

Committee:	Date:
Finance Committee	12 November 2019
Subject: Financial Services Division – Quarterly Update	Public
Report of: The Chamberlain	For Information
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Summary

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

Key highlights from recent months have been:

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

Recommendation

Members are asked to note the report.

Main Report

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

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

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

4. Smarter Closing Update

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

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

8. Process Reviews

9. Finance process Review

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

10. Robotics Process Automation (RPA) proof of concept

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

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

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

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

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

Conclusion

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

Appendices

- Appendix 1 – FSD KPI Scoreboard

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