

Committee	Dated:
Finance Committee	17 February 2015
Subject: Review of Financial Services Division	Public
Report of: The Chamberlain	For Information

Summary

Over the last quarter the key areas of work have been:

- Delivering a balanced budget;
- Working on implementation of departmental service based review proposals and contributing to the cross departmental workstreams on strategic asset management, income generation, the reviews of grants and hospitality;
- Delivering the upgrade and improvement to our financial system; and
- Freedom ceremonies.

The format of this report will be developed and enhanced over coming months, with a Financial Services Division scorecard introduced for subsequent reports.

Recommendations

Members are asked to note this report.

Main Report

Background

1. There are four main areas of work in Financial Service Division:

- Corporate Finance, providing a range of financial and management services including: stewardship of the City's finances and assets, budget setting, forecasting and monitoring; strategic financial advice to members, departments and the Corporation as a whole;
- Corporate Treasury, covering a range of services from investment securities portfolios and treasury management of cash balances to tax advice, financial appraisals, insurance and research;
- Service Department facing Finance Units, promoting stewardship of the City's finances and assets as well as being active business partners, providing strategic financial advice and supporting departments as an integral part of their management teams; and

- Chamberlain's Court, which carries out the ceremonial duties of the Chamberlain.
2. The key performance indicators in the Chamberlain's business plan for the financial service division relevant for the last quarter (Oct- Dec) are:
 - Supporting the Corporation in delivering the Service Based Review and a balanced budget;
 - Identifying within the Chamberlain's Department a robust programme of efficiency savings, contributing to the overall Corporate target;
 - Producing and publishing unqualified financial statements for City's Cash (City Fund, Pension Fund and Bridge House Estates having been published in the previous quarter);
 - Successfully delivering the Oracle project- the upgrade of our main accounting system and the replacement of our property management systems; and
 - Supporting the Police Accommodation review.
 - Supporting and developing our people.

Current Position

3. On the key areas outlined above in the Chamberlain's business plan:
4. The **Service Based Review**, The finance units and the Corporate Finance team have been working on the implementation of departmental service based review proposals and contributing to the cross departmental workstreams on strategic asset management, income generation, the reviews of grants and hospitality. Typically this work has involved providing detailed analysis for management teams, strategic financial advice on delivery and risk assessments.
5. A **balanced budget**, the key focus for the last quarter has been on finalising budgets and compiling the medium term financial forecasts for consideration by Finance Committee- the paper is on this meeting's agenda. The next steps will be consultation with ratepayers and then recommendations for approval to the Court of Common Council in March. Following the service based review and inclusion of these savings in budget estimates, the City Fund (non-Police) remains in balance or close to breakeven across the period. For City Fund (Police), deficits are forecast across the period with draw down of reserves. The strategy of draw down on reserves is as planned, however the extent of draw down is more than expected. The Commissioner is progressing plans to close the gap and maintain a sustainable level of reserves. City's Cash and Bridge House Estates are in a healthy financial position across the medium term.
6. **The Chamberlain's departmental savings**, the saving proposals for 2015/16-2017/18 are being fleshed out and risk assessments made on progress. For 2015/16 proposals, the majority are now in train. A small number of proposals are currently being assessed as red and are being worked on and proposals in later periods are being brought forward to compensate.

7. **Accounts**, the 2013/14 City's Cash accounts were published in December with an unqualified audit opinion. This was later than originally anticipated at the beginning of the financial year due to accounting complexities in the conversion of some of our equity investments to pooled vehicles. The Corporate Finance team has now started planning for the 2014/15 closure of accounts, including preparation of detailed timetables.
8. **Oracle project**, over the last quarter, all teams have been focused on the Oracle project. The division has been involved in testing, training, producing user guidance and data cleansing. Work will continue over the next quarter to capitalise on the new reporting functionality and to encourage a change in behaviours/ ways of working to maximise the benefits from the upgrade.
9. **Supporting Police Accommodation review**, this part of the transformation agenda is supported by the Corporate Finance team, who have provided financial advice to the project's Steering Group.
10. **Supporting and developing our people**, we have continued our lunchtime learning seminars and extended them across the whole department covering a range of subjects such as assessing value money, insight sessions into the work of other departments, and more technical updates on how capital accounting works and forthcoming changes in accounting standards. The take up for these sessions has been excellent across the division, ranging from 30- 70 attendees for each session and feedback has been very positive from delegates.
11. A few further words on the work of each of the teams is shown below, including specific feedback from a recent customer survey. Overall the division scored highly and the results of the survey are currently being considered by the Division's management team.

Corporate Finance

12. Financial support to the procurement category boards has also been a key area, assisting with the identification of spend and calculating savings.
13. The team scored an average of 7 out of 10 in the recent customer survey. Comments made by respondents included praise for the advice and assistance given. Suggestions for improvement included providing more guidance on the art of the possible within current constraints, improving the timing of information and becoming less risk averse.

Corporate Treasury

14. Treasury has been working hard to co-ordinate the changes to our equities allocation, introducing private equity investments and rebalancing the portfolio between multi- asset fund managers. All Funds returned positively over the quarter with both the Pension Fund and Bridge House Estates outperforming their benchmark. Over the long term (ten years) all Funds outperformed their benchmark.

15. The team is very small and dependent on our external supplier of investment advice- Aon Hewitt. Over the last quarter the team has been considering how best to secure cost effective ad hoc advice and build capacity within the team.
16. We have an in-house insurance team. Work over the last quarter has been processing 108 claims and also completing the December renewals. There is an update on this meeting's agenda.
17. On tax, financial appraisals and research, the Group Accountant in charge of this team will be leaving us shortly for a new role and we are currently advertising for an internal secondment into the position, as we intend to grow the skill base of current staff.
18. The team scored highly in the recent customer survey an average of 7.6 out of 10, although it does not have a wide customer base. The majority of comments were very positive, praising the insurance team and the VAT and technical team in particular. Any suggestions for improvement were very specific to particular situations.

Service Department facing Finance Units

19. The departmental facing finance units were very highly rated in the recent customer survey, averaging 8 out of 10, with a top score of 8.5 out of 10 for approachability and helpfulness. Other high scores related to effective support, challenge and understanding of the business. Comments were made by a number of respondents about an improvement in service since the Strategic Finance Review. Suggestions for improvement included clearer management information, communication on specific policies and capacity.

Chamberlain's Court

20. September – December 2014 was a busy time for the Chamberlain's Court as a total of 667 people were admitted to the freedom. Chamberlain's Court receives very positive feedback on its work with dozens of thank you letters commending the Clerk and the team on the 'personal touch' given to the freedom ceremonies.
21. In addition there was a rare case of an Honorary Freedom as on 24 September Sir Tim Berners-Lee, the inventor of the World Wide Web, was granted this great honour.
22. Freedom orientated merchandise continues to sell well from our "shop" (or rather display cabinet in the Waiting Room). Best sellers are the frames, cuff links, lapel badges and ties. An umbrella in red and white with the Chamberlain's seal has recently been added to our range.
23. Further details of the work of the Chamberlain's Court can be found in the non-public supplement to this report.

Conclusion

24. The division has worked hard at delivering all its core objectives and contributing to the transformation agenda of the Corporation, whilst also supporting the development of staff.
25. The key challenge over the next quarter will be working on and changing business behaviours to capitalise on the benefits of the upgraded financial system.

Contact:

Caroline Al-Beyerty

Financial Services Director

T: 020 7332 1113

E: caroline.al-beyerty@cityoflondon.gov.uk