

FINANCE COMMITTEE

Tuesday, 21 February 2017

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

Present

Members:

Jeremy Mayhew (Chairman)	Deputy Brian Harris
Deputy Roger Chadwick (Deputy Chairman)	Tom Hoffman
Randall Anderson	Wendy Hyde
Deputy John Barker	Deputy Jamie Ingham Clark
Nicholas Bensted-Smith	Alderman Professor Michael Mainelli
Nigel Challis	Deputy Henry Pollard
Dominic Christian	James de Sausmarez
Simon Duckworth	Ian Seaton
Deputy Anthony Eskenzi	David Thompson
Sheriff & Alderman Peter Estlin	Philip Woodhouse
Alderman Timothy Hailes	Mark Boleat (Ex-Officio Member)

Officers:

Peter Lisle	-	Assistant Town Clerk
Christopher Braithwaite	-	Town Clerk's Department
Sacha Than	-	Town Clerk's Department
Peter Kane	-	Chamberlain
Caroline Al-Beyerty	-	Chamberlain's Department
Christopher Bell	-	Chamberlain's Department
Sean Green	-	Chamberlain's Department
John James	-	Chamberlain's Department
Victoria Lord	-	Chamberlain's Department
Geoff Parnell	-	Chamberlain's Department
Michael Cogher	-	Comptroller and City Solicitor
Paul Wilkinson	-	City Surveyor
Sam Cook	-	Remembrancer's Department

1. APOLOGIES

Apologies for absence were received from Chris Boden, Sophie Fernandes, Chris Hayward, Clare James, Paul Martinelli, Deputy Catherine McGuinness, Deputy Robert Merrett, Sheriff & Alderman William Russell, Deputy Dr Giles Shilson, Sir Michael Snyder, Deputy James Thomson and Deputy John Tomlinson.

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

Jeremy Mayhew and Brian Harris declared interests in respect of item 35 due to being on the Council of the London Chamber of Commerce and Industry.

Tom Hoffman declared an interest in respect of item 35 due to being a Governor of the Museum of London.

3. **MINUTES OF THE PREVIOUS MEETING**

RESOLVED – That the public minutes and summary of the meeting held on 31 January 2017 be approved as an accurate record.

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.

RESOLVED – That the Committee notes the report.

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

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.

The Chairman explained that the Efficiency and Performance Sub-Committee met on 17 February 2017, when the implementation of the Efficiency and Sustainability plan had been considered; Members had discussed the importance of ensuring ongoing value for money and continuous improvement, but had also showed that this should not preclude bigger transformative projects.

The Chairman updated the Committee on the discussion which had taken place on Departmental Business Planning and the development of the Corporate Plan. At the Sub-Committee meeting, Members had agreed that the new Corporate Plan should be developed in consultation with Members, that future Departmental Business Plans would need to demonstrate how they contributed to the Corporate objectives, not just the Departmental objectives.

RESOLVED – That the Committee notes the report.

6. **DRAFT PUBLIC MINUTES OF THE INFORMATION TECHNOLOGY SUB-COMMITTEE HELD ON 20 JANUARY 2017**

RESOLVED – That the draft public minutes and non-public summary of the Information Technology Sub-Committee meeting held on 20 January 2017 be noted.

7. **DRAFT MINUTES OF THE JOINT MEETING OF THE RESOURCE ALLOCATION SUB-COMMITTEE, EFFICIENCY AND PERFORMANCE SUB-COMMITTEE AND SERVICE COMMITTEE CHAIRMEN, HELD ON 19 JANUARY 2017**

RESOLVED – That the draft public minutes and non-public summary of the joint meeting of the Resource Allocation Sub-Committee, Efficiency and Performance Sub-Committee and Service Committee Chairmen held on 19 January 2017 be noted.

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

The Chairman explained that business rates were becoming a prominent issue for City businesses. The Chairman commented that the City Corporation should support City businesses in seeking low taxation rates and, in relation to business rates, a more prolonged transition phase.

RESOLVED – That the notes of the Business Ratepayers Consultation Event held on 10 February 2017 be received.

9. **REVENUE AND CAPITAL BUDGETS 2016/17 AND 2017/18**

The Committee considered a report of the Chamberlain which provided the 2016/17 and 2017/18 budgets for each of the City of London Corporation's three main funds. It was noted that these would be submitted to the Court of Common Council, subject to any amendments arising from the decisions made by the Committee at agenda item 10.

The Chamberlain advised that there were still challenges to the Police budget in future years. Some Members noted that increased efficiencies should be an area of focus for the Police. A Member commented that a number of cuts had been made within the Police and efficiency savings could only be carried out to a certain level before affecting front-line services. The Chairman explained that consultants were being commissioned in order to see how further efficiency savings could be achieved.

In response to a Member's question on whether inflation would affect the accounts, the Chamberlain confirmed that an allowance of 1% had been made in the budget, to reduce the effects of inflation, and this would be kept under review.

RESOLVED - That:-

- the latest revenue budgets for 2016/17 be noted;
- the 2017/18 revenue budgets be agreed;
- the capital budgets be agreed;
- authority be delegated to the Chamberlain to determine the financing of the capital budgets; and
- the report be submitted to the Court of Common Council for its approval.

10. CITY FUND 2017/18 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 both the Council Tax level and Business Rates Premium for 2017/18 remain unchanged.

RESOLVED – That the Committee recommends that the Court of Common Council:

- Approves the overall financial framework and the revised Medium Term Financial Strategy (paragraph 2)
- Approves the City Fund Net Budget Requirement of £119.3m (paragraph 14)
- Approves the following changes from the previous forecast (paragraphs 3 and 11):
 - Allowances for pay and prices are factored in at 1% for 2017/18 and zero thereafter (paragraph 11c);
 - 2% cashable efficiency savings for City Fund from 2018/19 are included in line with the published Efficiency Plan (paragraph 12d);
 - A 3.5% increase, for both City Fund and non-uniformed staff in the Police in, employers' pension contribution to tackle the pension fund deficit (paragraph 3a);
 - Additional provision of £2.9m pa from 2017/18 for IT (split £1.8m City Fund and £1.1m for Police) (paragraph 3c); and
 - A provision of £400k p.a. from 2017/18 onwards for Rough Sleepers and £400k p.a. for Adult Social Care, subject to a further report to Policy and Resources Committee (paragraphs 3g and 3h).
- Approves the following investment opportunities being included, subject to further reports:
 - Additional provision of £2m in 2017/18 and £4m pa thereafter to fund the investment in tackling the 'bow wave' for City Fund properties and, in particular, focused on some substantial refurbishment works at specific properties eg Old Bailey (paragraph 3f)
 - Provision for spending on the Cultural Hub, including £5m from City Fund for the 'Look & Feel' strategy (paragraph 3e)
 - Substantial provision for the Museum of London relocation project (paragraph 3k), amounting to £81.2m across the planning period.
- Notes that the forecast includes items already agreed by the Policy and Resources Committee:
 - Provision in the City Fund forecast for the £2.5m to complete the design work for the Centre for Music, together with a provision of £1.25m for the City Surveyor to develop a full commercial scheme for the site if the Centre for Music doesn't go ahead; and
 - Substantial additional City Fund support for City Police, pending the result of the external review; this amounts to £9m revenue funding across the planned period (including £0.9m for the 2017/18 deficit) and to a further c£11m funding for the Police capital schemes.

- Notes that the revenue estimates, for 2017/18, assumes the City will be in a 'growth' position under the business rates retention scheme.
- Notes the Local Council Tax Reduction Scheme, set by the Court of Common Council on 12 January 2017 and as set out at paragraph 31.

Key decisions

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

Business Rates

- Sets, exclusive of the Business rate premium, a Non-Domestic Rate multiplier of 47.9p for 2017/18 together with a Small Business Non-Domestic Rate multiplier of 46.6p (paragraph 17).
- Notes that the Greater London Authority is, in addition, levying a Business Rate Supplement in 2017/18 of 2p in the £ on properties with a rateable value greater than £70,000 (paragraph 23).
- 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 21.

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 2016/17, 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).
- Determine that the relevant (net of local precepts and levies) basic amount of Council tax for 2017/18 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 2017/18 be treated as special expenses to be borne by the City's residents outside the Temples (appendix A).

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 for 2017/18.

Capital expenditure

- Notes the proposed financing methodology of the capital programme in 2017/18 (paragraph 34).
- Approves the Prudential Code indicators (Appendix B).
- Approves the following resolutions for the purpose of the Local Government Act 2003 (paragraph 37 and Appendix E) 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 2017/18 is £896,000, which equals 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.
- Any potential external borrowing requirement and associated implications will be subject to a further report to Finance Committee and the Court of Common Council.
- Notes that the funding for the £200m contribution from City Fund to Crossrail has been accrued to the 2016/17 financial year as the payment is anticipated to be in made in March 2017.

Chamberlain's assessment

- Takes account of the Chamberlain's assessment of the robustness of estimates and the adequacy of reserves (paragraphs 40 and 41; and Appendix D)

11. CHAMBERLAIN'S DEPARTMENT - DRAFT HIGH LEVEL BUSINESS PLAN

The Committee received a report of the Chamberlain, setting out the Department's high level business plan.

In response to a Member's question on the new local government proposals in relation to the business rates charged by surrounding local authorities, the Chamberlain explained that the proposal would allow the local authorities to reduce their rates, but not increase them.

RESOLVED – That the Committee notes the report.

12. LOCAL GOVERNMENT FINANCE BILL

The Committee received a joint report of the Chamberlain and the Remembrancer informing Members of the relevant provisions of the Local Government Finance Bill, which had been recently introduced in Parliament. The Remembrancer noted that the financial consequences of the Bill would depend on circumstances in the coming years, but that the changes were thought to carry more up-side potential for the City than down-side. The Chamberlain added that proposals for further devolution to London would, if pursued, bring a different set of opportunities and risks for the City.

RESOLVED – That the Committee receives the report, and notes the provisions of the Bill and the actions anticipated in respect of it.

13. CITY FUND AND PENSION FUND FINAL ACCOUNTS 2016/17 AND 2017/18 - UPDATE

The Committee received a report of the Chamberlain which set out the steps being taken to achieve faster closure, to meet the new statutory deadlines, for the City Fund and Pension Fund accounts. The report also provided an overview of the main changes to the local authority accounting framework for 2016/17 and outlined the anticipated impact of a change to the accounting treatment of local authority highways networks, due to be implemented in 2017/18.

RESOLVED – That the Committee notes the report.

14. REVENUE BUDGET MONITORING TO DECEMBER 2016

The Committee received a report of the Chamberlain which set out the overall forecast year end position at quarter three, which was £7.9m better than budget.

In response to a Member's query on the budget figures set out in Appendix Two, the Chamberlain confirmed that information on current actual budgets was missing from the paper and this would be re-issued to Members.

The Chairman commented that, for the purposes of transparency, budgets should not be changed during the year, but instead the variances should be recorded, with commentary provided.

RESOLVED – That the Committee notes the report.

15. IRRECOVERABLE NON-DOMESTIC RATES AND COUNCIL TAX

The Committee considered a report of the Chamberlain proposing the write-off of a number of non-domestic rates debts in excess of £5,000 and council tax debts in excess of £1,000, which had been deemed irrecoverable.

RESOLVED – That the Committee:

- a) approves the write-off of irrecoverable non-domestic rates in the sum of £1,121,145, noting that £321,526 will be met by the City Corporation and £9,052 from the premium; and
- b) approves the write-off of irrecoverable council tax in the sum of £7,064.

16. CITY PROCUREMENT QUARTERLY UPDATE - FEBRUARY 2017

The Committee received a report of the Chamberlain which provided an update on the work of City Procurement and the key areas of progress since April 2016.

RESOLVED – That the Committee notes the report on improvement projects and performance.

17. RISK MANAGEMENT - TOP RISKS

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

The Chamberlain explained that an emerging risk had been identified regarding a potential withdrawal of European Social Fund grant funding, up to a maximum of £300k due to a non-compliant procurement. The risk had been identified by the GLA who act as an auditor for the European Social Fund to ensure the terms of the grant agreements are met. A meeting would be taking place with the GLA in March to assess the likelihood of the grant being withdrawn and the Committee would be kept informed.

RESOLVED – That the Committee notes the report.

18. **CENTRAL CONTINGENCIES**

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

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
22-36, 38,40	3
37	1 and 3

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

The non-public minutes of the meeting held on 31 January 2017 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 the non-public sessions at recent meetings of the Committee's Sub-Committees.

25. **DRAFT NON-PUBLIC MINUTES OF THE INFORMATION TECHNOLOGY SUB-COMMITTEE HELD ON 20 JANUARY 2017**

The draft non-public minutes of the Information Systems Sub-Committee meeting held on 20 January 2017 were noted.

26. **DRAFT NON-PUBLIC MINUTES OF THE JOINT MEETING OF THE RESOURCE ALLOCATION SUB-COMMITTEE, EFFICIENCY AND PERFORMANCE SUB-COMMITTEE AND SERVICE COMMITTEE CHAIRMEN, HELD ON 19 JANUARY 2017**

The draft non-public minutes of the joint meeting of the Resource Allocation Sub-Committee, Efficiency and Performance Sub-Committee and Service Committee Chairmen held on 19 January 2017 were noted.

27. BUILDINGS REPAIRS AND MAINTENANCE - PROCUREMENT STAGE 3 CONTRACT AWARD REPORT

The Committee considered and approved a report of the Chamberlain proposing the award of contracts for the provision of Building Repairs and Maintenance services.

28. CCTV SUPPLY, INSTALLATION AND MAINTENANCE CONTRACT - PROCUREMENT STAGE 3 CONTRACT AWARD REPORT

The Committee considered and approved a report of the Chamberlain proposing the award a contract associated with the CCTV Supply, Installation and Maintenance Services for the City of London Corporation.

29. IT TRANSFORMATION - LAN HARDWARE PROCUREMENT STAGE 1 REPORT

The Committee considered and approved a report of the Chamberlain which sought approval for the recommended evaluation criteria to be used in the selection of a preferred supplier for the provision of Local Area Network hardware for the City of London Police and City of London Corporation.

30. IT TRANSFORMATION - LOCAL AREA NETWORK SERVICES - PROCUREMENT EVALUATION CRITERIA

The Committee considered and approved a report of the Chamberlain which sought approval for a direct award to be used in the selection of a preferred supplier for the provision of a Local Area Network for the City of London Police and City of London Corporation.

31. CITY OF LONDON FREEMEN'S SCHOOL CATERING, CLEANING AND HOUSEKEEPING SERVICES - PROCUREMENT STAGE 1 EVALUATION CRITERIA

The Committee considered and approved a joint report of the Chamberlain and the Headmaster of the City of London Freeman's School which set out the strategy for the procurement of cleaning, catering and housekeeping services at the School and sought approval for the recommended evaluation criteria to be used in the selection of a preferred supplier.

32. EARLY PAYMENT DISCOUNT PROGRAMME PROJECT

The Committee considered and approved a report of the Chamberlain concerning the potential outcomes of introducing an Early Payment Discount Programme, to achieve savings by receiving discounts for paying suppliers before their contracted payment terms.

33. REVIEW OF METRICS USED IN MAKING MAJOR PROPERTY DECISIONS

The Committee considered and approved a joint report of the Chamberlain and the City Surveyor which reviewed the metrics utilised in appraising major Property Investment decisions.

34. **COMPUTER AIDED FACILITIES MANAGEMENT (CAFM) PROJECT - ADDITIONAL FUNDING FOR DRAWINGS**
The Committee considered and approved a report of the City Surveyor which sought approval to fund work on the Computer Aided Facilities Management system.
35. **NON-DOMESTIC RATES - REVIEW OF DISCRETIONARY RATE RELIEF**
The Committee considered and approved a report of the Chamberlain which set out the results of the annual review of discretionary non-domestic rate relief being granted under Section 47 of the Local Government Finance Act 1988 and proposing the levels for 2017/18.
36. **FORMER COMMERCIAL TENANT RENT ARREARS - WRITE OFF**
The Committee considered a joint report of the Comptroller and City Solicitor and the City Surveyor proposing the write-off of a debt owed by a former commercial tenant.
37. **BARBICAN ESTATE - WRITE OFF OF RENT ARREARS**
The Committee considered and approved a report of the Director of Community & Children's Services proposing the write-off of a debt owed by a former tenant on the Barbican Estate.
38. **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 approved by the relevant Spending Committee, in accord with the Waiver Approval Process set out within the Corporation's Procurement Code.
39. **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.
40. **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 the Queen's Commonwealth Woodland Trust.

The meeting closed at 3.12 pm

Chairman

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