

Committee:	Date:
Finance Committee	24 July 2018
Subject: Financial Services Division – Quarterly Update	Public
Report of: The Chamberlain	For Information
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Summary

Over the last year, Financial Services Division has been delivering well on work plans. On the division's key performance indicators, progress is generally very good. There are two amber indicators:

- income from Freedoms; and
- the proportion of professionally qualified accountancy staff.

First quarter indicators for 2018/19 are not yet available at the time of drafting.

Key highlights from recent months have been:

- Business rates devolution and the London pilot;
- Production and audit of the draft City Fund accounts;
- 10-year financial modelling for capital projects;
- Bridge House Estates strategic review; and
- Finance on line course 'Go Figure' for non-finance managers has been refreshed.

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 2017/18 are shown in appendix 2. There are two areas showing as Amber, the first relates to income from Freedoms; and the second is the proportion of professionally qualified accountancy staff.
2. The **number of Freedoms** for the year at 1,628 is behind the target of 1,700 and also slightly below the 1,678 achieved last year. Freedom numbers are variable year on year, however an increase is expected in the current year due to:
 - the Company of Public Relations Practitioners are seeking full livery status. When this happens there is a spike in the numbers applying so they have sufficient numbers to become a Livery Company;
 - an initiative by members of the Court of Common Council to nominate up to 100 Women to receive the Freedom to tie in with the 100th anniversary of the universal vote; and
 - increased outreach that the Chamberlain's Court team are doing with local schools and City Academies.

3. Work also continues to encourage the diversity of applicants for the Freedom. We have admitted a number of candidates who were recommended by Chief Officers as a form of recognition for their work with the Corporation. And when the Worshipful Company of Insurers sought permission to increase their permitted Livery we asked for details of what they are doing to encourage more diversity and gender equality within their membership.
4. On the **proportion of qualified staff**, we have identified a delay in some staff, having passed their exams, not completing their portfolio of experience required for admittance to membership of their institute. Over the last quarter there has been a concerted effort from staff and their line managers to submit their portfolio of experience. As a result, five individuals are now able to apply for admittance to their institute and on confirmation will be professionally qualified and entitled to use their institute's professional designation. The newly qualified members of staff would improve the proportion of qualified staff to 25.8%, in excess of the 25% target. We will also be commencing recruitment for a graduate CIPFA trainee shortly.
5. First quarter indicators for 2018/19 are not yet available at the time of drafting.
6. A few key areas to draw out from the division's work over the last few months:
7. **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 City of London Corporation is the lead authority – exercising oversight and administrative functions in connection with the pool. 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 Working Group, chaired by the Chamberlain, is advising on the SIF and has now met to evaluate the bids. A consultation paper, with a set of recommendations, will be issued by the end of the month for political consideration.
8. The technical working party, in partnership with London Councils and the GLA, has continued to model the impact of funding from MHCLG and refine estimates from each of the boroughs. A Project Accountant joined us in mid-May to support the London pilot and allow the City to fulfil its Lead Authority responsibilities. An interim assessment of the accuracy of estimates and likely outturn has been programmed with the London local authorities for July; and the team will be producing analysis over the summer.
9. **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. During Q4 both external auditors completed their interim audit work in preparation for their main audits after year end. 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 and subsequent years to prepare for this in depth.

10. **Bridge House Estates (BHE) Strategic Review** – the work being undertaken on financial modelling is nearing completion. Following a challenge session held with Heads of Finance, a check to ensure that all financial impacts were being considered appropriately, the model is now being ‘fine-tuned’ prior to recommendations being made relating to the funds held by the charity for future options regarding grant-making expenditure. Related to this piece of work is the ongoing review of governance matters, which will guide us in determining how BHE funds held can be utilised. Detailed analysis of previous years financial statements in being undertaken as part of this review.
11. **Medium term financial planning.** 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, with further work underway on identifying efficiencies which would help to close the gap. 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 has been developed, and presented to the Resource Allocation Sub Awayday, to analyse the prudence of borrowing and any limitations on the sums borrowed.
12. The Finance on line course ‘**Go Figure**’ has been refreshed. The short finance course covers everything from financial governance, common financial jargon, and the important role that we all play in being responsible for our corporate finances.
13. The **Economy, Efficiency and Effectiveness Health Checks** (EEE Health Checks) is a framework that has been designed to achieve better alignment of business plans to the Corporate Plan, the delivery of the 2% year-on-year efficiency and sustainability plan in local risk budgets and to enable Members to fulfil their duty to periodically reviewing the performance of each Chief Officer to promote efficiency and value for money. The departmental EEE Health Checks are now in place and being used as a reporting mechanism to demonstrate good practice, drive continuous improvement and efficiencies, particularly in newer services, and optimise the use of resources. Chief Officers will continue to present their EEE Health Checks reports to Summit Group and Efficiency and Performance Sub Committee over the next year to demonstrate how they are delivering value for money.
14. 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.

Conclusion

15. 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 City’s Cash and Bridge House Estates financial statements; the evaluation of SIP bids for the London Business rates pool; and financial modelling for Bridge House Estates.

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