

FINANCE COMMITTEE

Tuesday, 16 February 2016

Minutes of the meeting of the Finance Committee held at the Guildhall EC2 at 1.45 pm

Present

Members:

Deputy Roger Chadwick	Wendy Hyde
Jeremy Mayhew (Deputy Chairman)	Deputy Jamie Ingham Clark
Randall Anderson	Alderman Vincent Keaveny
Deputy John Barker	Gregory Lawrence
Nicholas Bensted-Smith	Alderman Professor Michael Mainelli
Nigel Challis	Deputy Henry Pollard
Simon Duckworth	David Thompson
Deputy Anthony Eskenzi	Deputy John Tomlinson
Christopher Hayward	Mark Boleat (Ex-Officio Member)
Alderman Peter Hewitt	

Officers:

Peter Lisley	- Assistant Town Clerk
Sue Baxter	- Town Clerk's Department
Christopher Braithwaite	- Town Clerk's Department
Peter Kane	- Chamberlain
Caroline Al-Beyerty	- Chamberlain's Department
Christopher Bell	- Chamberlain's Department
Graham Bell	- Chamberlain's Department
Connie Dale	- Chamberlain's Department
Carla-Maria Heath	- Chamberlain's Department
Steve Telling	- Chamberlain's Department
Ian Dyson QPM	- Commissioner of the City of London Police
Michael Cogher	- Comptroller and City Solicitor
Peter Bennett	- City Surveyor
Neal Hounsell	- Community and Children's Services Department

1. APOLOGIES

Apologies for absence were received from Alderman and Sheriff Charles Bowman, John Fletcher, Stuart Fraser, Lucy Frew, Deputy Brian Harris, Tom Hoffman, Clare James, Alastair King, Deputy Robert Merrett, Oliver Lodge, James de Sausmarez, Ian Seaton, Sir Michael Snyder and Philip Woodhouse.

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

The Town Clerk advised Members that Greg Lawrence and Alderman Michael Mainelli had received dispensations from the Standards Committee to speak and vote on matters relating to the level of the Business Rates Premium.

Alderman Vincent Keaveny declared a pecuniary interest in the matter of the level of the Business Rates Premium, as it related to item 8 of the agenda ("City Fund 2016/17 Budget Report and Medium Term Financial Strategy") by virtue of being a Partner at a ratepaying business. Alderman Keaveny advised the Committee that he did not have a dispensation from the Standards Committee, and would not speak or vote on issues relating to level of the Business Rates Premium.

Jeremy Mayhew declared an interest in items 14 and 25 ("Non-Domestic Rates – Review of Discretionary Rate" and the non-public appendix to this report) by virtue of being a Director of the London Chamber of Commerce.

Jeremy Mayhew declared an interest in item 26 ("Oracle Programme Closure Report") by virtue of having a business relationship with PriceWaterhouse Cooper, who were named in the report.

3. **MINUTES OF THE PREVIOUS MEETING**

RESOLVED – That the public minutes and summary of the meeting held on 19 January 2016 be approved as an accurate record.

4. **OUTSTANDING ACTIONS FROM PREVIOUS MEETINGS**

The Committee considered a report of the Town Clerk which set out actions outstanding from previous meetings of the Committee.

RESOLVED – That the Committee notes the report.

5. **TO NOTE THE DRAFT PUBLIC MINUTES OF THE EFFICIENCY AND PERFORMANCE SUB-COMMITTEE HELD ON 13 JANUARY 2016**

RESOLVED – That the Committee notes the draft public minutes of the meeting of the Efficiency and Performance Sub-Committee which was held on 13 January 2016.

6. **TO NOTE THE DRAFT PUBLIC MINUTES OF THE JOINT MEETING OF THE RESOURCE ALLOCATION AND EFFICIENCY AND PERFORMANCE SUB-COMMITTEES HELD ON 14 JANUARY 2016**

RESOLVED – That the Committee notes the draft public minutes of the joint meeting of the Resource Allocation Sub-Committee and the Efficiency and Performance Sub-Committee which was held on 14 January 2016.

7. **DRAFT NOTES OF THE BUSINESS RATEPAYERS CONSULTATION EVENT**

RESOLVED – That the Committee notes the draft minutes of the Business Ratepayers' Consultation Meeting which was held on 3 February 2016.

8. **CITY FUND 2016/17 BUDGET REPORT AND MEDIUM TERM FINANCIAL STRATEGY**

The Committee considered a report of the Chamberlain which presented the Committee with the overall financial position of the City Fund. The report set out the overall financial framework and Medium Term Financial Plan and the City Fund Budget requirement. The report requested that Members recommend to the Court of Common Council that the Council Tax level for 2016/17 remains unchanged, and asked Members to consider whether an increase in the Business Rates Premium should be recommended to the Court.

The Chairman advised the Committee that the budget setting process for this year had been particularly consultative, in light of the challenging budget position, particularly in relation to the budget for the City of London Police. He highlighted that three Member breakfast meetings had been held, hosted jointly by the Chairmen of Finance Committee and Police Committee, in November 2015 and January 2016, to give Members the opportunity to discuss the Police budget position in detail. He also noted that the issue of the Police's budget position, and the potential impact this may have on the discussions regarding whether to increase the level of the Business Rates Premium.

The Chairman noted that this issue had also been discussed at the joint meeting of the Resource Allocation and Efficiency and Performance Sub-Committees (with Committee Chairman in attendance) on 21 January 2016, where a vote had indicated that those present were in favour of increasing the Business Rates Premium (by a margin of 16 to 10). The Chairman highlighted that a further discussion had been held at the meeting of the Policy and Resources Committee on 21 January 2016, where a vote had indicated that those present were against an increase in the level of the Business Rates Premium (by a margin of 15 to 14).

The Chairman also noted that the potential for there to be an increase in the level of the Business Rates Premium had been indicated to business ratepayers in the consultation event which had been held on 3 February 2016.

The Committee noted that the previous discussions held at the Members' breakfast events, the joint meeting of the Resource Allocation and Efficiency and Performance Sub-Committees and the Policy and Resources Committee had been without a report previously being circulated to the Members for consideration. The Committee thanked the Chamberlain for the comprehensive report which was before them, which provided all the relevant information for consideration of the budget as a whole and the Police budget and Business Rates Premium in particular.

Members discussed these issues and agreed that there were two separate issues which required consideration: firstly, whether there was a requirement for the City of London Budget to be increased, and secondly, whether that increase should be funded by an increase in the level of the Business Rates Premium.

On the first matter, Members noted that the environment in which the City of London Police operated had changed significantly as a result of the terrorist attacks in Paris on 13 November 2015. Members noted that these had occurred at a late stage during the Corporation's budget setting process, and therefore it had not been possible to factor the changed environment in to the 2016/17 budget, although Members noted that there had been a greater level of Government spending than had previously been expected, largely as a result of the Paris attacks.

Members that there was a strong case to increase the Police budget in light of the changes to the security environment after the Paris attacks. However, Members also noted that such a budget increase for 2016/17 would only be justifiable if the budget increase led to an increased provision of Police services in 2016/17, rather than an smaller decrease in the level of Police reserves. The proposed funding for additional firearms officers and Counter Terrorism Security Advisors (CTSAs) indicated that improved Police services would be provided through an increase in the Police budget.

On the matter of the potential for an increase in the Police budget to be funded through an increase in the level of the Business Rates Premium, Members commented that such an increase needed to be funded through sustainable means, and that funding through either the Police reserve or City Fund was not sustainable.

A Member, also Chairman of the Police Committee, stated that, on average, Police authorities raised 32% of their funding through their Police Precept, while the City of London Police on raised 10% of its funding through its equivalent, the Business Rates Premium. The Member also noted that the majority of Police Authorities had increased their Precepts in recent years and were expected to do so again this year.

Following the discussion, the Committee agreed to vote on the issue of whether the Committee should recommend to the Court that the City Fund Net Budget Requirement for 2016/17 should be increased from £105.4m to £107m. This was unanimously agreed.

The Committee then agreed to vote on whether the Committee should recommend to the Court that the level of the Business Rates Premium be increased by 0.1p in the pound, from 0.4p in the pound to 0.5p in the pound. The Committee agreed by a vote of 14 in favour, 0 against (1 abstention) to recommend this increase to the Court.

RESOLVED – That the Committee recommends that the Court of Common Council approve all of the following recommendations:

- Approve the overall financial framework and the revised Medium Term Financial Strategy (as set out at paragraph 2 of the report)
- Approve the City Fund Net Budget Requirement of £107.0m (as set out at paragraph 12 of the report).

- Note the following changes in assumptions from the previous forecast (as set out at paragraphs 3 and 28 of the report):
 - Allowances for pay and prices are factored in at 1.5% in 2016/17 and then reducing to 1% across the rest of the period; and
 - A £250k contingency is provided in 2016/17 for the final stages of moving suppliers to the London Living Wage contracts;
 - A contingency has been provided for severance costs relating to service based review savings (£0.5m p.a. in both 2016/17 and 2017/18);
 - Following the identification of a bow-wave of delayed cyclical repairs work, an additional £1m p.a. funding has been included; and
 - Provision has been included for transformation funds – £0.5m p.a. from 2016/17 to 2018/19.
- Note that a provision of £1.2m p.a. has been made in the revenue estimates from 2017/18 for reductions in the City's baseline funding level as part of the Rates Retention Scheme.
- Approve the publication of an efficiency plan, subject to assessment of detailed requirements.
- Note the Local Council Tax Reduction Scheme set by the Court of Common Council on 14 January 2016 and as set out at paragraph 27.

Key decisions

The key decisions to make are in setting the levels of Non Domestic Rates and Council Tax.

Business Rates

- Set, exclusive of the Business rate premium, a Non-Domestic Rate multiplier of 49.7p for 2016/17 together with a Small Business Non-Domestic Rate multiplier of 48.4p (as set out at paragraph 15 of the report).
- Approve an increase in the Business Rates Premium of 0.1 in the pound (from 0.4p in the pound to 0.5p in the pound), with the additional income to be allocated to the City of London Police.
- Note that the Greater London Authority is, in addition, levying a Business Rate Supplement in 2016/17 of 2p in the £ on properties with a rateable value greater than £55,000 (as set out at paragraph 20 of the report).
- As in previous years, delegate to the Chamberlain the award of the discretionary rate reliefs under Section 47 of the Local Government Finance Act 1988 as set out in paragraph 19 of the report.

Council Tax

- Recommendation is for the City's Council Tax (excluding the Greater London Authority precept) to remain unchanged.
- Based on a zero increase from 2015/16, determine the provisional amounts of Council Tax for the three areas of the City to which are added the precept of the Greater London Authority (appendix A to the report).

- Determine that the relevant (net of local precepts and levies) basic amount of Council tax for 2016/17 will not be excessive in relation to the requirements for referendum.
- Approve that the cost of highways, transportation planning, waste collection and disposal, drains and sewers, open spaces and street lighting functions for 2016/17 be treated as special expenses to be borne by the City's residents outside the Temples (appendix A to the report).

Other recommendations

All other recommendations are largely of a technical and statutory nature; the only one to highlight for particular attention is that it is proposed that the City of London Corporation remains debt free.

Capital expenditure

- Note the proposed financing methodology of the capital programme in 2016/17 (as set out at paragraph 30 of the report).
- Approve the Prudential Code indicators (Appendix B to the report).
- Approve the following resolutions for the purpose of the Local Government Act 2003 (as set out at paragraph 33 of the report and Appendix E to the report) that:
 - at this stage the affordable external borrowing limit (which is the maximum amount which the Corporation may have outstanding by way of external borrowing) be zero.
 - the prudent amount of Minimum Revenue Provision (MRP) for 2016/17 is zero. For subsequent years MRP will equal the amount of deferred income released from the premiums received for the sale of long leases in accordance with the MRP Policy at Appendix E to the report.
- Any potential external borrowing requirement and associated implications will be subject to a further report to Finance Committee and the Court of Common Council.
- Note that the funding for the £200m contribution from City Fund to Crossrail has been assembled over the past few years from a planned strategy in relation to investment properties and is now in place, with payment anticipated to be in March 2017.

Chamberlain's assessment

- Take account of the Chamberlain's assessment of the robustness of estimates and the adequacy of reserves (as set out paragraphs 36, 37 and 42 of the report, and Appendix D to the report)

9. REVENUE AND CAPITAL BUDGETS 2015/16 AND 2016/17

The Committee considered a report of the Chamberlain which provided the 2015/16 and 2016/17 budgets for each of the City of London Corporation's three main funds. The Town Clerk explained that these would be submitted to the Court of Common Council, subject to amendments arising from the decisions made by the Committee at the consideration of the previous agenda item.

RESOLVED – That the Committee:

- a) notes the latest revenue budgets for 2015/16;
- b) agrees the 2016/17 revenue budgets, subject to any amendments on the City Fund that may be agreed in relation to the report on “City Fund – 2016/17 Budget Report and Medium Term Financial Strategy”;
- c) agrees the capital budgets;
- d) delegates authority to the Chamberlain to determine the financing of the capital budgets; and
- e) submits this report to the Court of Common Council for its approval.

10. REVENUE BUDGET MONITORING TO DECEMBER 2015

The Committee considered a report of the Chamberlain which provided the Committee with the quarterly Revenue Budget monitoring update to the end of December 2015.

RESOLVED – That the Committee notes the report.

11. INCOME GENERATION - REPORT OF A CROSS-CUTTING SERVICE BASED REVIEW

The Committee considered a report of the Chamberlain (on behalf of the Performance and Strategy Summit Group) which provided the Committee with information of the cross-cutting review of Income Generation, which had arisen as a part of the Service Based Review.

RESOLVED – That the Committee endorses the overall report and its recommendations.

12. COST OF INSURANCE PREMIUMS

The Committee considered a report of the Chamberlain which provided the Committee with information regarding the cost of Insurance Premiums paid by the Corporation, following a request for this information at the Committee’s last meeting.

The Chairman asked for clarification regarding the reason for the increase in the Pool Re Terrorism premium. The Chamberlain explained that there were two main reasons for the increase. These were due to a 10% increase in the premium rates for material damage and a requirement from Pool Re that the recovery of VAT could not be assumed for properties subject to a commercial leasehold contract. Therefore, this effectively increased the material value of all properties in the commercial property portfolio by 20%.

RESOLVED – That the Committee notes the report.

13. STATUTORY DISMISSAL PROCEDURES FOR THE HEAD OF PAID SERVICE (TOWN CLERK AND CHIEF EXECUTIVE), MONITORING OFFICER (COMPTROLLER AND CITY SOLICITOR) AND CHIEF FINANCIAL OFFICER (CHAMBERLAIN)

The Committee considered a joint report of the Town Clerk and the Director of Human Resources which set out the process by which disciplinary action could be taken in respect of the Head of Paid Service (Town Clerk), Section 151 Officer (Chamberlain) and Monitoring Officer (Comptroller and City Solicitor).

The Committee also received a copy of the minutes of the meeting of the Establishment Committee on 4 February at which this report had been considered. The Town Clerk explained that the Establishment Committee had agreed to expand the role of the Chairman of the Finance Committee in the disciplinary process, such that they would now be involved in the oversight of the investigation in relation to all three of the aforementioned officers, rather than just the Chamberlain.

A Member suggested that the Chairman of the General Purposes Committee of Aldermen should also be included in the

RESOLVED – That the Committee agrees that the Chairman of the Finance Committee, in conjunction with the Chairman of the Policy and Resources Committee and the Chairman of the Establishment Committee, will be responsible for the management of the investigation of complaints or concerns regarding the Head of Paid Service (Town Clerk), Section 151 Officer (Chamberlain) and Monitoring Officer (Comptroller and City Solicitor).

14. NON-DOMESTIC RATES – REVIEW OF DISCRETIONARY RATE RELIEF

The Committee considered a report of the Chamberlain which advised the Committee of the results of the annual review of discretionary non-domestic rate relief which was currently being granted under Section 47 of the Local Government Finance Act 1988.

RESOLVED – That the Committee agrees that discretionary relief be continued at the levels previously determined for all organisations reported noting that for 2016/17 the total estimated cost of the discretionary relief to be met from the City's share of business rates is £106,603 and £2,860 will be met from the premium.

15. IRRECOVERABLE NON-DOMESTIC RATES AND COUNCIL TAX

The Committee considered a report of the Chamberlain which sought approval for the write off of irrecoverable amounts in excess of £5,000 in relation to non-domestic rates debts and up to £1,000 in relation to council tax debts.

RESOLVED – That the Committee:

- a) Approves the write off of irrecoverable non-domestic rates in the sum of £2,205,822 noting that £631,204 will be met by the City Corporation and £18,336 from the premium; and
- b) Approves the write off of irrecoverable council tax in the sum of £16,509.

16. RISK MANAGEMENT - MONTHLY REPORT

The Committee considered a report of the Chamberlain which provided updates regarding the top risks within the Departmental Risk Register.

RESOLVED – That the Committee notes the report.

17. CENTRAL CONTINGENCIES

Consideration was given to a report of the Chamberlain which provided the Committee with information regarding the current balance of the Finance Committee Contingency Funds for the current year.

RESOLVED – That the Committee notes the report.

18. QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE

There were no questions.

19. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT

There were no urgent items.

20. EXCLUSION OF THE PUBLIC

RESOLVED - That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items on the grounds that they involve the likely disclosure of exempt information as defined in Part I of Schedule 12A of the Local Government Act.

Item No.	Paragraphs in Schedule 12A
21-32, 34-36	3
33	1
37	1 and 3

21. NON-PUBLIC MINUTES OF THE PREVIOUS MEETING

The non-public minutes of the meeting held on 19 January 2016 were approved as an accurate record.

22. OUTSTANDING ACTIONS FROM NON-PUBLIC MINUTES OF PREVIOUS MEETINGS

The Committee considered and noted a report of the Town Clerk which set out actions outstanding from previous non-public minutes of the Committee.

23. TO NOTE THE DRAFT NON-PUBLIC MINUTES OF THE EFFICIENCY AND PERFORMANCE SUB-COMMITTEE HELD ON 13 JANUARY 2016

The Committee noted the draft non-public minutes of the Efficiency and Performance Sub-Committee which was held on 13 January 2016.

24. TO NOTE THE DRAFT NON-PUBLIC MINUTES OF THE JOINT MEETING OF THE RESOURCE ALLOCATION AND EFFICIENCY AND PERFORMANCE SUB-COMMITTEES HELD ON 14 JANUARY 2016

The Committee noted the draft non-public minutes of the joint meeting of the Resource Allocation Sub-Committee and the Efficiency and Performance Sub-Committee which was held on 14 January 2016.

25. NON-DOMESTIC RATES – REVIEW OF DISCRETIONARY RATE RELIEF

The Committee noted the non-public appendices to the report of the Chamberlain regarding the review of discretionary rate relief for non-domestic rates.

26. **ORACLE PROGRAMME CLOSURE REPORT - GATEWAY 7**

The Committee considered and approved a Gateway 7 report of the Chamberlain which provided the Committee with the project closure report for the Oracle Programme.

27. **ENERGY PROCUREMENT AND THE NEXT GENERATION CONTRACT**

The Committee considered and approved a report of the City Surveyor which requested the Committee to recommend to the Court to appoint a company as the Corporation's managing agent for energy procurement for a two year period (October 2016 to September 2018).

28. **INSURANCE (JUNE PROGRAMME) PROCUREMENT - EVALUATION CRITERIA**

The Committee considered and approved a report of the Chamberlain which provided the proposed strategy for procuring Insurance (June programme) for the City of London in 2016/17 and sought Member approval for the recommended evaluation criteria to be used in the selection of a preferred supplier(s).

29. **CENTRAL CRIMINAL COURT PLANT REPLACEMENT PHASE 1 - GATEWAY 6 PROGRESS REPORT**

The Committee noted a report of the City Surveyor which provided an update regarding Phase 1 of the Central Criminal Plant Replacement Works.

30. **METRICS USED IN MAKING MAJOR PROPERTY DECISIONS**

The Committee noted a joint report of the Chamberlain and City Surveyor which provided Members with a background to the appraisal metrics used in City of London Corporation property reports to Property Investment Board and Finance Committee.

31. **WAIVER OF PROCUREMENT REGULATIONS FOR THREE CONTRACTS TO ENABLE A RETENDER EXERCISE - EARLY INTERVENTION AND PREVENTION SERVICES**

The Committee considered and approved a report of the Director of Community and Children's Services which requested approval procurement waivers for one year extensions to for three contracts with providers delivering early intervention and prevention services through group and individual support to older people, carers and people with memory or cognitive difficulties.

32. **WAIVER OF PROCUREMENT REGULATIONS FOR TWO CONTRACTS TO ENABLE A RETENDER EXERCISE - COMMUNITY HEALTH AND WELLBEING**

The Committee considered and approved a report of the Director of Community and Children's Services which requested approval procurement waivers for two contracts for community health and wellbeing, to enable a retender exercise.

33. NOTIFICATION OF AN URGENT WAIVER APPROVAL BY THE CHAMBERLAIN - EMERGENCY PLACEMENT IN A FAMILY ASSESSMENT UNIT

The Committee noted a report of the Director of Community and Children's Services which informed the Committee of a waiver approved under urgency by the Chamberlain for an emergency placement in a family assessment unit.

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

The Committee noted a report of the Town Clerk detailing a non-public decision taken under delegated authority procedures regarding funding for repairs to the Guildhall West Wing Staircase.

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

There were no non-public questions relating to the work of the Committee.

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

The Committee considered and approved an item of urgent business relating to a property transaction.

37. CHAMBERLAIN'S DEPARTMENTAL RESTRUCTURE

The Committee considered and endorsed a report of the Chamberlain regarding the restructure of his Department.

The meeting closed at 3.25 pm

Chairman

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