to give councils stronger incentives to create and support local jobs and local firms.
The local government finance system is one of the most centralised in the world with councils getting more than half of their income from a central government grant. Under the existing system all businesses - shops, offices, warehouses and factories - pay a tax to their local council (called business rates). Although the local council collects the bills, it doesn't keep the money. It goes into a Treasury pot and is then redistributed back to local authorities, via an extremely complex formula.

There are a number of problems with the current scheme. It fails to reward local authorities for increasing new business in their area. No matter how many new businesses start up in their locality, councils don't get a penny extra. They could even lose out for having to stump up the cost of providing additional services to new companies. Instead of encouraging businesses, the system encourages a 'begging bowl' mentality with councils looking to be rewarded for being worse off. It's a system in need of reform.

Government's proposals will shift more financial power from Whitehall to the town hall allowing councils far greater influence over the money they earn. Overall, councils will now get to keep 50 per cent of what they earn giving them a real incentive to go for growth and encourage enterprise and job creation. It has been estimated that these reforms could boost economic growth by £10 billion over the next seven years. If economic activity increases, the total amount of money raised from business rates will grow too. This means there will be more money 'in the pot' both for prosperous councils and to support less well-off areas.

They will also have much greater flexibility to pool their business rates to encourage growth across their areas. And the scheme also enables local authorities to borrow money against future business rate growth to fund infrastructure projects in their area.
Meanwhile, councils that struggle to increase their business will have protection for basic services. And all local authorities will now have much greater certainty about their budgets over a longer period of time - allowing them to plan ahead.

How will the new scheme work in practice?
Instead of business rates going straight into the Treasury coffers without touching the sides of the local authorities, town halls will now get to keep a proportion of their hard earned cash.

But the reality is that some wealthier authorities earn more in business rates than they used to receive from the current formula grant. While there are other authorities who earn much less. So Government is levelling the playing field through a mixture of "top-ups" and "tariffs".

In the first instance, Government will calculate a funding level for every local authority for 2013/14. Should a local authority receive more in business rates than its funding level then Government will pocket the difference (the “tariff”). This will be used entirely to "top up" local authorities who receive less than their funding level. Government intends that this will be fixed for seven years.

Once underway the scheme allows councils to keep 50 per cent of the additional funds they generate. But without adjustment the scheme would be weighted towards richer authorities. This is because, for a comparatively small investment in growth, councils with a large amount of business property can gain large increases in their revenue. Whereas hard-pressed councils who put a lot in would get comparatively little out.

For example, in an authority with business rates income of £100 million and funding level of £50 million, a 5 per cent increase in business rates income produces a 10 per cent increase in income compared to its funding level. A town hall with a different rate base (£10 million) and the same funding level (£50 million), would find the same 5 per cent increase in rates income only produces a 1 per cent increase in income compared to its funding level.

So Government is evening up the odds to encourage enterprise in councils whatever their resources. Where a council's increase in revenue outstrips the increase in its funding level. Government will again take the difference through a levy. So if an authority grows its rates by 2 per cent and its funding level growth is 4 percent, it will get to keep 2 per cent of that growth.

However, this money will still be ploughed back into local authorities. In this case it will be used as a shock absorber to protect other authorities that see their income drop to a particular level, for example, as a result of big business going under. Government is consulting on where between 7.5 per cent and 10 per cent this level should be set.

What do these proposals mean for you?

Local residents - should see greater investment in local services as authorities see their business rates revenue increasing. Equally, spending is protected even if it suffers a significant decrease in its business rates revenue.

Businesses will see no change in the way their business rate bills are calculated. But they will have more influence on council’s decisions, including their budget as the council’s income is directly linked to the successful of businesses in its areas.

Charities and voluntary groups which currently receive tax relief on their bills will see no change, as such relief will continue.

Councils will have much greater incentive to grow businesses in their areas and much greater certainty about their future funding - allowing them to plan ahead, manage risk, budget for the long term and plan for worst case scenarios. They will also want to work more closely with the Valuation Office Agency (the body which helps calculate the amount of business rates that firms should pay) to ensure local firms are having their properties valued correctly and paying the right amount of tax.

Developers will find a more conducive atmosphere with councils actively seeking to encourage appropriately-sited and well-planned non-residential development. This is especially true of new renewable energy projects that start paying business rates from year one.

The *police authority* will not be affected by fluctuations in business rates in your area.
All *single purpose fire and rescue authorities* will be funded through a two percentage share of each district or borough council's business rates income. They will receive a top-up to bring their funding up to their funding level.

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Committee:	Dates:
Finance	4th September 2012
Subject: Procurement & Procure to Pay (PP2P) Update	**Public**
Report of: Chamberlain	**For Information**

Summary

This regular report gives an update on the progress of Year 2 of the PP2P programme. It focusses on the progress towards the setting up of the City of London Procurement Service (CLPS) with a particular emphasis on the implementation dates and an update on the savings being made on sourcing projects.

As referenced in the last report, the implementation timetable and approach for delivering the CLPS has been reviewed. As a result of the review, a phased approach to delivering the project and a change to the formal launch date have been proposed and agreed by the Joint Review Board (JRB). This does not impact the purpose or scope of the CLPS project or the delivery of the overall PP2P programme, but does ensure that appropriate amounts of time and resources are available to properly complete critical processes such as comprehensive staff consultation and process design. The details of the new approach and revised formal launch date are included in the main report.

Progress with the project has continued alongside the review of the plan. Significant headway has been made with extensive professional and individual consultation activities having completed and recruitment to 22 vacant roles beginning on 15th August 2012. These roles have been advertised internally initially and where necessary external recruitment will take place after the interviews during September.

Workshops are currently underway with process experts to develop and document the processes that will be used by the CLPS to deliver the agreed scope of service for the City of London following the launch of the new service. The process experts from each department are providing input to ensure the processes are as efficient as possible while taking in to account the requirements of each department and their service users.

Recommendation: Members are asked to

1. Note the steady progress with respect to the delivery of the year 2 savings targets; and

2. Note the phased approach and revised end dates for completing the CLPS transition.

Main Report

Purpose of Report

1. This regular report provides members with a further update on progress towards the setting up of the City of London Procurement Service (CLPS) with a particular emphasis on the implementation dates and an update on the savings being made on sourcing projects.

2. To assist in understanding the overall programme a single page diagram has been developed (Appendix 1) which sets out the key activities and challenges for the PP2P project.

Creation of City of London Procurement Service (CLPS)

3. Following an extensive review of the existing project plan the approach and formal launch date for the CLPS project has been revised. The initial launch date for the service was to be the end of September 2012. This was very ambitious target. The end date for the CLPS to be fully established is now planned for March 2013, but many elements of the service will be live prior to that date as work is phased in from September 2012. The revised date reflects our experience on the project to date and an appropriate rate of change for the City of London to successfully absorb. It is important that we ensure that we have recruited and trained the appropriate number of staff, the new processes are fit for purpose, and that the relevant changes to the financial systems have been put in place and tested before we formally launch the full service. The high level transition plan in Appendix 2 shows how the work will be introduced and the revised overall end date.

4. Individual consultation for those staff identified as in scope for the CLPS was conducted between 24th July and 10th August. This provided an opportunity for all directly impacted staff to exercise their choice to attend a personal consultation meeting with the Head of CLPS and Human Resources regarding their position.

5. During this time 14 out of 30 impacted staff chose to have a one to one meeting. Some of these included those who are automatically transferring

to the CLPS because of the high percentage of in-scope work they currently undertake. Others included those between 20% and 50% in scope who were offered the choice of transferring. We received decisions from all 30 staff and were then able to confirm which posts were vacant and commence recruitment.

6. Internal recruitment commenced on 15th August with the 22 vacant CLPS roles. The closing date for these roles is 7th September which provides a period of over 3 weeks within which City Corporation staff can apply. Following the end of this initial period the applications will be assessed, short lists prepared and interviews scheduled. A summary of the confirmed structure is included in this report at Appendix 3.

7. As previously reported, workshops designed to capture how the City currently carries out Procurement and Procure to Pay activities (the as-is) finished in early July. The process documentation from these workshops was sent to the departmental process experts for verification.

8. Confirmation of the existing processes is now complete and we have been able to commence workshops to propose and agree the processes to be used by CLPS for each service as it goes live (the to-be). The objective of the to-be workshops is to agree consistent, effective and efficient processes that meet the needs of the City Departments and their service users.

9. The budget transfers from departments that reflect their use of the CLPS services will be calculated in line with the funding model which has been agreed in principle. The exact value and timing of the transfer will be agreed with each department, these discussions are expected to conclude in September.

Change Tracking Survey / Communications

10. The communications strategy for the PP2P programme is currently being revisited to ensure the detailed communications remain aligned with the overall programme and are in the context of reaching the stated programme benefits and meeting the expectations of the stakeholders.

11. The CLPS project is very active at the moment with key tasks like recruitment, to-be workshops, re-planning and funding. To ensure the key messages from each of these tasks is communicated consistently and coherently across all of our stakeholders, the detailed communication plan has been updated. This has involved checking we have the right stakeholders, the right key messages and the right channels of

communication identified and updating the plan to show what will be communicated to whom, using which channels and on which dates.

12. The next round of Change Tracking will be planned as part of the revised strategy.

Year 2 Sourcing Projects Update

13. Both the Buildings Repairs and Maintenance (BRM) and Highways Repairs and Maintenance sourcing projects have now concluded with the new contracts signed and mobilisation completed. These two contracts have delivered significant savings which over the duration of the PP2P contract (ending February 2016) amount to £12m. As previously reported this takes the total signed off PP2P savings over the life of the contract to be over 50% of the overall target of £30m.

14. The current 5 year cumulative savings forecast continues to be £29.0m. This slightly lower figure is mainly due to the lower than forecast savings delivered in year 1. This forecast figure does not include some areas where there is potential to make further savings and is likely to change as we plan the detail of future projects.

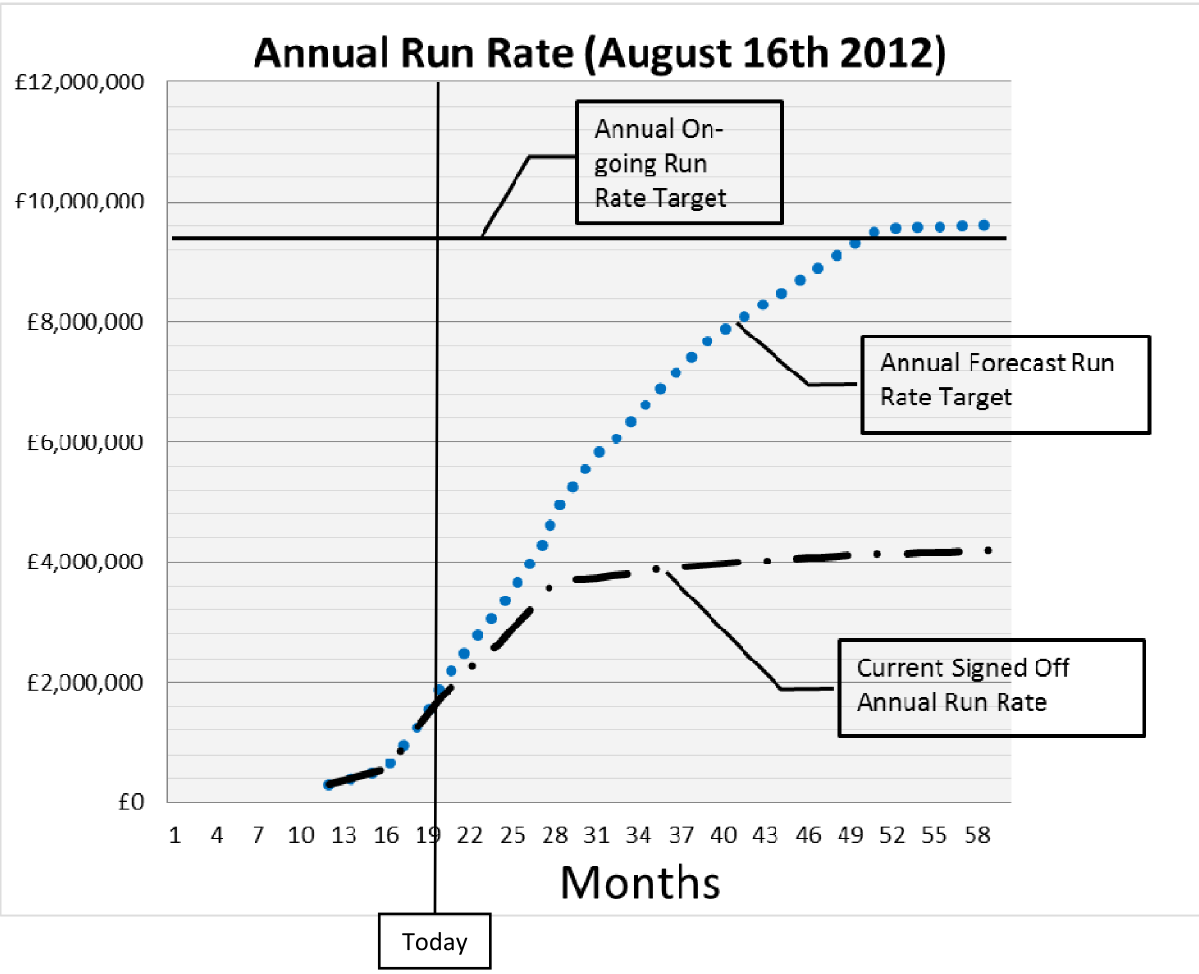
15. The target for the on-going year on year run rate savings at the end of the 5 year contract is £9.4M. The graph below plots our forecast progress towards the target and shows the level of current signed off achieved savings to be £4.2M.

16. The savings forecast figure for year 2 is currently £3.18m which is an improvement on the forecast made last month to members of £3.0m. This is very close to the current year 2 target of £3.3m despite some reduction of scope of some year 2 projects. This revised forecast is due to some projects now projecting a slightly greater saving than was originally envisaged and the inclusion of some new initiatives in to the year 2 savings programme.

17. The year 2 savings are made up of a number of individual initiatives led by the category boards. The following table shows how each category contributes to the achievement of our year 2 target as at 16th August 2012. Those figures which are shaded have already been achieved. The graph which follows later shows how these savings are contributing to the overall programme target.

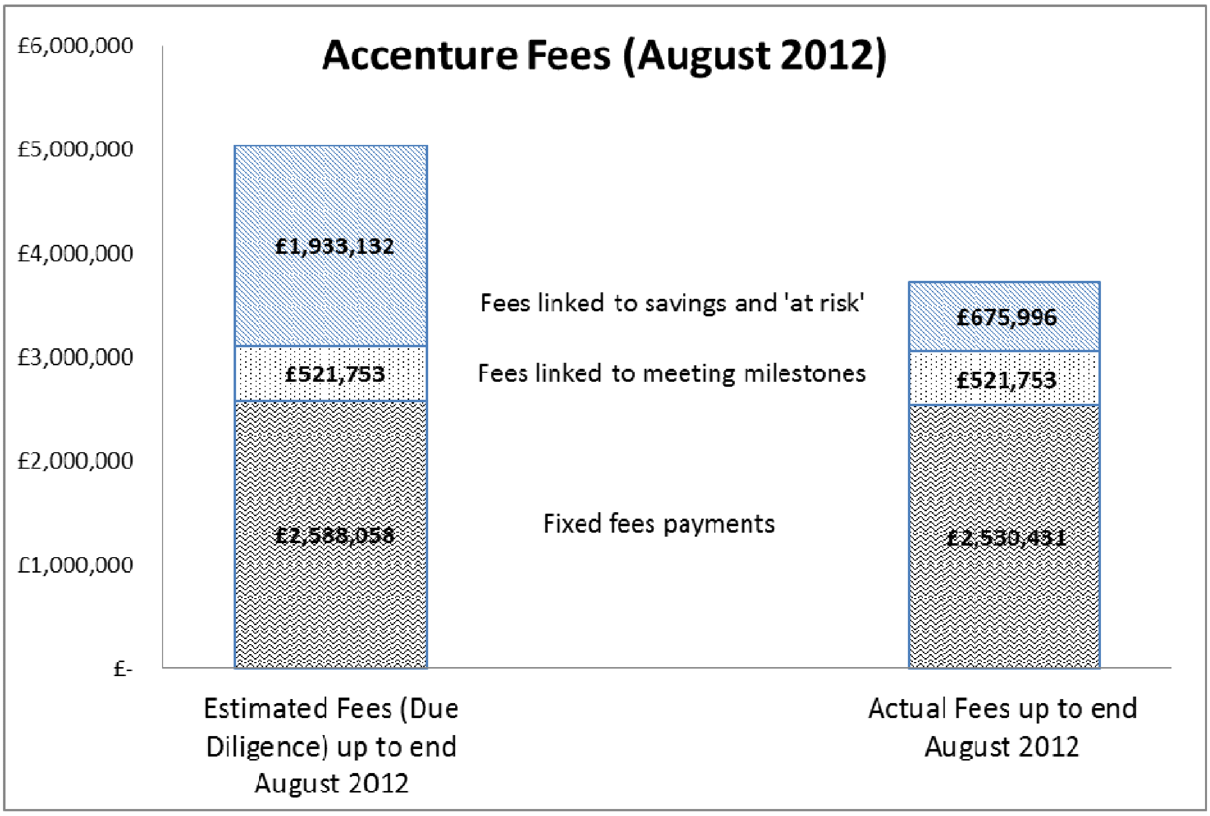
	Year 2 Forecast (£000)	Year 2 Target (£000)
Year 1 Savings Run Rate	775	727
Construction	1,084	1,201
Highways R&M	1,103	1,149
IT	55	27
Soft FM	99	87
HR	37	33
Property Professional Services	16	16
eMarketplace – supplier rationalisation	12	19
	3,181	3,259

18. For years 3 to 5 the challenge will be to continue to provide additional savings over and above the on-going savings achieved in previous years. For year 3 this is currently targeted to be £2.1m and year 4 it is forecast to £1.3m. These figures will be reviewed as the individual initiatives are identified for each of these years. The following graph shows how all of this contributes to the achievement of the annual run rate of £9.4m per annum.



19. These figures are based on targets that were set when due diligence was conducted during March, April and May 2011. As time progresses the assumptions upon which these targets were made become less certain and there will continue to be further challenges to the original baseline spend and potential savings.

20. The graph below shows the fees estimated at due diligence to be paid to Accenture at the end of August 2012 (month 18) compared to the actual fees paid



21. The slightly lower actual fixed base fee is because the eMarketplace was implemented slightly later than planned so there have been fewer quarterly subscriptions paid during the contract to date. The bulk of the difference relates to fees at risk against savings which is due to the lower than anticipated savings during year 1 because of the timing of Buildings and Highways Repairs and Maintenance contracts.

22. The detailed identification, selection and planning process for year 3 projects of this 5 year programme of savings is about to begin and further updates to the Committee will be provided in future reports on our confidence to achieve these targets. These future targets have been set at

a realistic level to reflect that the larger saving opportunities will have been realised and quick wins will have been completed.

23. It should also be noted that while savings is an important objective of the PP2P Programme it is not the only driving force and we will continue to progress towards providing a world class service that recognises the City's commitments to other important policies such as social and environmental commitments and supporting the promoting of local procurement and Small Medium Enterprises (SMEs). Once CLPS is fully established, it will be much easier to provide meaningful information about what we spend with SMEs and local suppliers. In the interim we will report on contracts and how they have taken account of our responsible procurement policy. Since this policy was agreed by your Committee, there have been no further contract awards so there is nothing to report in this month.

Conclusion

24. The PP2P programme continues to make good progress despite its scale and inherent challenges that any major transformational project has.

25. Much of the effort from Year 1 is now coming to fruition with the mobilisation of the Buildings Repair and Maintenance contract.

26. Year 2 is now focussing on the major transformational work required to create the CLPS which is challenging but delivers one of the main objectives of the PP2P programme when it was approved in December 2010. The plan to deliver the CLPS has been updated with a new approach to phase in the work and a new final launch date of March 2013. Good progress has been made on key elements of the project including finalizing the organisation structure, commencing recruitment and holding workshops to establish the processes to be used in delivering service from the CLPS.

27. Budget transfers to reflect the use of the CLPS service by each department are under discussion and expected to be concluded in September.

28. The PP2P communications strategy and the CLPS detailed communications approach have both been revisited and revised to ensure they remain current and effective.

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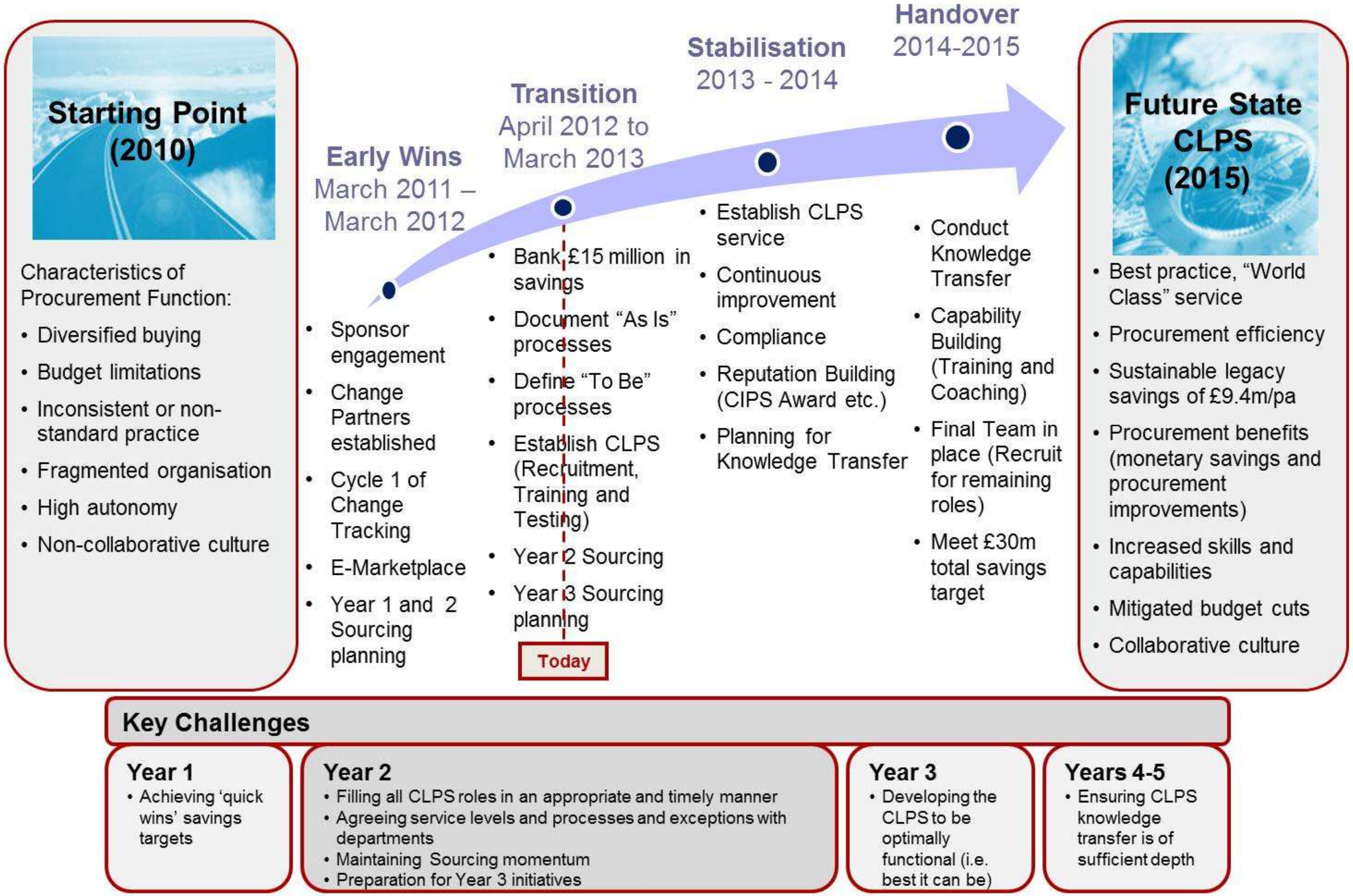
Background Papers

Procurement & Procure to Pay report and Addendum – (Finance Committee 24/01/12)
Procurement & Procure to Pay – Due Diligence (Finance Committee 26/07/11)
Efficiency Review – Procurement and Procure to Pay (Finance Committee 23/11/10)
Procurement and Procure to Pay Efficiency Review (PP2P) – Further Report (Finance Committee 14/12/10)
PP2P Update Report (Efficiency & Performance Sub Committee 23/5/11)
Procurement & Procure to Pay Updates (Finance Committee 28/6/11, 20/9/11, 18/10/11, 15/11/11, 13/12/11, 24/01/12, 21/02/12, 20/03/12, 01/05/12, 26/06/12, 25/07/12)

Appendix 1 Overall PP2P Programme Status

The PP2P Project will deliver a world class procurement service with the ability and capacity to proactively drive on-going and sustainable savings.



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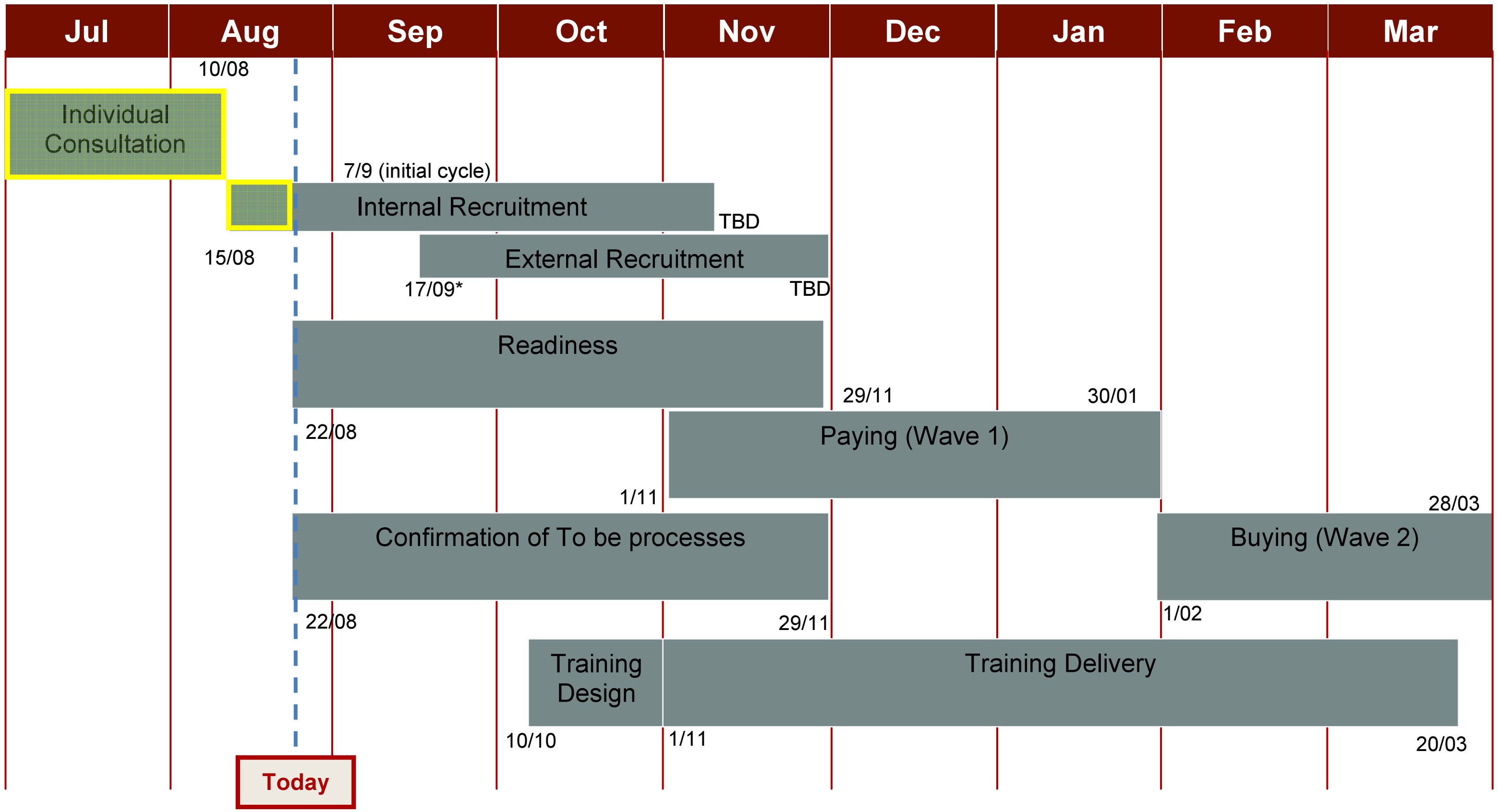
Appendix 2 Overall CLPS Transition Phase Status

The diagram below provides a high-level summary of the PP2P project Transition Phase with the dashed red line indicating the point we have reached thus far in the lifecycle of this phase:



Readiness: Key Scope Categories

- Sourcing and category management
- Procurement, policy and compliance
- Sourcing support
- Contract administration
- Data management
- Payments

Wave 1: Key Scope Categories

- Accounts Payable and Reconciliations
  - Invoice processing
  - Enterprise document management
  - Vendor statement reconciliations

Wave 2: Key Scope Categories

- Sourcing and category management
- Sourcing support
- Procurement, policy and compliance

Full Service

- Helpdesk
- Buying – requisitioning / requisition processing / catalogue and supplier

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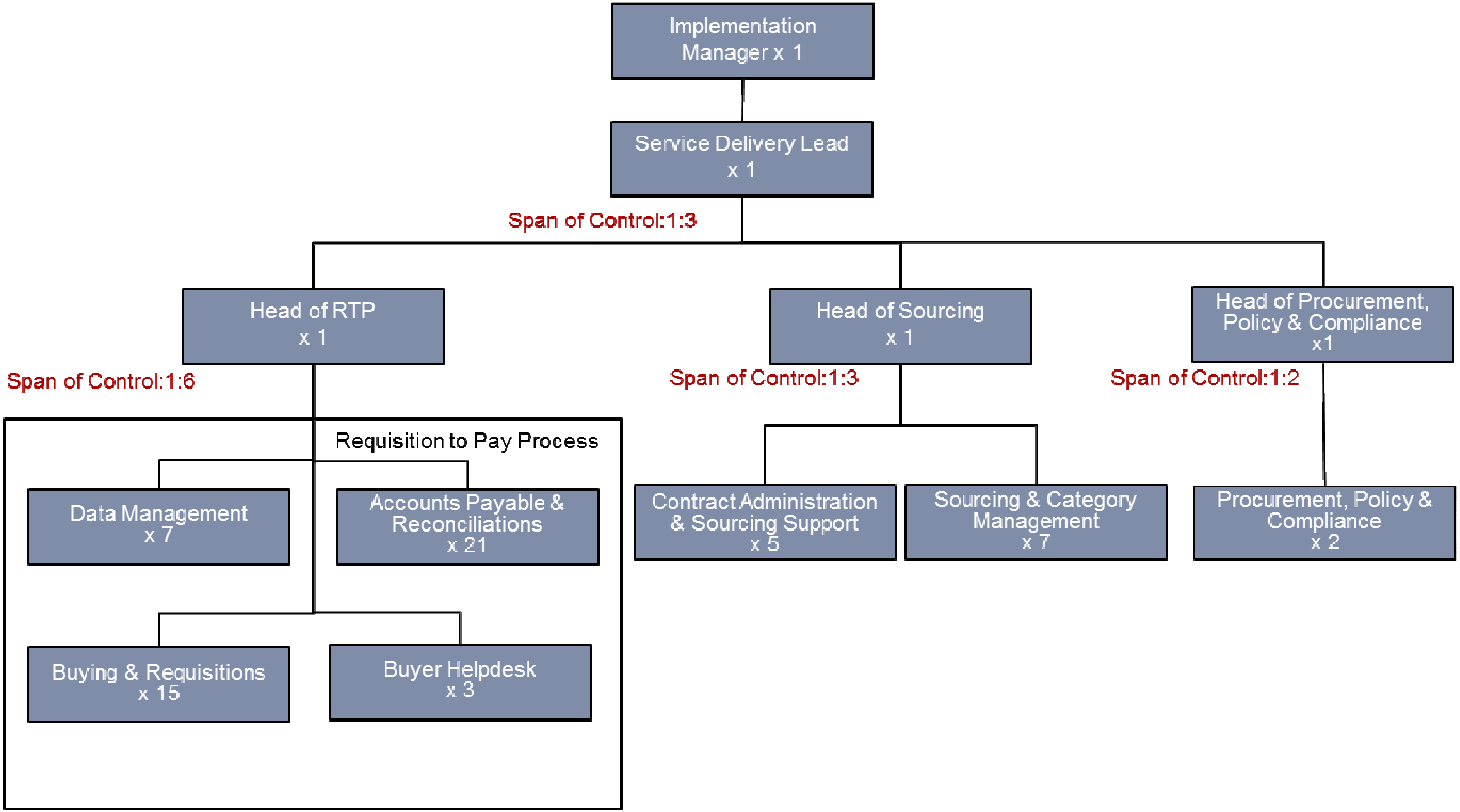
Appendix 3 CLPS Baseline Delivery Organisation Structure



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Committee(s):	Date(s):
Finance Committee	4th September 2012
Subject: IS Review (Sourcing Options) Progress Report	Public
Report of: Chamberlain	For Information

Summary

The current and final phase of the Information Systems Review is to examine the case for, and the options for, procuring certain services from outside, rather than providing a fully in-house service. This report summarises the current position on this.

Recommendation

- That this report is received

Main Report

Background

1. The IS Review continues with Phase 3 exploring options for the sourcing of certain IS/IT support services. Preparing the way for this part of the Review were two earlier phases;

    a. Phase 1 unified the main IS/IT support functions in departments into the IS Division – completed April 2011.

    b. Phase 2 restructured the IS Division to refocus services towards the improved delivery of business systems and technology – completed January 2012.

2. An exercise conducted in summer 2012, examined the potential use of an existing Framework Agreement for managed IT services, negotiated by LB Southwark with Serco. This exercise indicated that there was potential for savings to be achieved through outsourcing elements of the current, fully in-house IS service, although it was not possible to access the Framework itself

Current Position

3. A specialist firm of consultants, Burnt Oak, have been employed to provide advice on sourcing options, and to assist with the creation of a core set of documents, enabling the City of London to engage with the market.

4. During the preparation of these documents, workshops have been held with senior officers, including representatives from departments, to determine the drivers and scope for this initiative.

5. Further consultation continues with key officers in departments, to ensure relevant concerns and needs are understood.

6. IS staff and Union representatives are regularly informed of progress, through email bulletins and meetings

7. The production of the core set of documents is complete to final draft stage and Burnt Oak's assignment has now ended.

8. An important consideration for the formal procurement stage is which path to choose – using an existing, central government prepared framework, or via an OJEU tender process.

9. To better inform this decision a 'soft market test' is presently being conducted during August and September. A range of suppliers have been invited to discuss informally, our requirements and their ability to deliver against them.

Corporate & Strategic Implications

10. The aim of this latest phase of the IS Review is to provide the best possible technology in the most cost effective manner. By doing this IS Division will be better able to support corporate improvement plans where they require effective and efficient use of IT.

Implications

11. The engagement with Serco in summer 2011 highlighted the potential for significant revenue savings by outsourcing elements of IT/IS services currently delivered by IS Division.

12. In the event that IT/IS infrastructure services are outsourced, the decommissioning of the data centre, currently in the former Justice Rooms, would fit within the corporate property strategy

13. IS Division are working with the HR department to ensure all appropriate procedures are followed. It is not possible to assess what the personnel impacts may be at this stage.

Conclusion and next steps

14. Once the soft market testing exercise is concluded, it will be possible to decide on the case for alternative sourcing and, if appropriate, the procurement route. A further report will be submitted to the Committee at that stage.

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Committee(s):	Date(s):
Finance	4 September 2012
Subject: Capital and Supplementary Revenue Projects and Prudential Indicators - 2011/12 Outturn	Public
Report of: The Chamberlain	For Information

Summary

Actual Capital and Supplementary Revenue Project (SRP) expenditure in 2011/12 was lower than estimated by £17.6m and £2.1m respectively, due to net slippage to later years of £13.9m and net reductions of £5.8m (see Tables 1 and 3). Of these reductions, £2.8m was to have been met by external contributions (mainly S106 deposits), £1.9m related to ring-fenced/earmarked reserves and £1.1m accrued to the benefit of general capital and revenue balances.

A revised profile of the Medium Term Capital and SRP estimated expenditures has been prepared in consultation with Chief Officers to reflect the impact of the 2011/12 outturn. This review has resulted in a general deferral of expenditure into 2013/14 and beyond, together with reductions in total estimated expenditure of £7.0m and £0.6m respectively (including the £5.8m identified in 2011/12).

Additionally, the report advises of the actual City Fund Prudential Indicators for 2011/12 which are required to be calculated from the balance sheet figures in accordance with the CIPFA Prudential Code. In particular the indicators confirm that the City had no external borrowing at 31 March 2012.

Recommendations

The Finance Committee is recommended to note the contents of this report.

Main Report

2011/12 Outturn

1. For the 2011/12 financial year, the achievement (in simple expenditure terms) against the estimated position is summarised in Table 1 below.

TABLE 1:Comparison of 2011/12 estimated and actual expenditures

		2011/12 Estimated Expenditure £000	2011/12 Actual Expenditure £000	Variation £000	Actual Expenditure as % of Estimate
<u>Capital</u>					
Investment Schemes	City Fund	71,416	66,409	(5,007)	93%
	City's Cash	11,630	15,231	3,601	131%
	Bridge House Estates	7,386	5,381	(2,005)	73%
		90,432	87,021	(3,411)	96%
Other Schemes	City Fund	34,983	25,503	(9,480)	73%
	City's Cash	10,744	6,020	(4,724)	56%
	Bridge House Estates	(79)	(99)	(20)	125%
		45,648	31,424	(14,224)	69%
Total Capital		136,080	118,445	(17,635)	87%
<u>SRP</u>					
	City Fund	2,936	2,141	(795)	73%
	City's Cash	820	671	(149)	82%
	Bridge House Estates	3,972	2,813	(1,159)	71%
Total SRP		7,728	5,625	(2,103)	73%

Note: All figures are gross i.e. they are before contributions from third parties

2. Table 1 shows that actual capital and SRP expenditure in 2011/12 was lower than estimated by £17.6m (13%) and £2.1m (27%) respectively. Explanations of the main reasons for these variations are as follows:

   a. City Fund capital expenditure in 2011/12 of £91.9m (i.e. £66.4m plus £25.5m) represented 86% of the estimate, with the reduction of £14.5m being mainly due to deferral of investment property and housing schemes and a mixture of slippage and savings on highways/streetscene projects.
   b. City's Cash capital expenditure of £21.2m (i.e. £15.2m plus £6.0m) represented 95% of the estimate, the net reduction of £1.1m arising mainly from slippage in various schemes, including, in particular, the Billingsgate Market Porters payment.
   c. Bridge House Estates capital expenditure of £5.3m (i.e. £5.4m less a credit of £0.1m) represented 72% of the estimate, with the reduction of £2m mainly due to a re-phasing of the payments to the developer of the Bridgemaster's Car Park in accordance with the revised timing of the key milestones.

d. City Fund SRP expenditure was £0.8m below the estimate mainly due to slippage in Barbican Centre and highways/streetscene schemes.
e. City's Cash SRP expenditure was £0.1m below the estimate, largely as a result of slippage in Guildhall School schemes and delays in the development of the Guildhall Area Strategy.
f. Bridge House Estates SRP expenditure was £1.2m below the estimate due to delays in the Tower Bridge relighting scheme and a saving in the Blackfriars Bridge Joint Replacement scheme.

3. Table 2 below provides an analysis of the expenditure variations by implementing officer and demonstrates a wide range of performance against estimate.

TABLE 2: Analysis of 2011/12 expenditure by implementing Chief Officer

Implementing Chief Officer	2011/12 Estimated Expenditure £000	Actual Expenditure £000	Net Variation £000	Expenditure as % of Estimate
Capital				
City Surveyor - Investment Schemes	90,432	87,021	(3,411)	96%
City Surveyor - Other schemes	14,593	10,654	(3,939)	73%
Chamberlain*	(2,393)	(3,211)	(818)	134%
Managing Director Barbican Centre	1,194	925	(269)	77%
Managing Director Barbican Centre re GSMD	348	343	(5)	99%
Director Community & Children's Services	13,077	12,823	(254)	98%
Director of the Built Environment	13,693	8,006	(5,687)	58%
Director of Markets and Consumer Protection	2,500	0	(2,500)	0%
Commissioner of Police	1,444	1,068	(376)	74%
Other Chief Officers (individually less than £1m)	1,192	816	(376)	68%
Total Capital	136,080	118,445	(17,635)	87%
Supplementary Revenue				
City Surveyor	4,296	3,091	(1,205)	72%
Managing Director Barbican Centre	487	196	(291)	40%
Managing Director Barbican Centre re GSMD	550	497	(53)	90%
Director of the Built Environment	2,113	1,678	(435)	79%
Other Chief Officers	282	163	(119)	58%
Total Supplementary Revenue	7,728	5,625	(2,103)	73%

* These unusual credit items largely result from a reduction in the final account provision for a major refurbishment scheme.

4. The Town Clerk's Programme Office provides regular updates to the Projects Sub-Committee on progress by Chief Officers in managing their schemes.

5. Table 3 summarises the overall decrease in expenditure between rephasings (slippage or expenditure ahead of estimated profile) and underspendings:

TABLE 3: Overall analysis of variations 2011/12

	Reduced expenditure £m	Increased expenditure £m	Total variation £m
Capital			
Slippage	(18.5)		(18.5)
Underspend	(5.3)		(5.3)
Phasing brought forward		6.2	6.2
Total Capital	(23.8)	6.2	(17.6)
Supplementary Revenue			
Slippage	(1.7)		(1.7)
Underspend	(0.5)		(0.5)
Phasing brought forward		0.1	0.1
Total SRP	(2.2)	0.1	(2.1)

6. A significant element of the variations between estimated and actual expenditures in 2011/12 relates to slippage (a net total of £13.9m) which is therefore simply deferred to later years. The balance of £5.8m relates to expenditure reductions (£5.3m in respect of capital and £0.5m for SRP schemes).

Funding Implications

Table 4 below analyses the funding impact of these reductions and shows, in particular, that the net call on the City's own reserves was reduced by £3m overall, analysed as follows:

TABLE 4: Impact of 2011/12 net savings on Funding/Reserves

	Reduction in Call on General Capital/Revenue Balances £m	Reduction in Call on Ring-fenced /Earmarked Reserves £m	**Total Reduction in call on City's Reserves £m**	**Reduction in External Funding £m**	**Total variation £m**
Capital					
City Fund	(0.7)	(1.1)	**(1.8)**	**(2.7)**	**(4.5)**
City's Cash	(0.4)	(0.3)	**(0.7)**	**-**	**(0.7)**
Bridge House Estates	-	(0.1)	**(0.1)**	**-**	**(0.1)**
Total Capital	(1.1)	(1.5)	**(2.6)**	**(2.7)**	**(5.3)**
Supplementary Revenue					
City Fund	-	-	**-**	**(0.1)**	**(0.1)**
City's Cash	-	-	**-**	**-**	**-**
Bridge House Estates	-	(0.4)	**(0.4)**	**-**	**(0.4)**
Total SRP	-	-	**(0.4)**	**(0.1)**	**(0.5)**
Total 2011/12 Net Savings	(1.1)	(1.9)	**(3.0)**	**(2.8)**	**(5.8)**

7. The use of funds held within ring-fenced/earmarked reserves is restricted for specific purposes e.g. HRA funds can only be used for specified Housing purposes and funds within the Designated Sales Pools are voluntarily set aside for property investment. Therefore, of the total savings in the City's own resources of £3m, some £1.9m is ring-fenced for restricted purposes, with the remaining £1.1m being to the benefit of general capital/revenue balances.

Forecast of Capital and SRP estimated expenditure

8. Annex A sets out forecast expenditure profiles which have been provided by Chief Officers in the light of the 2011/12 outturn position. As a result of this review, there has been a general deferral of expenditure into 2013/14 and beyond, together with an overall reduction in the total estimated cost of capital and SRP schemes of £7.0m and £0.6m respectively. This includes a reduction in the call on the City's own reserves of £3.9m (£1.9m from ring-fenced/earmarked reserves and £2m from general capital/revenue balances). These anticipated reductions, which include the 2011/12 savings, will be factored in to the future updates of the financial forecasts.

Prudential Indicators

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

10. In addition to setting indicators for the forthcoming year during each budget cycle, the Code requires authorities to calculate indicators drawn from the end of year balance sheet. Annex B contains the actual indicators

for 2011/12, including commentaries which highlight, in particular, that the City Fund held no external debt as at 31 March 2012 and that there was no underlying need to borrow.

Conclusion

11. The 2011/12 outturns on capital and supplementary revenue projects were lower than estimated by £17.6m and £2.1m respectively. Some £13.9m has slipped to later years, leaving expenditure reductions of £5.8m. However £2.8m was to have been met by external contributions (mainly S106 deposits) and £1.9m is a reduction in the use of earmarked reserves. The balance of £1.1m benefits general reserves.

12. A review of estimated capital and SRP expenditures over the medium term, undertaken by Chief Officers in the light of the outturn, indicates a total reduction of £7.6m in total cost, representing a further £1.8m over the £5.8m of 2011/12 identified savings.

13. The actual Prudential Indicators demonstrate that there was no underlying need to borrow in order to finance the 2011/12 capital activities of the City Fund.

Annexes:
Appendix A: Comparison of capital and SRP estimated costs before and after review
Appendix B: 2011/12 Actual Prudential Indicators

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APPENDIX A

COMPARISON OF CAPITAL SCHEMES BEFORE AND AFTER REVIEW

ANTICIPATED COST OF CAPITAL SCHEMES - BEFORE REVIEW

	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	Later years £000	Total £000
Capital Budget Phasing							
City Fund	106,399	48,039	13,465	4,630	3,659	21,374	**197,566**
City's Cash	22,374	44,157	14,542	6,283	350	-	**87,706**
Bridge House Estates		244	855	2	-	-	**1,101**
Totals	**128,773**	**92,440**	**28,862**	**10,915**	**4,009**	**21,374**	**286,373**

Figures are before reimbursements.

ANTICIPATED COST OF CAPITAL SCHEMES - AFTER REVIEW

	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	Later years £000	Total £000
Capital Budget Phasing							
City Fund	91,912	49,945	11,221	5,340	4,628	28,540	**191,586**
City's Cash	21,251	31,428	20,538	6,807	6,760	-	**86,784**
Bridge House Estates	5,282	1,057	1,259	757	-	-	**8,355**
Totals	**118,445**	**82,430**	**33,018**	**12,904**	**11,388**	**28,540**	**286,725**

Figures are before reimbursements.

VARIATIONS BETWEEN CAPITAL SCHEMES BEFORE AND AFTER REVIEW

	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	Later years £000	Total £000
Capital Budget Phasing							
City Fund	(14,487)	1,906	(2,244)	710	969	7,166	**(5,980)**
City's Cash	(1,123)	(12,729)	5,996	524	6,410	0	**(922)**
Bridge House Estates	5,282	813	404	755	0	0	**7,254**
Totals	**(10,328)**	**(10,010)**	**4,156**	**1,989**	**7,379**	**7,166**	**352**

Figures are before reimbursements.

COMPARISON OF SUPPLEMENTARY REVENUE SCHEMES BEFORE AND AFTER REVIEW

ANTICIPATED COST OF APPROVED SUPPLEMENTARY REVENUE PROJECTS BEFORE REVIEW

	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	Later years £000	Total £000
Supplementary Revenue Budget Phasing							
City Fund	2,936	4,670	78	-	16	-	**7,700**
City's Cash	820	3,841	1,245	-	-	-	**5,906**
Bridge House Estates	3,972	717	-	-	-	-	**4,689**
Totals	**7,728**	**9,228**	**1,323**	**-**	**16**	**-**	**18,295**

Figures are before reimbursements.

ANTICIPATED COST OF SRP SCHEMES AFTER REVIEW

	Actual 2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	Later years £000	Total £000
Supplementary Revenue Budget Phasing							
City Fund	2,141	3,496	1,925	5	11	-	**7,578**
City's Cash	671	3,666	1,562	-	-	-	**5,899**
Bridge House Estates	2,813	1,451	-	-	-	-	**4,264**
Totals	**5,625**	**8,613**	**3,487**	**5**	**11**	**-**	**17,741**

Figures are before reimbursements.

VARIATIONS BETWEEN SRP SCHEMES BEFORE AND AFTER REVIEW

	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	Later years £000	Total £000
Supplementary Revenue Budget Phasing							
City Fund	(795)	(1,174)	1,847	5	(5)	0	**(122)**
City's Cash	(149)	(175)	317	0	0	0	**(7)**
Bridge House Estates	(1,159)	734	0	0	0	0	**(425)**
Totals	**(2,103)**	**(615)**	**2,164**	**5**	**(5)**	**0**	**(554)**

Figures are before reimbursements.

PRUDENTIAL INDICATORS - 2011/12 OUTTURN

The tables below detail the four prudential indicators applicable to 2011/12 which have been derived from the 2011/12 draft City Fund final accounts. These ' actual' indicators have been compared to the appropriate 'estimate' indicators. The **original** estimate indicators were prepared in February 2011 at the time of setting the 2011/12 budget and the **revised** estimate indicators were prepared to inform the setting of the 2012/13 budget in March 2012.

1. **Actual capital expenditure 2011/12**

	HRA	Non-HRA	Total
Estimate of capital expenditure (**Original**)	£6.396 m	£106.581 m	£112.977 m
Estimate of capital expenditure (**Revised**)	£4.704 m	£94.977 m	£99.681 m
Actual Capital Expenditure	**£12.910 m**	**£210.156 m**	**£223.066 m**

It should be noted that the actual City Fund capital expenditure relevant to this indicator includes the cost of a sale and leaseback transaction (£131.5m), which was undertaken for planning purposes (re rights of light) at net nil cost to the City. This transaction has been included in these figures as it is reflected in the published accounts upon which the indicators are based. However, the City Fund capital expenditure figures quoted elsewhere in this report exclude this sum.
The increase over the revised estimate is largely due to the inclusion of this transaction.

2. **Actual capital financing requirement 2011/12**

	HRA	Non-HRA	Total
Estimate of Capital Financing Requirement (**Original**)	£11.166 m	-£13.885 m	-£2.719 m
Estimate of Capital Financing Requirement (**Revised**)	£11.166 m	-£13.808 m	-£2.642 m
Actual Capital Financing Requirement	**£11.147 m**	**-£13.186 m**	**-£2.039 m**

The capital financing requirement gives an indication of the underlying need to borrow. The overall negative indicator reflects that there is no underlying borrowing requirement. The total actual capital financing requirement is broadly in line with the estimate. The positive HRA indicators reflect internal borrowings from the City Fund.

3. **Actual External Debt as at 31.03.2012**

	Borrowing	Other Long Term Liabilities	Total
Actual External Debt	**£0**	**£0**	**£0**

The Authorised Borrowing Limit for 2010/11 was set at zero and therefore the City Fund remains debt-free.

continued…

4. **Actual Ratio of Financing Costs to Net Revenue Stream 2011/12**

	HRA	Non-HRA	Total
Ratio of Financing Costs to Net Revenue Stream (**Original**)	0.23	-0.04	-0.02
Ratio of Financing Costs to Net Revenue Stream (**Revised**)	0.25	-0.30	-0.26
Actual Ratio of Financing Costs to Net Revenue Stream	**0.23**	**-0.35**	**-0.36**

This ratio seeks to represent the extent to which the net revenue consequences of borrowing impact on the net revenue stream.
The actual HRA ratio of 0.23 (which effectively means that financing costs consume some 23% of the HRA's net revenue stream) includes allowance for the internal borrowing from the City Fund and is in line with the estimated ratio.
As a result of the City Fund being a net lender in its treasury operations, the non-HRA ratio is negative at -0.35 which reflects the better than budget revenue outturn.

Committee:	Date:
Finance Committee	4 September 2012
Subject: Report of decisions taken between meetings	**Public**
Report of: Town Clerk	**For Information**

Summary

This report sets out a decision taken on 1 August 2012 in relation to amending the City of London Corporation's Procurement Regulations.

Recommendation

That the Finance Committee note that a decision has been taken in respect of amending the City of London Corporation's Procurement Regulations.

Main Report

Background

1. Standing Order 41 provides a mechanism for the Town Clerk to take decisions between scheduled meetings of each Committee or Sub-Committee. Any decision must be made in consultation with the Chairman and Deputy Chairman, and the Town Clerk must:

    - be of the opinion that the decision is urgently necessary; or
    - have delegated authority from the Committee to make the decision.

2. In accordance with Standing Orders, this must be reported to the next regular Committee.

Decisions Taken Between Meetings

3. A decision was taken in respect of the following matter on 1 August 2012:

<u>Amendment to Procurement Regulations</u>

4. At its meeting on 25 July 2012, the Finance Committee delegated authority to the Town Clerk in consultation with the Chairman and Deputy Chairman to approve some proposed amendments to the Procurement Regulations.

5. It was agreed that this matter should be concluded by delegated authority to allow for proper consideration of the changes which was not permitted at the meeting due to time constraints.

6. As a result, the proposed amendments (as provided to the Finance Committee at the 25 July meeting) were approved on 1 August 2012. The changes reflect the new framework access agreements, changes to the Responsible Procurement section regarding local and SME procurement policy (as approved at 26 June 2012 meeting) and some minor tidying up of other wording.

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Agenda Item 13

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Agenda Item 14

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

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Agenda Item 15

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Agenda Item 16

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