

Committee:	Date:
Finance Committee	18 February 2020
Subject: Financial Services Division – Quarterly Update	Public
Report of: The Chamberlain	For Information
Report author: Caroline Al-Beyerty, Deputy Chamberlain	

Summary

Key highlights from recent months have been:

- Analysing the use of robotics within Financial Services
- Medium Term Financial Planning and the 2020/21 budget
- The implementation of the Annual Capital Bids process
- Commencing an Actuarial Review of the Pension Fund
- Development of a revised Bridge House Estates Reserve Policy and Financial Modelling relating to funds held

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 led to later publication dates.
2. The main focus of the team has been on:
3. **Robotics Update**

IB Boost were commissioned to review high-volume, repetitive and manual processes within finance to identify opportunities for automation. Cash flow reconciliation and supplier statement reconciliations fit the criteria and were piloted to establish the proof of concept. Robotic Process Automation (RPA) has been successfully implemented for both processes saving a combined 64 days a year in manual processing. IT have now taken the lead on the Robotics program looking at further ways RPAs can be implemented across the finance and the potential for wider roll out across the organisation. A priority is Payroll reconciliation, which the review identified as needing further process mapping before an RPA could be implemented.
4. **Medium term financial planning and the 2020/21 budget**

The good progress made to date on the fundamental review and approved proposals have been built into the budget and medium-term financial forecasts.

5. Prioritisation of the City Corporation's resources against objectives has improved. Your Committee, alongside Policy and Resources Committee, have messaged clearly over the last six months that requests for additional resources will only be considered in exceptional circumstances. Consequently, requests for additional funding are restricted to new Policy initiatives or essential schemes such as Secure City and measures to tackle homelessness.
6. This was the first year that business planning and budget setting timetables have aligned, which worked well in practice, although the reporting to committee needs substantial improvement to focus on key messages, initiatives and how these are reflected in the budgets.
7. The 10 year project financing cash flow has been updated to reflect the most recent timelines and costs of the major projects; work on modelling financing scenarios has commenced. When the Finance Committee has established the cash flow requirements for each fund to support both the in-year revenue position across the medium term and also to finance capital expenditure over a 10 year horizon, a key piece of work over the next few months will be the consideration of asset disposal strategies and impact on asset allocation decisions between securities and property investments for consideration at the May Investment Committee.

8. Annual Capital Bids Process

We received 62 valid bids under the new Annual Capital Bids process with a total initial value of £187.5m together with internal loan funding requests in respect of Police, HRA and the City of London School.

9. Resource Allocation Sub Committee has now considered all bids – resulting in a requirement for central funding of £156.1m as follows:

Summary of approved 2020/21 annual capital bids (all years)	New Bids £m	Loan Facilities £m	Total Central Funding £m
City Fund	89.0	37.1	126.0
City's Cash	18.6	10.6	29.2
Bridge House Estates	0.9	0.0	0.9
	108.5	47.6	156.1

10. Details of the successful bids have been circulated to Chief Officers
11. Following approval by Court in March, schemes can progress through the gateway process in the normal way. Please note that the project and funding drawdown arrangements are currently being reviewed to ensure that they are both efficient and effective and further details will be advised following discussions with Town Clerk's. There is scope to improve and strengthen the arrangements next year; beginning the process earlier and allowing more time for Heads of Finance to ensure the robustness and quality of the bids will help so that Members are able to make timely decisions. Improvements to the transparency of the process will also be explored with Town Clerks', in particular to clarify the involvement of relevant service committee chairmen.
12. Members see the move to annual capital bidding round, in the context of the fundamental review, as a big step forward in our organisational capability to prioritise and align our resources to our corporate objectives. They are keen for us to develop this further, including in other areas such as grants. The timetable and procedures for the 2021/22 annual bid process are to be circulated in the summer.

13. Actuarial Review of the Pension Fund

The Pension Fund Actuary (Barnett Waddingham) has completed the actuarial review of the City of London's Pension Fund and has issued his preliminary result as at 31 March 2019. This is a separate agenda item but in essence the Pension Fund deficit recovery period is on target and set at 14 years from 2020/21 and the City Corporation's employer contribution rate remains at 21% for the financial years 2020/21 to 2022/23. Following the valuation and in accordance with the 2016 Investment Regulations, the strategic asset allocation of the Pension Fund will be reviewed by the Financial Investment Board in the coming months.

14. Bridge House Estates Reserves Policy and Financial Modelling

Within the non-public section of this Committee are two papers relating to Bridge House Estates (BHE): 1) BHE Reserves Policy. And 2) Allocation of Funding for 'Bridging Divides' Activities. Both of these items arise out of the current BHE Strategic Governance Review which commenced in 2018. This work has been a major focus for the Charities Finance Team across recent months and demonstrates the significant progress that has been made to enhance the effectiveness of the charity.

Conclusion

Progress has been good over the last quarter across the division's work programme, especially the production of a new financial model for BHE and better prioritisation of resources in City Corporation's budget setting, especially using the new annual capital bids process. The focus for the next quarter will be on more dynamic forecasting for capital schemes and their financing, including reprofiling borrowing and asset disposal requirements; streamlining of processes; and accounts production.

Appendices

- Appendix 1 – FSD KPI Scoreboard

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