

<b>Committees:</b> Finance Committee	<b>Date:</b> 20 September 2016
<b>Subject:</b> Financial Services Division – Quarterly Update	<b>Public</b>
<b>Report of:</b> The Chamberlain	<b>For Information</b>
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### Summary

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

- Production of the 2015/16 financial statements
- Service based review workstreams
- Responding to the government’s consultation document seeking views on issues that should be considered when designing the 100% business rates retention system.
- Oracle project, delivering new functionality in the financial system
- Reducing outstanding debt

On the division’s key performance indicators, there is one amber indicator. The number of freedoms in the April-June quarter represents a slight decrease of 15 applicants on the same period in 2015. However, retail sales income is now growing nicely and compensates for being £1,500 under target on freedom income.

### Recommendation

Members are asked to note the report.

### Main Report

#### Key Performance Indicators

1. The main areas of work covered by Financial Services Division (FSD) are set out in Appendix 1. The key performance indicators in the Chamberlain’s business plan for the division relevant for the last quarter (April - September) are set out below.

## FSD KPIs Balanced Scorecard 2016/17

				Quarterly update			
	Measure	2015/16 performance	2016/17 target	Qtr 1	Qtr 2	Qtr 3	Qtr 4
Business Rates collection	% collected (cumulative)	99%	99.75%	30.35%			
Commercial Rent collection	% collected	97%	98%	98.03%			
Implementation of 2016/17 FSD SBR savings				<b>Status:</b>			On track
Publication of City Fund Accounts within Statutory Deadline				<b>Status:</b>			On track
Delivery of a balanced budget and Medium Term Financial Plan for City Fund, approved by Court of Common Council by 31 March				<b>Status:</b>			On track
PO Compliant Invoices	Percentage	95%	95%	95%			
Income from Chamberlains Court : Freedoms	Number of freedoms/period compared to same period in previous years (cumulative)	1,937	>15/16	457			
Professionally qualified accountancy staff as a % of total finance staff undertaking reporting, controls and decision support processes (measured annually)	CIPFA Indicator FS1	25.7%	25%				Annually
Provide a high quality service to our customers (measured annually)	Annual customer survey – Average lowest score	7.15	7.5				Annually
Increased staff engagement (measured annually)	Percentage of positive responses to Staff Survey Q5: "I understand how my work helps the Chamberlain's Department to achieve its objectives"	89%	92%				Annually

- The one amber area relates to income from freedom ceremonies. The target is to exceed the number of freedoms in the same period on the previous year, Between April and June 2016 a total of 457 people were admitted to the freedom, a slight decrease of 15 on the same period in 2015 (472). The

increase in the fee to £100 with effect from 1 April 2015 seems to have very little impact on the numbers applying and being admitted.

3. On **Chamberlain's Court** retail sales – In terms of merchandise sales between April and July 2015 the gross sales for the Chamberlain's Court were in the order of £27,157 of which £6,597 was profit. The same period in 2016 yielded gross sales in the region of £25,428 of which £12,432 was profit. The increase in profits is the result of the introduction of new merchandise, more economic procurement of stock and keener pricing structures. A total of 394 frames were purchased, so 86% of people attending ceremonies purchased one. These remain our best seller and yield our largest profit. We are also seeking to expand our range of merchandise for female freemen and an attractive ladies enamel brooch was launched in late August.

### Other key areas of work

4. A few key areas to draw out from the division's work over the last quarter:
5. On the **Service Based Review Cross Departmental Workstreams**, implementing the **operational property review** continues to be a main focus, prioritising the new Cyclical Works Programme bid for 2017/18 and taking individual property opportunities through Service Committees. Our work on developing an effective operating model for **facilities management (FM)** is now focused on multiple streams of work, supporting the implementation of actions agreed from the FM review of the Central Criminal Court and undertaking detailed data analysis on the Guildhall FM review and preparatory work for the Barbican Centre FM Review.
6. On the **income generation** workstream, we have been working with the Chief Planning Officer on proposals for introducing Planning Performance Agreements and we are reviewing our fees and charges.
7. We have been continuing work in refining the **Efficiency Plan** following consultation with Committees. The proposed plan will be presented to Finance Committee and Policy & Resources Committee for approval in September 2016 (included within this agenda). The four year funding settlement (2016/17 to 2019/20) is on the proviso of the publication of an efficiency plan by 14 October 2016. The key proposals include:
  - Annual savings target of 1-2% across all departments from 2018/19.
  - Cross cutting theme reviews.
  - Making a step change from making cost savings to transformation.
8. Work supporting the review of the Guildhall School's operating model by PA Consulting has been on-going over the last quarter, with emerging findings and recommendations now being considered.
9. The **underlying financial position for the Police** remains challenging with deficits forecast across the period and reserves exhausted during 2017/18. This is despite implementing a challenging savings plan and previous budget reductions resulting in a 22% decrease in the number of police officers and

£20.2m removed from the budget. Support is being provided to the Police in developing a further efficiency and change programme to ensure the force is sustainable.

10. **Debt management:** We continue to work with colleagues on reducing outstanding debt from investment property tenants. Another key focus has been tackling and reducing outstanding debt over the corporate target of 120 days for services provided to other local authorities for hazardous waste disposal and animal health services. With the City of London having local authority functions, this limits the level of debt recovery action one local authority can take against another. By writing directly to the Head of Finance/Chief Executive we have received some £48,000 of the outstanding debt and have identified key contacts at each of the local authorities to enable quicker payments in the future. When we began this campaign at the end of May 2016 there was just under £53,000 of debt falling into this category. The debts in excess of 120 days in respect of local authorities currently stands at just under £12,000 of which £4,900 remains outstanding from May. This targeted approach was also successfully applied to debts owed by Utilities securing payment of a further £17,550 of some £18,000 long outstanding debt. The current debt level for Utilities stands at just under £6,000 of which £450 remains unpaid for May.
11. **Consultation responses:** The Department for Communities and Local Government has issued a consultation document seeking views on issues that should be considered when designing the 100% business rates retention system. We have been working on the response, which is included within the agenda for this Committee.
12. **Oracle:** Profiling of revenue budgets is now operational and automated year end forecasting will be fully functioning from 2017/18. A pilot project has commenced for forecasting project spend on individual projects. Following initial feedback improvements are being made to the functionality and reports before full implementation in the New Year.
13. **Corporate Treasury.** The June insurance renewals have all been placed. Tender documents are out for property (renewal due in December). The Fine Art specification being is currently being finalised (also due for renewal in December). Transition from one UK equity fund manager to two UK equity fund managers completed in June.

## Conclusion

14. The division is delivering all its core objectives. The key challenges over the next quarter will be the production of the City's Cash and Bridge House Estates financial statements, developing the reporting from the oracle system and setting the budget.

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## Appendix 1

There are six 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;
- City Revenues; responsible for the collection of most income due to the City of London Corporation: Council Tax, Business Rates, Commercial Rents, Residential Service Charges and Sundry Debts;
- Payments and Support Services, covering pensions administration, payroll, supporting our financial system- Oracle and administrative support to the department;
- 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.