

<b>Committee</b> Policy and Resources Committee Finance Committee	<b>Dated:</b> 18 January 2018 23 January 2018
<b>Subject</b> Benefits in Kind Reporting & Proposed Corporate Policy	<b>Public</b>
<b>Report of:</b> Chief Grants Officer	<b>For Decision</b>
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### Summary

On an annual basis, The City of London Corporation (CoLC) asks departments to provide details of all benefits in kind (BIK) that are provided to external organisations and a report is presented to the Finance Grants Oversight and Performance Sub-Committee (FGOPSC).

In July 2016, the Central Grants Unit (CGU), hosted by the City Bridge Trust (CBT) took over the process of collating the BIK information provided for the CoLC. As a first step, the FGOPSC agreed there should be a review of how BIK had been decided and recorded to-date.

At the November 2017 meeting of the FGOPSC, Members considered the review's findings, proposed next steps to improve the decision-making underpinning BIK, and how they might be recorded, acknowledged and communicated in the future and agreed to recommend a revised BIK definition and corporate policy.

The purpose of this report is for Members of Finance Committee and the Policy and Resources Committee to consider the recommendation of the FGOPSC.

### Recommendations

- a) To agree the revised BIK definition;
- b) To agree the proposed BIK policy to guide decisions approving BIK be adopted by the CoLC with effect from 1<sup>st</sup> April 2018.

### Main Report

#### Background

1. It was recognised in the corporate Effectiveness of Grants Service Based Review that CoLC offers support to the wider community in a number of ways – through direct financial contributions (or grants) often for charitable purposes; through the CoLC's support and trusteeship of many charities; and through non-monetary resources or BIK. The Grants Review excluded consideration of BIK, but as that report passed through the various

committees the relevance of some of the findings to BIK were noted. It was requested by Members of various committees that BIK be considered in implementing the Grants Review outcomes.

2. Members highlighted that the key reputational and value-for-money risks and issues that were identified in relation to the payment of grants also apply to a BIK. Members identified that BIK would also benefit from the application of a similarly consistent, coherent and co-ordinated approach to ensure that there are no hidden financial costs to the organisation which are not being properly quantified and managed and to ensure reputational risks are mitigated by a fair decision-making process.
3. To-date, on an annual basis, the Chamberlain's Department requested that every department provide details of BIK that are provided to external organisations. This information formed the basis of an information report presented to the previous Finance Grants Sub-Committee (FGSC) every November. In 2016, the FGSC was dissolved by the Finance Committee with the agreement of Policy and Resources Committee. Since that time, the BIK report has been the responsibility of this new Sub-Committee of the Finance Committee to review.
4. Under the CoLC's Financial Regulations (Part 1, Section 8; Part 2, Section 7 – Income and Banking Arrangements), Departments are required to recover full costs of fees and charges to persons or external organisations or otherwise to submit reasons to the appropriate service Committee "when that objective is not met" (Part 1, paragraph 8.12). Otherwise there is no direct or indirect mention of BIK in the City's Financial Regulations.
5. Further, Departments are required under the Financial Regulations to:
  - a. report their charging rationale to Committee before the charging structure is drawn up, with any changes also being reported (Part 2, paragraph 7.2); and
  - b. review charges and charging methodology regularly and report to Committee unless a specific discretion has been awarded to a Chief Officer (paragraph Part 1, paragraph 8.13).
6. A revised version of the CoLC Financial Regulations will be presented to the January 2018 Finance Committee by Chamberlain's. This revised version directly referred to the requirement to follow the BIK policy.
7. The FGOPSC agreed that there was scope for the procedure relating to the approval of BIK to be more transparent. Members also agreed that BIK were a useful philanthropic tool, if exercised with transparency, fairness, control and oversight, and an important contribution to the significant philanthropy the Corporation undertakes both directly and through its trusteeships.
8. The current working definition of BIK is defined as:
  - a. Abatement of a full commercial rent;
  - b. Abatement of a fee or charge for services provided; or

- c. Provision of goods or materials free of charge, or at a reduced charge.
9. The historic capture of BIK has been against this definition. The FGOPSC requested that pro-bono officer time was also captured. This is now being done.

## **Review**

10. In order to better understand the procedures in place across all departments issuing BIK, a review was undertaken.
11. The outcomes of this review were presented to the FGOPSC in February 2017 and were as follows:
- a. There is no corporate decision-making guidance or policy on BIK, however some departments such as Remembrancer's do have established criteria for local decision making;
  - b. There is currently no simple, proportionate process to apply for BIK;
  - c. The current data capture is inconsistent and a rolling BIK register should be maintained rather than relying on end of year data capture which puts unnecessary pressure on staff;
  - d. There is currently no aggregation of data from BIK and the corporate volunteering programme;
  - e. There is currently limited acknowledgement by the receiving organisation of the CoLC BIK support.
12. Furthermore, there had been a high number of BIK that had remained on the BIK schedule year-on-year which were the result of long-standing, historical agreements.
13. Many of the BIK issued over recent years have incorporated an end or review date (if spanning more than one year) but this procedure is by no means embedded as standard - the majority of historical or legacy BIK have no set review date in place.
14. It was agreed by Members at the February 2017 meeting of the FGOPSC that all current BIK with no identifiable end date should be reviewed by the relevant department or Committee, and a recommendation made as to the on-going provision of each BIK.
15. To this end, all departments were contacted in May 2017 and requested to review all benefits in kind falling into this bracket by 1 June 2017. The outcome of that consultation has informed the proposed policy to guide BIK decisions, as set out in Appendix 1.

## Recommended BIK Definition and Corporate Policy

16. Following discussion at the FGOPSC, it is recommended the definition of BIK that relates to the provision of goods or services to a third party at either a nil or reduced charge by the City of London Corporation is expanded to include Officer time and general support and provision of advice or guidance to external bodies/charities.
17. The Town Clerk's department is currently developing a Volunteering Strategy, which if adopted will be implemented across the City of London Corporation. Should a more comprehensive approach to monitoring volunteer time and its impact be developed during the strategy implementation phase, this will be aligned with the BIK data collection process.
18. Consistent with the outcomes of the corporate Effectiveness of Grants Service Based Review, and in the interests of transparency, fairness, and oversight of decisions, it is recommended that a corporate policy to guide decisions relating to BIK be adopted by the organisation. This policy is intended to work alongside the Financial Regulations and any local charging policies which are already established and operate effectively, such as that of the Remembrancer's Department.
19. The recommended BIK policy and framework for BIK is at appendix 1.
20. The adoption of a corporate BIK Policy will affect every department in the CoLC. Therefore, any policy would need to be approved by the Policy and Resources Committee and the Finance Committee and (the latter Committee having delegated authority *inter alia* for "ensuring effective arrangements are made for the administration of the City Corporation's financial affairs" and for "providing strategic oversight and performance management of all grant giving activity by the Corporation, excluding the City Bridge Trust". The former Committee has delegated authority *inter alia* for "considering matters of policy and strategic importance to the City of London Corporation including matters referred to it by other Committees and/or Chief Officers" and for "approving overall strategy and policy in respect of the City Corporation's assets").

## Conclusion

21. The purpose of this report is for Members of Finance Committee and the Policy and Resources Committee to agree the proposed corporate policy for all new BIK, along with the expanded definition of BIK.

## Appendix 1: Recommended corporate wide policy for BIK.

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## Appendix 1: Recommended corporate wide policy for BIK

The City of London Corporation's definition of Benefits in kind (BIK) is:

- a) Abatement of a full commercial rent;
  - b) Abatement of a fee or charge for services provided; or
  - c) The provision of goods or services to a third party at either a nil or reduced charge by the City of London Corporation. This is to include Officer volunteering time and general support and the provision of advice or guidance to external bodies/charities.
1. In accordance with the existing corporate governance framework, all BIK should be approved by either a Chief Officer (or delegate), or relevant service Committee (or Sub-Committee):
    - a. Any BIK decisions with a monetary equivalent of under £10,000 may be taken by Chief Officers –
      - i. In relation to property matters, subject always to the advice of the City Surveyor, in both managing the physical assets, including land and buildings for which they are responsible; and in approving the casual or occasional use of land, premises or equipment under the control of the department (as provided under the officer Scheme of Delegations); and
      - ii. otherwise in respect of goods and services in accordance with any properly approved charging policy (as provided for in the Financial Regulations).
      - iii. If the aggregate value of the delegated BIK's (agreed by a single department) in any financial year reach £100k, the relevant service Committee (or Sub-Committee) must receive notification, including a breakdown of all decisions to be taken.
    - b. Any BIKs with a monetary equivalent over the threshold of £10,000 shall, subject to a specific discretion otherwise granted to a Chief Officer (as provided for in the Financial Regulations), should be reported to the relevant service Committee for approval in setting any charging policy.
  2. At the time of agreement of a BIK, a review or end date must be included.
  3. All data from internal volunteering programmes must be included. This would include any Officer time provided in terms of general support, advice or guidance to external bodies/charities. An aggregation of data (time spent and equivalent cost) is acceptable from each department. This data collection does not apply to City of London Corporation Members.
  4. All BIK allocated to external organisations over a value of £10,000 should be acknowledged in any relevant publicity. City of London Corporation branding should be used in each such instance (in line with the current guidance of the Communications Department)

5. All departments are expected to maintain a rolling register of BIK, in a standard format rather than relying on end of year data capture. These will be fed into the CGU who will maintain a central, transparent register.
6. All BIK to be reported to the FGOPSC, annually in November. A standardised template will be provided to all departments for completion throughout the year.