

FINANCE COMMITTEE

Tuesday, 31 January 2017

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

Present

Members:

Jeremy Mayhew (Chairman)	Deputy Jamie Ingham Clark
Deputy Roger Chadwick (Deputy Chairman)	Clare James
Randall Anderson	Gregory Lawrence
Deputy John Barker	Alderman Professor Michael Mainelli
Nicholas Bensted-Smith	Paul Martinelli
Chris Boden	Deputy Robert Merrett
Nigel Challis	Sheriff & Alderman William Russell
Sophie Anne Fernandes	Ian Seaton
Alderman Timothy Hailes	Deputy Dr Giles Shilson
Deputy Brian Harris	David Thompson
Christopher Hayward	Philip Woodhouse
Tom Hoffman	Mark Boleat (Ex-Officio Member)
Wendy Hyde	

Officers:

Christopher Braithwaite	-	Town Clerk's Department
Peter Kane	-	Chamberlain
Caroline Al-Beyerty	-	Chamberlain's Department
Christopher Bell	-	Chamberlain's Department
Sean Green	-	Chamberlain's Department
Tamara Jaenicke	-	Chamberlain's Department
Kate Limna	-	Chamberlain's Department
Steven Reynolds	-	Chamberlain's Department
Deborah Cluett	-	Comptroller and City Solicitor's Department
Paul Wilkinson	-	City Surveyor
Nick Bodger	-	Culture, Heritage and Libraries Department
Miatta Fahnbulleh	-	Economic Development Office
Gary Brailsford-Hart	-	City of London Police

1. APOLOGIES

Apologies for absence were received from John Fletcher, Deputy Catherine McGuinness, Deputy Henry Pollard, James De Sausmarez and Deputy John Tomlinson.

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

There were no declarations of interest.

3. **MINUTES OF THE PREVIOUS MEETING**

RESOLVED – That the public minutes and summary of the meeting held on 13 December 2016 be approved as an accurate record, subject to the additional of the word “area” after “London” in the final paragraph of Minute Item 15.

4. **OUTSTANDING ACTIONS FROM PREVIOUS MEETINGS**

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

The Town Clerk explained that information regarding proposals for making Christmas charitable donations in future years (action 3b) would be considered at the Finance Grants Oversight and Performance Sub-Committee in February 2017.

RESOLVED – That the Committee notes the report.

5. **REPORT OF THE WORK OF THE SUB-COMMITTEES**

The Chairman welcomed Sean Green, the new IT Director, to his first meeting of the Committee.

The Committee considered a report of the Town Clerk which advised Members of the key discussions which had taken place during recent meetings of the Committee’s Sub-Committees.

A Member noted that the report indicated that alternative options to Microsoft Licensing and Cloud Productivity suite were not considered to be viable in the available timeframe and asked whether there may be a significant financial incentive to pursue these alternative options. The Chamberlain explained that the cheapest alternative option was to use open source software. This would allow savings to be made on licensing costs, but was likely to require increased funding for support, security, training and integration. Therefore, it was not anticipated that this alternative option was capable of delivering a significant financial saving.

A Member commented that, while some staff at the Corporation would require a wide suite of Microsoft products and required integration between these projects, there may be a significant number of staff who only required access to a small number of products, with minimal integration. He suggested that tailoring the provision of licences to the needs of staff could create some savings.

RESOLVED – That the Committee notes the report.

6. **PUBLIC MINUTES OF SUB-COMMITTEES**

RESOLVED – That the Committee notes the public minutes and non-public summary of the following Sub-Committee meetings:

- Efficiency and Performance Sub-Committee held on 30 November 2016;
- Information Technology Sub-Committee held on 25 November 2016.

7. **APPOINTMENT OF CHAIRMEN OF SUB-COMMITTEES**

The Committee considered a resolution from the Policy and Resources Committee regarding the process for the appointment of Chairmen of Sub-Committees.

The Chairman commented that the purpose of the resolution was to ensure that Chairmen of Sub-Committees were always appointed by the Committee as a whole, rather than solely by the Chairman.

Members discussed the resolution and agreed that, as Members had interpreted the resolution in a range of different ways, the resolution was unclear without having the context of the report which had been considered by the Policy and Resources Committee. Members also commented that, in meetings of other Committees, the resolution had been interpreted in different ways by Members of the Town Clerk's Department.

The Town Clerk explained that the purpose of the report which had been submitted to the Policy and Resources Committee was to ensure that Sub-Committee Chairmen were not appointed solely by the Chairman of the Grand Committee, rather than to require that all Sub-Committees Chairmen were appointed in the manner described in the resolution. The Chairman suggested that it may be beneficial for the report which had been submitted to the Policy and Resources Committee to be circulated to all Members of the Finance Committee.

Members agreed that it was important that Sub-Committee Chairmen were appointed in a manner which was open and transparent.

The Chairman commented that, for the Finance Committee, the practice prior to his election as Chairman had been that the Chairman of the Grand Committee chaired all of the Sub-Committees. He commented that this was typically the practice for most Grand Committees. He explained that he had preferred for other Members of the Committee to be Chairmen of some of the Sub-Committees and, as such, had identified the Members whom he thought would make effective Chairmen of each Sub-Committee. The Grand Committee had then approved the appointment of those Members as Chairmen of the Sub-Committees.

The Committee agreed that it required further clarification of the resolution before it could consider whether to endorse it. The Committee also suggested that, if other Committees had experienced similar confusion in considering the resolution, the Policy and Resources Committee should be requested to review the resolution and recirculate it to all Grand Committees in a clearer format.

RESOLVED – That the Committee requests that further clarification be provided regarding the resolution from the Policy and Resources Committee.

8. **PROVISIONAL SETTLEMENTS FOR LOCAL GOVERNMENT AND POLICE 2017/18**

The Committee considered a report of the Chamberlain which provided information regarding the Provisional Settlements for Local Government and Police for 2017/18.

Members asked whether further information was available regarding the proposals by the Government for the devolution of Business Rates to local areas by 2020. The Chamberlain explained that information was still being gathered in relation to this, but a report would be submitted to the Committee's February 2017 meeting.

RESOLVED – That the Committee notes the report.

9. **REVENUE AND CAPITAL BUDGETS FOR FINANCE COMMITTEE OPERATIONAL SERVICES 2017/18**

The Committee considered a report of the Chamberlain which set out the proposed budgets 2017/18 for the operational services overseen by the Finance Committee.

A Member commented that it did not appear that there was sufficient funding in the budget for IT Security, given that activity in this area was very important. He noted that JP Morgan spent £500m per year on this kind of activity.

The Town Clerk advised Members that an overspend was projected for 2016/17 for the Electoral Services Team within the Town Clerk's Department, which was included in the Finance Committee's budget. He explained that this overspend was due to there being three major elections during 2016/17 (London Mayoral Elections; EU Referendum; and Court of Common Council elections). He explained that a report would be submitted once the outturn position for the service was known. The Chairman requested that the report provide information of the Electoral Services Team spend against budgets for the previous four years, so that the Committee could assess spend against budget for a full four-year cycle.

RESOLVED – That the Committee

- a) notes the forecast underspend of £120,000 at 31 March 2017 against the Chamberlain's 2016/17 local risk budget;
- b) approves proposed 2017/18 revenue budget
- c) authorises the Chamberlain to revise these budgets to allow for any necessary realignment of funds as set out in paragraph 18 of the report; and
- d) notes the approved capital and supplementary revenue budgets.

10. **PENSION FUND - ACTUARIAL VALUATION AS AT 31 MARCH 2016**

The Committee considered a report of the Chamberlain which provided the preliminary results of the triennial actuarial valuation of the Local Government Pension Fund as at 31 March 2016, which had been undertaken by the Fund's

Actuary, Barnett Waddingham. The report informed the Committee that the Pension Fund deficit had increased from £128m as at March 2013 to £150m as at March 2016 and recommended an increase in the employers' contribution rate to the Fund, from 17.5% to 21%.

The Chamberlain and a Member, who had worked with the Chamberlain throughout the actuarial valuation, explained that the main reason for the increased deficit was a change in the financial assumptions which had been used. The Member explained that the deficit would be in the region of £90m if the financial assumptions used in the previous triennial valuation had been used for this valuation. However, the Government Actuarial Department (GAD) had required that Pension Funds used more prudent assumptions, based on GAD's expectation for returns on pooled investment vehicles. This assumption had the impact of creating roughly £60m in additional liabilities for the Pension Fund.

A Member commented that the Corporation's Pension Fund held almost all of its assets in equities, with no exposure to property, which was unusual for a Pensions Fund. He queried whether this had caused the actuarial assumptions to affect the Corporation's Pension Fund more heavily than other organisations' Pensions Funds. The Chamberlain confirmed that this was the case.

The Member commented that the Committee could suggest to the Financial Investment Board that it should to invest some of the Pension Fund assets into property to reduce the risk of a similar issue arising in future. The Chamberlain explained that investing some portion of the Pension Fund in property was an issue which Financial Investment Board was currently considering. The Chamberlain explained that the Financial Investment Board was seeking to invest a proportion of the Pensions Fund in a property fund, rather than in specific properties, to ensure appropriate diversity of risk. However, it had not been possible to allow the Pensions Fund to invest in the Corporation's investment properties, due to conflicts of interest.

A Member asked whether it would be possible or advisable to make a lump sum contribution to the Pension Fund to reduce the contribution rate. The Chamberlain explained that this would be possible but, if such a contribution was made at this point, it would be after the valuation event and, therefore, GAD would not consider the contribution to have any impact on the deficit or funding level for the Pension Fund. If such a contribution was made, without an adjustment to the employer contribution rate, it would have no impact on the rating of the Pension Fund. A Member commented that, if such a contribution was being considered, to have any effect on the deficit or funding level of the Fund, it would need to be made before the next valuation event (31 March 2019).

A Member asked that the Committee be provided with the cost of receiving the actuarial report which accompanied the report of the Chamberlain. The Chamberlain explained that this information could be provided to the Committee following the meeting.

RESOLVED – That the Committee agrees that:

- a) The Pension Fund deficit recovery period is set at 17 years from 2017/18 and:
- b) The employers' overall contribution rate be increased from 17.5% to 21% for the financial years 2017/18, 2018/19 and 2019/20.

11. CHAMBERLAIN'S DEPARTMENTAL BUSINESS PLAN - QUARTER 3 UPDATE

The Committee considered a report of the Chamberlain which provided Members with the quarterly progress update regarding the Chamberlain's Departmental Business Plan for 2016/17. The report informed Members that performance was broadly in line with expectations, with the exception of progress in delivering the annual Internal Audit Plan.

A Member noted that the Internal Audit Plan was behind schedule and asked how this would be improved so as to achieve the target. The Chamberlain explained that he had commissioned some additional resource to ensure that the target was achieved.

RESOLVED – That the Committee notes the report.

12. REVIEW OF THE CORPORATE PURCHASE CARDS CARD HOLDERS AND CONTROLS

The Committee considered a report of the Chamberlain which provided information of the findings of a review of Corporate Purchase Cards controls and card holders.

The Chamberlain explained that roughly 10% of spend on purchase cards was for what may be considered to be expenses. He explained that a portion of that was spend on high value travel or by Police Officers on covert assignment, for which use of the existing expenses scheme would not be appropriate. He explained that the vast majority of expenses for officers were processed through the expenses scheme, which was separate from the purchase cards scheme.

A Member noted that, once the review of card holders had been instigated, a large number of card holders cancelled their cards. He suggested that this indicated that City Procurement should periodically review when cards had not seen recent use, to determine whether these cards could be cancelled.

The Committee agreed that a further report should be submitted to the Committee in one year, to provide an update on progress with reducing the number of rarely-used purchase cards and in reducing the use of purchase cards for expenses.

RESOLVED – That the Committee notes the report.

13. IT DIVISION - QUARTERLY UPDATE

The Committee considered a report of the Chamberlain which provided a quarterly update on the work of the IT Division.

The Chamberlain explained that Members could be confident that improvements would be achieved in the IT Service for six reasons: the leadership team now in place; the development of the IT Strategy (which would be presented to the Committee in February 2017); the budget uplift; the improved understanding of risk in the IT Division; the development of the partnership with Agilisys; and the performance improvements which had been achieved over the previous two to three months.

A Member noted that the Chamberlain intended to appoint external consultants to review and strengthen the current approach to IT Services. The Member asked for reassurance that there would be an appropriate return on this investment. The Chamberlain explained that procurement for this consultant was ongoing, so he was unable to provide specific information, but he assured Members that he would ensure that value for money was achieved.

RESOLVED – That the Committee notes the report.

14. CHAMBERLAIN'S DEPARTMENT RISK MANAGEMENT - QUARTERLY REPORT

The Committee considered a report of the Chamberlain which provided the quarterly update regarding the Chamberlain's Departmental Risk Register.

RESOLVED – That the Committee notes the report.

15. GREAT FIRE 350: MONITORING AND EVALUATION

The Committee considered a report of the Director of Culture, Heritage and Libraries which provided information of the key findings of a monitoring and evaluation report, undertaken by the Audience Agency, following the series of events to commemorate the 350th anniversary of the Great Fire of London.

The Director of Culture, Heritage and Libraries explained that only a small proportion of funding had been raised from City businesses. The feedback which had been received from businesses was that the City Corporation had sufficient funding to provide events such as this, without requiring private funding from businesses.

RESOLVED – That the Committee notes the report.

16. DONATIONS IN EMERGENCY APPEAL SITUATIONS

The Committee considered a report of the Chamberlain which provided information, requested by the Committee at a previous meeting, regarding donations made to emergency appeals.

A Member noted that, in the list of DEC charities, the descriptions for Tearfund and World Vision appeared to indicate that they were evangelical Christian charitable organisations, rather than a non-denominational or faith-based

charity. The Member suggested that it may not be appropriate for the Corporation to make disaster relief donations to evangelical charities. The Town Clerk agreed to look into this issue and provide further information to the Committee.

RESOLVED – That the Committee notes the report, particularly:

- a) The strong criteria applied by DEC for the selection and monitoring of UK aid charities;
- b) The ability of the Central Grants Unit to provide recommendations of appropriate charities to support, including due diligence reviews;
- c) That donations given as restricted to a specific appeal or purpose are required, under charity law, to be spent directly on emergency appeals.

17. CENTRAL CONTINGENCIES

The Committee considered a report of the Chamberlain which provided Members with information regarding the current balance of the Finance Committee Contingency Funds for the current year.

RESOLVED – That the Committee notes the report.

18. DECISIONS TAKEN UNDER DELEGATED AUTHORITY OR URGENCY SINCE THE LAST MEETING OF THE COMMITTEE

The Committee considered a report of the Town Clerk which provided information of the actions taken by the Town Clerk since the last meeting of the Committee, in consultation with the Chairman and Deputy Chairman, in accordance with Standing Orders 41(a) and 41(b). The decisions were:

- A donation of £20,000 to Save The Children's Nigeria Food Crisis Emergency Appeal
- A donation of £25,000 to the Disaster Emergency Committee's Yemen Crisis Emergency Appeal
- Christmas donations of £2,500 each to The Parent House, Crisis, The Stuart Low Trust and Solace Women's Aid.

A Member asked whether the Corporation received information about how the Corporation's donations to disaster relief efforts were spent. The Town Clerk explained that the Corporation was periodically provided with updates regarding these donations and explained that, in future, he would ensure that these updates were circulated to Members.

RESOLVED – That the Committee notes the report.

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

There were no questions.

20. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT

There were no urgent items.

21. **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
22-25, 27-35	3
26	7

22. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**

The non-public minutes of the meeting held on 13 December 2016 were approved as an accurate record.

23. **OUTSTANDING ACTIONS FROM NON-PUBLIC MINUTES OF PREVIOUS MEETINGS**

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

24. **REPORT OF THE WORK OF THE SUB-COMMITTEES - NON-PUBLIC ISSUES**

The Committee noted a report of the Town Clerk which advised Members of the key discussions which had taken place during non-public session at recent meetings of the Committee's Sub-Committees.

25. **NON-PUBLIC MINUTES OF SUB-COMMITTEES**

The Committee noted the non-public minutes of the following Sub-Committee meetings:

- Efficiency and Performance Sub-Committee held on 30 November 2016;
- Information Technology Sub-Committee held on 25 November 2016.

26. **INFORMATION SECURITY & MANAGEMENT**

The Committee noted a report of the Chamberlain which provided information of progress to mitigate the Corporate Risk regarding Information Security and Management.

27. **LONDON WORK & HEALTH PROGRAMME**

The Committee noted a report of the Director of Economic Development which provided information regarding the procurement of Central London Forward's Work and Health Programme.

28. **LONDON SEXUAL HEALTH TRANSFORMATION PROGRAMME E-HEALTHCARE SERVICES CONTRACT - REQUEST FOR DELEGATED AUTHORITY FOR AWARD OF CONTRACT**

The Committee considered and approved a joint report of the Chamberlain and the Director of Community and Children's Services which sought delegated authority to the Town Clerk, in consultation with the Chairman and Deputy Chairman, to award the contract for the London Sexual Health Transformation Programme e-healthcare services contract.

29. **NEW SPITALFIELDS MARKET WASTE COLLECTION - CONTRACT AWARD REPORT**
The Committee considered and approved a joint report of the Chamberlain and the Director of Markets and Consumer Protection which sought approval for the award for the contract for waste collection at New Spitalfields Market.
30. **BRIDGE HOUSE ESTATES - ANNUAL STRATEGY UPDATE**
The Committee noted a report of the City Surveyor which provided the annual update on the Bridge House Estates Investment Property Portfolio.
31. **CITY FUND STRATEGIC REVIEW - ANNUAL UPDATE**
The Committee noted a report of the City Surveyor which provided the annual update on the City Fund Investment Property Portfolio.
32. **CITY'S ESTATE STRATEGY REPORT**
The Committee noted a report of the City Surveyor which provided the annual update on the City's Estate Investment Property Portfolio.
33. **REPORT ON WAIVERS AT £50K AND OVER GRANTED SINCE THE LAST FINANCE COMMITTEE**
The Committee noted a report of the Chamberlain which updated Members on non-urgent waivers over £50,000 which had been approved by the relevant Spending Committee, in accord with the Waiver Approval Process set out within the Corporation's Procurement Code.
34. **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.
35. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**
There were no items of urgent business.

The meeting closed at 3.25 pm

Chairman

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