

Committee:	Date:
Finance Committee	10 April 2018
Subject: Financial Services Division – Quarterly Update	Public
Report of: The Chamberlain	For Information
Report author: Caroline Al-Beyerty, Deputy Chamberlain	

Summary

Over the last quarter, Financial Services Division has been delivering well on work plans. On the division's key performance indicators, progress is very good. There is only one amber indicator- the Business Rate collection rate is slightly down below target, but collection rates have increased when compared to Q3 performance in 15/16 and 16/17.

Key highlights from recent months have been:

- Budget and production of the medium term financial plan;
- Business rates devolution and the London pilot; and
- Bridge House Estates strategic review.

Recommendation

Members are asked to note the report.

Main Report

1. The key performance indicators in the Chamberlain's business plan for the division for the last quarter (October to December) remain on track. There is only one area that is showing as Amber, the first relates to Business Rates collection performance. Whilst the Business Rate collection rate is slightly down below target, collection rates have increased when compared to Q3 performance in 15/16 and 16/17.
2. A few key areas to draw out from the division's work over the last few months:
3. **2018/19 budget and medium term financial planning** the budgets for all funds were approved by Court in March. City's Cash and Bridge House Estates budgets are balanced through the drawdown of equities and City Fund has a balanced budget. The City Fund budget includes the Police budget which is balanced through use of reserves whilst force transformation plans are under development. The ongoing deficit within the Police budget is £4-5m per annum after additional City support has been taken into account. The medium term financial plan will be dominated by the emerging large projects and the potential requirement for the City to borrow sums to fund capital investment. A 10-year forecast will be developed to demonstrate the prudence of borrowing and any limitations on the sums borrowed.
4. **Business rates retention and the London pilot.** The government, London Councils and the GLA have negotiated a pilot scheme for business rate

devolution across London. The scheme has a fiscally neutral starting base, but enables any year-on-year growth to be retained in London. Some of this growth will be used to establish a Strategic Investment Fund (SIF) to focus on some major London-wide needs and activities, such as housing and infrastructure.

The City of London Corporation is the lead authority – exercising administrative functions in connection with the pool. Principally, this involves:

- calculating and collecting the share of each participating authority to the joint tariff payment;
- working with other participating authorities to form estimates of their rates, revenues and consequent entitlements under the pool; and
- holding and leading on the disbursement of the strategic investment fund.

The Deputy Chamberlain chairs a technical working party in liaison with representatives from a number of boroughs and the Chamberlain is setting up a Working Group to advise on the SIF and more strategic issues for the pool.

In partnership with London Councils and the GLA, work over the last quarter has included the collation of all business rates estimates; modelling the impact of pooling additional benefit; and forecasting the disaggregation of growth/ additional revenues. An interim assessment of the accuracy of estimates and likely outturn has been programmed with the London local authorities for July.

5. **Accounts closedown** – the closing timetable was accelerated to close the 2016/17 City Fund accounts by 31 May for submission to the external auditors. This target was met and the timetable for closing the 2017/18 accounts has been developed, learning what went well and improving the phasing of some areas of work to ensure the statutory deadline of 31 May is met for City Fund. The non-local authority fund accounts will be prepared after the City Fund accounts are complete. The closure of the 2018/19 accounts presents an opportunity to be more radical in the approach taken as we move to having one external auditor for all funds. We will work with our auditor throughout 2018 to prepare for this in depth.
6. **Review of trading accounts** - the proposal to charge departments for work undertaken by the Comptroller and City Solicitors department was approved and will be implemented in 2018/19. There will also be a further review, and report back to the Finance Committee, on a mechanism for charging additional work above and beyond business as usual.
7. **Bridge House Estates (BHE) Strategic Review** – advisors have been appointed to undertake financial modelling. The financial modelling will enable us to have a robust basis upon which to consider the most effective future use of the assets held by BHE, including the potential for additional grant-making in the future. Information gathering sessions have now been held with various staff across the Corporation who are responsible for activities within BHE, to understand current operations and debate key assumptions and variables. The focus is now on developing the model, with time set aside for testing and challenging of this. The team are also progressing work in reviewing various governance matters relating to BHE.
8. The **Efficiency and Sustainability Plan** sets out a framework that incorporates continuous improvement savings, with the Chief Officer Peer Review programme currently underway to help secure more radical changes in efficiency and

effectiveness, alongside a limited number of cross-cutting reviews. The key aspects are:

- An across the board light touch continuous improvement target reducing departmental budgets by 2% from 2018-19. Chief Officers have been presenting their plans to address the 2% budget reductions to the officer Summit Group and then to Efficiency and Performance Sub-Committee;
- The first tranche of bids to the Priority Investment Pot (PIP), funded from the 2% savings, were approved by Resource Allocation Sub Committee in March;
- The Chief Officer Peer Review programme to support Chief Officers in developing ideas that will improve innovation, collaboration, and agility will be completed by March 2018. The outcomes will be reported to Efficiency and Performance Sub-Committee in quarter 1 of the 2018/19 financial year; and
- A methodology and reporting mechanism for departmental Economy, Efficiency and Effectiveness Health Checks (EEE Health Checks) has been developed and shared with the March Efficiency and Performance Sub-Committee. The Health Check has been designed to represent good practice, drive continuous improvement, optimise use of resources and ensure that the benefit of carrying out such health checks significantly outweighs their administrative burden. This means that the amount and quality of data contained in the health checks will vary significantly by department this year, but the information will improve as corporate performance data sets, trend analysis and comparator processes are built.

9. The **Facilities Management Review Project** has completed its fact-finding phase, looking at rationalising and professionalising the FM services provided across a range of operational properties. Each site included in the review now has an implementation plan tracker which is updated on a monthly basis and exceptions reported to Efficiency and Performance Sub Committee. Actions and subsequent savings are on track.

10. Work continues on improving the quality and efficient production of financial **Management Information** for both management teams and committee reporting. A focus for the last quarter has been improving the accuracy of forecasting on capital projects.

11. The **Financial Regulations** have also been reviewed and updated.

12. The Treasury Team has been focused on four key areas: -

- MIFID II: the City Corporation has, where necessary, been opted up to professional status with its fund managers, advisors, consultants etc.
- Update to the 2017/18 Treasury Management Strategy Statement and Annual Investment Strategy for 2018/19 which allows the City to invest in two short dated bond funds.
- The investment and strategies and asset allocation of City's Cash and Bridge House Estates is currently being reviewed. This follows on from the review of the Pension Fund last October following the triennial valuation.
- Developing a Responsible Investment Statement, signed off by FIB on 22 March.

Conclusion

13. Progress has been good over the last quarter across the division's work programme. The focus for the next quarter will be the production of the financial statements; production of the 10-year financial modelling for City Fund and City's Cash; and financial modelling for Bridge House Estates.

Contact:

Caroline Al-Beyerty

Deputy Chamberlain T: 020 7332 1113