



## Finance Committee – Late Supplementary Agenda Pack

**Date:** TUESDAY, 3 MAY 2022

**Time:** 1.45 pm

**Venue:** COMMITTEE ROOM - 2ND FLOOR WEST WING, GUILDHALL

3. **ORDER OF THE COURT OF COMMON COUNCIL**  
To receive the Order of the Court of Common Council from Thursday, 21<sup>st</sup> April 2022.  
(Pages 89 – 90)
7. **APPOINTMENT OF SUB-COMMITTEES AND REPRESENTATIVES ON OTHER COMMITTEES – APPENDICES**  
Report of the Town Clerk.  
(Pages 91 – 98)
8. **FINANCE COMMITTEE'S FORWARD PLAN**  
Report of the Chamberlain.  
(Pages 99 – 100)
10. **RENTAL INCOME AND BUSINESS RATE UPDATE**  
Report of the Chamberlain.  
(Pages 101 – 106)
11. **WATER CHARGES REFUND**  
Report of the Chamberlain.  
(Pages 107 – 110)
12. **CHAMBERLAIN'S DEPARTMENTAL BUSINESS PLAN END OF YEAR UPDATE**  
Report of the Chamberlain.  
(Pages 111 – 118)
21. **CITY FUND - HEADLEASE RESTRUCTURE - 280 BISHOPSGATE, EC2**  
Report of the City Surveyor.  
(Pages 119 – 128)

Items received too late for circulation in conjunction with the Agenda.

**John Barradell**  
Town Clerk and Chief Executive

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# Agenda Item 3

KEAVENY, Mayor	<b>RESOLVED:</b> That the Court of Common Council holden in the Guildhall of the City of London on Thursday 21 <sup>st</sup> April 2022, doth hereby appoint the following Committee until the first meeting of the Court in April, 2023.
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## FINANCE COMMITTEE

- Constitution**  
A Ward Committee consisting of,
  - four Aldermen nominated by the Court of Aldermen
  - up to 31 Commoners representing each Ward (two representatives for the Wards with six or more Members regardless of whether the Ward has sides) or Side of Ward
  - the Chairman and Deputy Chairman of the Policy & Resources Committee (ex-officio)

- Quorum**  
The quorum consists of any nine Members.

- Membership 2022/23**

### ALDERMEN

- 5 Sir Peter Estlin
- 2 Robert Hughes-Penney
- 1 Professor Emma Edhem
- 1 Susan Langley, O.B.E

### COMMONERS (OR ALDERMEN APPOINTED BY WARDS IN LIEU OF COMMONERS)

10	Randall Keith Anderson, Deputy.....	Aldersgate
1	Steve Goodman.....	Aldersgate
1	Andrien Gereith Dominic Meyers, Deputy.....	Aldgate
1	Madush Gupta, Deputy.....	Bassishaw
1	Nighat Qureishi, Deputy.....	Billingsgate
1	Tom Charles Christopher Sleigh.....	Bishopsgate
12	Wendy Marilyn Hyde.....	Bishopsgate
1	Emily Benn .....	Bread Street
6	Timothy Levene.....	Bridge and Bridge Without
1	Shahnan Bakth.....	Broad Street
1	James Bromiley-Davis.....	Candlewick
1	Martha Grekos.....	Castle Baynard
1	Catherine Sidony McGuinness.....	Castle Baynard
9	Nicholas Michael Bensted-Smith, J.P.....	Cheap
14	Sophie Anne Fernandes .....	Coleman Street
32	Sir Michael Snyder.....	Cordwainer
	(Cornhill has paired with Lime Street for this appointment).....	Cornhill
1	Paul Singh.....	Cripplegate
1	Elizabeth Anne King B.E.M .....	Cripplegate
3	Mark Raymond Peter Henry Delano Wheatley.....	Dowgate
2	Ann Holmes, Deputy.....	Farringdon Within
1	Eamonn Mullally.....	Farringdon Within
10	Gregory Alfred Lawrence.....	Farringdon Without
7	Paul Nicholas Martinelli.....	Farringdon Without
10	Philip Woodhouse, Deputy.....	Langbourn
2	Henry Nicholas Almroth Colthurst, Deputy.....	Lime Street
3	Munsur Ali.....	Portsoken
1	Brian Desmond Francis Mooney, Deputy.....	Queenhithe
1	James Richard Tumbridge.....	Tower
4	Rehana Banu Ameer, Deputy.....	Vintry

Together with the ex-officio Members referred to in paragraph 1.

4. **Terms of Reference**

To be responsible for:-

**Finance**

- (a) Ensuring effective arrangements are made for the proper administration of the City Corporation's financial affairs;
- (b) making recommendations to the Court of Common Council in respect of:-
  - (i) the audited accounts, the Annual Budget and to recommend the non-domestic rate and Council Tax to be levied and to present the capital programme and make recommendations as to its financing;
  - (ii) the appointment of the Chamberlain;
- (c) considering the annual budget of several committees, to ascertain that they are within the resources allocated, are applied to the policies for which those resources were allocated and represent value for money in the achievement of those policies;
- (d) determining annually with the Resource Allocation Sub-Committee, the appropriate performance return bench marks for the City's Estates;
- (e) obtaining value for money in all of the City of London Corporation's activities, contracts, and in the City of London Police;
- (f) monitoring performance against individual Departmental Business Plans and bringing about improvements in performance;
- (g) the effective and sustainable management of the City of London's operational assets, to help deliver strategic priorities and service needs;
- (h) overseeing the City of London Corporation's approved list of contractors and consultants;
- (i) dealing with requests for allowances, expenses, insurance, business travel, treasure trove and Trophy Tax;
- (j) providing strategic oversight and performance management of all grant giving activity by the Corporation, other than for the Bridge House Estates.
- (k) strategies and initiatives in relation to energy;

**Sub-Committees**

- (l) appointing such Sub-Committees as are considered necessary for the better performance of its duties including the following areas:-

**Efficiency & Performance**

The Efficiency & Performance Sub Committee was created in 2011 to scrutinise plans for efficiency and performance across all of the City Corporation's departments and the City of London Police. It supports officers to drive value for money in areas such as third-party contracts, budgeting and facilities/asset management, and promotes effective planning - both on a departmental basis and for the Corporation as a whole.

**Operational Property and Projects (joint with Policy & Resources Committee)**

The Operational Property and Projects Sub Committee is responsible for the effective and sustainable management and strategic plans for the City of London Corporation's operational property portfolio; this includes the monitoring of capital projects, acquisitions and disposals, and the upkeep, maintenance and, where appropriate, furnishing for operational properties (including the Guildhall Complex). In addition, the Sub Committee is responsible for strategies, performance, and monitoring initiatives in relation to energy usage, and for monitoring and advising on bids for Heritage Lottery funding.

It provides dedicated scrutiny for all City Corporation and City of London Police procurement contracts above £2m, with a view to driving value for money.

## APPENDIX C

### Operational Property and Projects Sub-Committee

#### **Composition**

- the Chairman and a Deputy or Vice Chairman of the Policy and Resources Committee
- the Chairman and Deputy Chairman of the Finance Committee
- Four Members appointed by the Policy and Resources Committee
- Four Members appointed by the Finance Committee
- Up to two Members to be co-opted by the Sub-Committee from the Court of Common Council with relevant experience.

The Chairman and Deputy Chairman to be elected from amongst the Sub-Committee Membership

#### **Terms of Reference**

To be responsible for:-

#### Projects

- a) Authorising individual projects on behalf of the Policy and Resources Committee at each stage of the City's agreed Project Approval Process;
- b) Making proposals to the Resource Allocation Sub-Committee/the Policy and Resources Committee for projects to be included in the capital/supplementary revenue programme;
- c) Overseeing the City Corporation's programme of projects, excluding those within the remit of the Cyclical Works Programme (although these may be called-in by the Projects Sub-Committee) to ensure their delivery within the parameters set by the Resource Allocation Sub-Committee.
- d) Overseeing the City Corporation's programme of projects, ~~excluding those within the remit of the Corporate Asset Sub-Committee~~, to ensure their delivery within the parameters set by the Resource Allocation Sub-Committee;
- e) Monitoring the procurement arrangements for capital and supplementary revenue projects and advising the Finance Committee of any issues; and
- f) Periodically reviewing the City Corporation's project management processes and procedures.

#### Procurement

- g) To scrutinise and be responsible for value for money on all City of London Corporation and City of London Police procurement contracts above thresholds stipulated within the City of London Corporation's Procurement Code (total contract value) at key stages, including initial tender strategy to final contract award sign off.
- h) To consider and recommend all procurement contracts above thresholds stipulated within the City of London Corporation's Procurement Code £4m to the Finance Committee
- i) To invite representative(s) from the relevant Spend Committee to attend meetings ensuring decisions are made corporately.

- j) To provide officers with advice focussed specifically on value for money, and consider lessons learned when major contracts are coming to an end (i.e. before the (re)tender process begins).
- k) To review and consider approvals of £4m50k+ waivers for the Chamberlain's department contracts.
- l) To work with the Grand Finance Committee to review and to monitor performance against the Chamberlain's Departmental Business Plan and related corporate initiatives in order to promote value for money and ensure compliance with the UK Public Contract Regulations and the Corporation's Procurement Code.

### Corporate Assets

- m) To be responsible for the effective and sustainable management of the City of London Corporation's operational property portfolio, to help deliver strategic priorities and service needs, including;
  - i. agreeing the Corporate Asset Management Strategy;
  - ii. responsibility for reviewing and providing strategic oversight of the Corporation's Asset Management practices and activities and advising Service Committees accordingly;
  - iii. responsibility for reviewing and providing strategic oversight of the Corporation's Facilities Management practices and activities and advising Service Committees accordingly;
  - iv. To maintain a comprehensive Property Database and Asset Register of information which can be used in the decision making process;
  - v. In line with Standing Orders 53 (Asset Management Plans) and 56 (Disposal of Surplus Properties) and the duties set out within legislation, including the Localism Act 2011 and the Housing and Planning Act 2016, to monitor the effective and efficient use of all operational property assets;
  - vi. Oversight of the management of operational leases with third parties, occupation by suppliers and those granted accommodation as benefits-in-kind; and
  - vii. In accordance with Standing Orders 57 and 58, the Sub Committee can make disposals of properties which are not suitable to be retained as investment property assets.
- n) In accordance with thresholds stipulated within Standing Orders 55, 56 and 57, the Sub-Committee can approve acquisitions and disposal of operational properties which are not suitable to be re-use or to be retained as investment property assets.
- o) The power to commission from Service Committees periodic management information on asset management performance including, where relevant:
  - i. third party agreements, income, rent arrears (including HRA)
  - ii. efficiency of operational assets including vacant space and utilisation in accordance with SO 55.
- p) To be responsible for the upkeep, maintenance and, where appropriate, furnishing for operational properties (including the Guildhall Complex) which do not fall within the remit of another Service Committee;

- q) To monitor major capital projects relating to operational assets to provide assurance about value for money, accordance with service needs and compliance with strategic plans;
- r) To recommend to the joint meeting of the Resource Allocation Sub-Committee and the Efficiency and Performance Sub-Committee the annual programme of repairs and maintenance works (including surveys, conservation management plans, hydrology assessments and heritage landscapes) planned to commence the following financial year, and to monitor progress in these works (when not included within the Project procedure);
- s) To be responsible for strategies, performance and monitoring initiatives in relation to energy;
- t) To monitor and advise on bids for Heritage Lottery funding; and
- u) To provide strategic oversight for security issues across the Corporation's operational property estate; with the objectives of managing security risk; encouraging consistent best practice across the Estate; and, in conjunction with the ~~Establishment~~ Corporate Services Committee, fostering a culture of Members and officers taking their responsibilities to keeping themselves and the buildings they occupy secure.

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## **Financial Investment Board**

### **Composition**

- the Chairman or a Deputy or Vice Chairman of the Policy and Resources Committee, or their nominee (from the Membership of that Committee)
- the Chairman or Deputy Chairman of the Finance Committee or their nominee (from the Membership of that Committee)
- Two Members appointed by the Policy and Resources Committee
- Two Members appointed by the Finance Committee
- Up to four co-opted External Members with relevant experience – appointed by the Board
- Up to Two Members to be co-opted from the Court by the Board with relevant experience

The Chairman and Deputy Chairman to be elected from amongst its Membership

### **Terms of Reference**

- a) to approve the appointment of and to monitor the performance of investment managers of the following funds:
- i. City's Cash
  - ii. ~~Pension Fund~~
  - ii. Charities Pool
  - iii. Hampstead Heath Trust
  - iv. The William Coxen Trust\*

Together with such other funds as are under the City of London Corporation's control;

- b) to review the investment strategy for the securities investments of the ~~Pension Fund~~, City's Cash, Hampstead Heath Trust Fund, William Coxen Trust\* and the Charities Pool;
- c) to authorise investments and approve the overall parameters within which the investment fund managers will be authorised to operate;
- d) to invest all new monies in respect of ~~the Pension Fund~~ and the Charities Pool;
- e) to invest such other sums as are from time to time allocated for this purpose; ~~and~~
- f) to monitor the activities of the Chamberlain in connection with his role as banker to the City of London Corporation; and
- g) to inform the decision taken by the Resource Allocation Sub-Committee on the appropriate investment proportions between property and non-property assets.

\* to oversee the investments of the Sir William Coxen Trust, reporting back and providing advice to the Committee of Aldermen to Administer the Sir William Coxen Trust Fund, which would then take any necessary decisions.

*Provision to enable the Chairman of the Property Investment Board to report on and speak to the Board's activities and responsibilities in the Court of Common Council and to ensure that any decisions, especially those relating to property, are taken without undue delay.*

## **Property Investment Board**

### **Composition**

- the Chairman or a Deputy or Vice Chairman of the Policy and Resources Committee, or their nominee (from the Membership of that Committee)
- the Chairman or Deputy Chairman of the Finance Committee or their nominee (from the Membership of that Committee)
- Two Members appointed by the Policy and Resources Committee
- Two Members appointed by the Finance Committee
- Up to four co-opted External Members with relevant experience – appointed by the Board
- Up to Two Members to be co-opted from the Court by the Board with relevant experience (one appointment each)

The Chairman and Deputy Chairman to be elected from amongst its Membership

### **Terms of Reference**

To determine and approve management and investment matters relating to property within the City's Cash and City Fund in accordance with the management plans and investment strategies;

- a) to acquire, manage or dispose of all City property within its remit;
- b) to determine specific property ownerships in accordance with policies established by the Policy and Resources Committee and the Court of Common Council in relation to the extent of properties to be held by the City of London Corporation for strategic purposes, including within the City itself;
- c) in relation to Leadenhall Market, to lease any shop or shops at less than the full market rent in order to obtain the stated objectives of securing a first class, balanced and varied market; ~~and~~
- d) to report during the year to the ~~Investment Committee~~ Court of Common Council in relation to its activities and the overall performance of the investment property portfolios; ~~and~~
- e) to inform the decision taken by the Resource Allocation Sub-Committee on the appropriate investment proportions between property and non-property assets.

*Provision to enable the Chairman of the Property Investment Board to report on and speak to the Board's activities and responsibilities in the Court of Common Council and to ensure that any decisions, especially those relating to property, are taken without undue delay.*

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FINANCE COMMITTEE – WORK PROGRAMME 2021

	May -22	June-22	July-22	Sept-22	Oct-22	Nov-22	Dec-22	Jan-23
Budget Setting Process & Medium-Term Financial Planning			Update on Budget setting approach 22/23			Finance Committee' s Estimate report	Autumn Budget	2023/24 Annual Capital Bids
Effective Financial Management Arrangements for The City Corporation	Rental Income and Business Rate update  Interest rates for Loan Facilities		Capital Funding Update Q1  Capital Outturn Q1 Budget Monitoring Q1  Provision for Bad and Doubtful Debts  Rental Income and Business Rate update Q1	City Re Limited – performance monitoring	Q2 Budget monitoring	Capital Projects - Forecasting		Q3 Budget monitoring
Financial Statements						City's cash financial statements  City's Cash trust funds and sundry trust funds annual reports and financial statements	City Fund and Pension Fund statement of accounts	
Finance Committee as a Service Committee	Central Contingencies  Risk Management – Quarterly Report  Chamberlains Business plan End of Year update IT Division Q update	Central Contingencies  Risk Management - Monthly Report  City Procurement Q Update	Central Contingencies  Risk Management Monthly Report  Chamberlains Business plan Q report	Central Contingencies  Risk Management Quarterly Report  IT Division Q update	Central Contingencies  Risk Management Monthly Report  City Procurement Q update	Central Contingencies  Risk Management monthly report  Chamberlains Business plan Q update	Central Contingencies  Risk Management Quarterly report  IT Division Q update	Central Contingencies  Risk management – Monthly report  City Procurement Q update

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<b>Committee(s):</b> Finance Committee	<b>Dated:</b> 03/05/2022
<b>Subject:</b> Key Income collection update	<b>Public</b>
<b>Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?</b>	n/a
<b>Does this proposal require extra revenue and/or capital spending?</b>	N
<b>If so, how much?</b>	n/a
<b>What is the source of Funding?</b>	n/a
<b>Has this Funding Source been agreed with the Chamberlain's Department?</b>	n/a
<b>Report of:</b> The Chamberlain	<b>For Information</b>
<b>Report author:</b> Phil Black Head of Financial Shared Services	

## Summary

This report provides an update on collection performance for the City of London's key income streams, Investment Property, Operational Property, Business Rates and Council Tax. The report also provides a general update on issues relating to Business Rates and Council Tax and their potential impact on City income.

The City's key income streams, particularly those that are based in the retail sector have been severely impacted by the Covid-19 Pandemic.

Business Rates income recovered well during 21/22 with in-year collection around 2.07% down on the pre pandemic levels, and nearly 1% up on 20/21. Council Tax collection continues to improve and is almost back to pre-covid levels.

Investment property income continues to improve with total arrears at £20.2m (£16.6m of which is rent) including £1.43m deferrals. Deferrals are now being paid which is contributing to the improvement. The moratorium on recovery action has now been lifted but there are limitations on recovery action that remain in place, so the full impact on Investment Property of the pandemic may not be evident for some months.

Operational Property Arrears began to be closely monitored from October 2020. They are decreasing with deferrals being paid. A detailed report is being submitted to Corporate Assets Sub Committee giving further details of Operational Property Arrears and Tenant Support.

Income collection figures continue to be monitored closely and are fed into the thinking and assumptions in the MFTP. Current forecasts on City Fund have not hit the risk triggers that were put in place as part of the pandemic response.

## **Recommendations**

Members are asked to:

- note the contents of the report.

## **Main Report**

### **Background**

1. As a result of the Covid-19 Pandemic the City's key income streams have been placed under unprecedented pressure. Initial 2020/21 forecasts for the eventual Income outturn looked bleak. Improvements were made in some areas, particularly Business Rates and Council Tax where the overall impact has been less than initially feared.
2. There is still some significant uncertainty around the eventual outcome for both investment and operational property arrears, but improvements are being seen. The support provided to businesses through the deferral scheme appear to have been successful with most businesses now meeting their obligations to repay these amounts.
3. All property income is being closely monitored. The level of collection is a key indicator and is feeding into the assumptions being made in the MTFP. The current forecasts for City Fund are still within target and have not hit the risk triggers that were put in place as part of the response to the pandemic. However, there is still risk across the property portfolio as the full impact of the pandemic on business may not become apparent until full recovery action can be initiated. Further details on triggers and risk are detailed in the Monthly Risk Management Report.
4. The Autumn Government budget for 22/23 included the long anticipated fundamental review of Business Rates. The report was limited in scope, and it is expected that further consultations relating to the future of business rates will be published during the coming year.
5. The report reaffirmed the Government's intention to continue with Business Rates as a tax and confirmed a move to three-year valuations from 2023. This change should make the business rates more responsive to economic fluctuations.
6. The Chancellor announced a continuation of business rates relief of 50% (up to a limit of £110,000 per business) to the retail, leisure and hospitality sector and this was applied to all eligible business rate accounts for 2022/23. Further reliefs were announced relating to property improvements and onsite renewable energy generation. These reliefs will be fully funded by Government but guidance on their application has yet to be published.
7. Billing for Business Rates was successfully completed. The freeze to the business rate multipliers at 49.9p (small business multiplier) and 51.2p (standard multiplier) has meant that the only increase to business rate bills was the increase to the City Premium.

## Current Collection Rates

8. Below are the collection rates over the last three years as at 1<sup>st</sup> April and trends are analysed in the following paragraphs:

	2019/20	2020/21	2021/22
<b>Business Rates</b>	97.36%	94.37%	95.29%
<b>Council Tax</b>	97.8%	94.4%	96.3%
<b>Investment Property</b> (Quarter Day -1)	98.7%	85%	84.53%
<b>Total Operational Property Arrears*</b>	N/A	£9.3M	£8.4M

\*not previously recorded in 19/20. – Figures include Smithfield Commercial Offices but not domestic properties.

## Business Rates

9. Business Rates collects approximately £1.2 Billion per annum. This is not a fixed target as factors such as reliefs, deletions and new properties will change the collectable debit. For these same reasons 100% collection would be impossible to achieve. However, the percentage in-year collection rate provides a key indicator for how Business Rate collection has performed.
10. Collection was anticipated to fall in 20/21 by up to 6% due to the pandemic impact. However, by year end collection was less than 3% down on the previous year. This has improved again during 21/22 and collection is just over 2% down on pre pandemic levels.
11. In order to assist Businesses, the Business Rate Team has accepted longer and more flexible arrangements to collect business rates. this coupled with the ending of the 100% retail relief in July will also have had an impact on the collection rate.
12. Whilst the collection rate is a slight concern it will not have a material impact on the overall amount that the City receives from the Business Rate Retention scheme. Contingencies such as the bad debt provision assumed in the NNDR1, particularly around retail, reduce any significant risk. Business Rates is also split between Government, GLA with the City, so any reduction is limited to the 30% City share.
13. The recent autumn budget and Business Rates announcements made no mention of an end to the current business rate retention scheme, which means that the City will continue to benefit in 2022/23 from the growth achieved since 2017.
14. The City will launch a Covid Additional Restriction Relief scheme (CARF) in the coming months. The government scheme requires local authorities to provide an allowance against ratepayer NNDR liabilities, rather than pay as a grant to the business. The City's proposed scheme will provide relief of approximately 20% against the net 2021/22 NNDR liability of approximately 13,900 office properties that meet the scheme's eligibility criteria.

## **Council Tax**

15. Council Tax collection has recovered well and is almost back to pre-covid levels. Council Tax collect approximately £9 million in Council Tax per annum. This is not a fixed target as changes occur throughout the year so achieving 100% collection is impossible. However, the percentage in-year collection rate provides a key indicator for how Council Tax collection has performed
16. There are two areas that continue to impact collection. Serviced apartments are still reporting low occupancy rates and as a result the liability for Council Tax has fallen on the Landlord. The Council Tax team has attempted to provide flexibility around payment arrangements, and this will have impacted on the collection figure. The reduction in the number of students living in the City has also meant that many landlords have now had to meet Council Tax liabilities for their properties, where previously a student exemption had been applied. This has also been a challenge to collection.
17. The Council Tax Team will be administering the Council Tax Energy Rebate scheme during May. This is a payment of £150 to all properties in Band A – D. The City has taken the opportunity to increase the take up of Direct Debit as this provides an easy way to check bank details before payment is made. For those residents who do not pay by Direct Debit, an application portal has been created and eligible residents will be written to explaining how they can claim their payment. A discretionary scheme will also be launched later in the year.

## **Property Income**

18. The Government Moratorium against taking Enforcement action for non-payment of rent and other related property arrears was extended until March 2022 making ongoing recovery challenging. This has now been lifted and the City is considering recovery strategies for those tenants and leaseholders who refuse to engage and agree repayment plans to clear arrears.
19. The current arrears for Investment Property are £20.2m as at the end of Q4, £16.6m of this relates to rent and £1.43m is on an agreed deferral. At the same point in 2021 arrears stood at £26.5M with £23.2m relating to rent and £6.3m subject to a deferral. This shows a significant improvement and demonstrates that the deferral scheme was particularly effective, together with other asset management proposals such as providing extra lease lengths (5 years) with the provision of open market rent frees to tenants, if they were to sign up for longer.
20. The Operational Portfolio has arrears of around £8.7m which includes the Smithfield Commercial Offices. The £5.4m relating to residential HRA properties including the service charges in dispute at Great Arthur House are excluded.
21. The Chamberlain's Income Team continues to work closely with Asset Managers in City Surveyors to negotiate payment arrangements and agree repayment plans. This continues to work well but it is accepted that the full impact on property income may not be known until full enforcement action is permitted.

**Phil Black**

Head of Financial Shared Services

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<b>Committee(s):</b> Finance Committee – For decision Court of Common Council – For decision	<b>Dated:</b> 3/5/2022 19/5/2022
<b>Subject: HRA Water Rates Refunds</b>	<b>Public</b>
<b>Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?</b>	4
<b>Does this proposal require extra revenue and/or capital spending?</b>	Y
<b>If so, how much?</b>	<b>£730,897</b>
<b>What is the source of Funding?</b>	<b>City's Cash</b>
<b>Has this Funding Source been agreed with the Chamberlain's Department?</b>	Y
<b>Report of: The Chamberlain</b>	<b>For Decision</b>
<b>Report author: Neilesh Kakad – Financial Services Division</b>	

## Summary

Until 2019, the City Corporation, in common with many local authorities and housing providers, collected weekly water charges from its Secure tenants under an arrangement with Thames Water. Following successful legal challenges involving other councils, the City Corporation sought legal advice on its position and was advised that it would likely be held liable to repay sums to its tenants due to the similarity of its agreement with Thames Water to those successfully contested.

It was initially agreed that refunds would be action for the period of 6 years up to March 2019. This decision was subsequently review by Policy and Resources (P&R) Committee in February 2022, where it was agreed to extend the refund period back to the last date in which records were held, which is April 2005, or April 2001 if evidence is available to support a claim for that period.

Due to this financial position of the Housing Revenue Account (HRA), it alone would not be able to support these historic claims due to its limited reserves and on-going financial risks. P&R therefore recommended exceptional financial support from City's Cash to fund these repayments, which have now been quantified at £730,897, covering the period between 2005-2013.

## Recommendation(s)

Members are asked to:

- Endorse a grant from City's Cash of £730,897 to the Housing Revenue Account in 21-22 for onward approval by the Court of Common Council.

## **Main Report**

### **Background**

1. Until March 31<sup>st</sup>, 2019 the City Corporation had an agreement with Thames Water to collect weekly water charges from its Housing Revenue Accounts (HRA) Secure tenants, paying a lump sum to Thames Water and in return receiving a discount or 'commission' on the water services provided. Thames Water has now ended all such agreements and assumed a direct relationship with its end customers, in the City Corporation's case this occurred with effect from 1<sup>st</sup> April 2019.
2. Under the terms of the agreement, the Corporation paid Thames Water the gross annual water charge amount for each unmetered domestic water supply, minus the commission amount and the voids allowance. The Corporation then assumed responsibility for billing its tenants and assumed the risk of non-payment and any bad debts. The Corporation therefore absorbed the costs of billing, arrears collection and bad debt liability.
3. This type of agreement was successfully challenged in the courts and, following a Court of Appeal decision in late 2020 relating to the Royal Borough of Kingston-Upon-Thames, the City Corporation sought legal advice on its position. Counsel advised that the similarity of the City Corporation's agreement to those successfully challenged meant that it would be very likely to be found liable to repay sums to its tenants if its agreements with Thames Water were challenged in court. The sums in question are essentially the 'commission' amount, plus interest.
4. On 24<sup>th</sup> September 2021, Community and Children's Services Committee decided to endorse the option of repaying six years' sums to residents, up to 31<sup>st</sup> March 2019 (the end date of the agreement with Thames Water), at a cost of £691,000 to the Housing Revenue Account.
5. This Decision was referred to Policy and Resources Committee for review on 18<sup>th</sup> November 2021. Members requested further information from officers and deferred a final decision to the next meeting of Policy and Resources Committee on the 20 January 2022. Members opted to pay back sums to all tenants from April 2005, or April 2001 if tenants could provide evidence to support a claim for that period.

### **Current Position**

6. Following the review of the decision by Community and Children's Services Committee it was agreed that the refund period would be extended to 2005, the date from which the City Corporation holds records, and would leave open the

opportunity for those who can produce evidence to make claims going back to 2001.

7. In extending the refund period, the estimate refund liability has increased by a further £730,897. It is proposed that this additional cost would be funded by City's Cash via an exceptional grant to the HRA as the account would not be able to absorb this additional cost given its low reserve position of £177k (pending the outturn for 2021/22) and the increased financial pressures as a result of fire safety measures, energy efficiency and carbon reduction investments, demand for the delivery of more affordable homes and the increasing arrears in the past year as a result of the pandemic.
8. In addition, there has previously been 4 years of rent reduction and there is a need for continued investment in the housing stock and services. Investment decisions and the service provided to tenants would be impacted as a direct result of the payment of any refund.
9. The HRA operates within a ring-fenced framework to ensure self-sufficiency of the social housing function and ensure all resources generated through rent/charges etc are directed to the benefit of tenants. It is on exceptional ground that external funding would be provided to support this function.

## **Proposal**

10. The proposal for additional City's Cash funding is an additional requirement on the 2021-22 budget, and therefore requires Finance Committee and Court of Common Council approval, which this paper seeks. The £730,897 has been calculated based on the information available and represents the full liability for current and former tenants. There will be cases where former tenants do not come forward to claim a rebate and therefore, in these cases, funds will be remitted back to City's Cash.

Strategic implications – the recommendation enables continued delivery of the social housing function.

Financial implications – Exceptional grant of £730,897 from City's Cash to the HRA. Without support likelihood that the HRA will fall into a deficit.

Resource implications - None

Legal implications – This paper does not seek to address the legal position regarding water rates charges as these have been addressed in previous committees as referenced in the paper.

Risk implications – Financial sustainability of the HRA would be called into question without support.

Equalities implications – None

Climate implications - None

Security implications - None

## **Conclusion**

11. Following the decision by P&R to extend the water rates refund period back to 2005, a grant from City's Cash to the HRA of £730,897 be award to support the costs of this change.

## **Appendices**

- Appendix 1 – None

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<b>Committee(s)</b>	<b>Dated:</b>
Finance Committee	3 May 2022
<b>Subject:</b> Chamberlain's Business Plan – Year end/start of year update	<b>Public</b>
<b>Does this proposal require extra revenue and/or capital spending?</b>	N
<b>If so, how much?</b>	N/A
<b>What is the source of Funding?</b>	N/A
<b>Has this Funding Source been agreed with the Chamberlain's Department?</b>	N/A
<b>Report of:</b> Chamberlain's	<b>For information</b>
<b>Report author:</b> Caroline Al-Beyerty – Chamberlain & CFO	

## Summary

Highlights from the last three months have included:

- Completion of the audits of City's Cash accounts.
- 2022/23 budget setting process and Medium-Term Financial Planning.
- Progressing grant awards for the COVID Recovery Fund for local/curb-side businesses within the square mile.
- Progression in the 'Finance for the Future' workstreams, with work majoring on developing the Chamberlain's TOM proposal and continuing to drive improvements in modelling capability for the major projects and MTFP's for City Fund and City's Cash; and
- On ERP, finalising scope and requirements in readiness to go out to procurement.

KPIs show that business rate collection has steadily improved. Whilst the impact of the pandemic continues to effect ongoing recovery it has recovered more quickly than anticipated. In-year Q4 collection for 2021/22 is 95.29% compared with 94.37% in 2020/21 and 97.36% in 2019/20. The City is now within 2.07% of pre-pandemic collection rates.

Council Tax collection continues to improve with in year collection at 96.3% compared to 94.4% in 20/21 and only 1.9% behind 19/20. Commercial rent collection for Q4 is 84.53% compared to target 98% prior to the pandemic.

## Recommendation

Members are asked to note the report.

## **Main Report**

### **Current Position**

1. Despite significant challenges across the audit sector, a huge effort from both Finance team and auditor to sign off completion of 2020/21 accounts for Bridge House Estate's and City's Cash.
2. The last few months has been a productive period for the Chamberlain's team in:
  - finalising budget estimates and medium-term plans for City Fund, City's Cash and Bridge House Estates.
  - commencing year-end cycle for 2021/22 accounts. This includes the handover of City's Cash and Bridge House Estates audits from BDO to our new auditor – Crowe; ongoing work relating to the COVID Recovery Fund; and progressing grant awards for local/curb-side businesses within the square mile;
  - launching the 'Finance for the Future' workstreams that underpin the Target Operating Model (TOM) Transformation;
  - commencing recruitment to the new structure with the successful appointment of the Financial Services Director and the Clerk of the Chamberlain's Court; and
  - The Chamberlain and the Financial Services Director have been working closely with the Chief Operating Officer and Chief Strategy Officer and her team to define requirements for the Zero-Based review exercise approved at Court of Common Council on 10<sup>th</sup> March. Discussions are taking place with Chief Officers to build on a collaborative approach.
3. Chamberlain's staff have returned to the office a minimum of three days a week.
4. The following paragraphs explore the key deliverables in more detail.

### **2020/21 Closing Accounts Update**

5. Statutory deadlines for City Fund draft and final accounts were moved from 1 June and 31 July (respectively) to 1 August and 30 September for 2020/21 accounting years (2020/21 and 2021/22). Further to this change, an extension has been made to the audit deadline for the 2021/22 accounts to November 2022 in response to the continued audit delays.
6. The draft City Fund accounts for 2020/21 were published on 30 July, in line with the statutory deadline. Despite all efforts to sign off the City Fund accounts in December, this was not achieved due to a late technical query which could not be resolved in time. We have now agreed with BDO the actions needed and this work has taken a significant amount of time and effort to complete. Please note that this issue relates to the disclosures that support the cashflow statement and does not impact for main statements or change the underlying numbers in the accounts. Whilst the above issue is close to resolution, another issue, regarding the accounting for infrastructure assets, has been raised at a national level which is preventing sign-off of any outstanding accounts. Discussions between the audit firms and CIPFA are ongoing to seek a practical solution to this issue.

7. As previously flagged, the City Fund audit should have been completed by 30<sup>th</sup> September. This was unachievable due to BDO resource constraints linked to delivery of last year's audits which were delayed due to the pandemic coupled with additional audit requirements. The audit sector more widely is highlighting a capacity issue in delivering to the revised local authority accounts publication deadlines; and DLUHC wrote last year to local authorities recognising the issue, proposing several actions to address the continued delays including:
- Providing £45m of additional funding to support local authorities over the next 3 years to strengthen financial reporting and meeting increased audit requirements;
  - Strengthening training and qualification options for local auditors and audit committee members;
  - Reviewing whether certain accounting and audit requirements could be reduced on a temporary basis, where these are of lesser risk to council. CIPFA is currently consulting on amendments to the valuation's requirements of operational property and a delay to implementing IFRS 16 covering lease recognition to reduce to burden on preparers and auditors of accounts;
  - Extending the 21/22 audit deadline to 30 November 2022, and then returning to 30 September until 2027/28.
8. These are welcomed interventions, however, due to the backlog of work created by these delays, it is likely that the 2021/22 accounts audit will still be impacted which for City Fund is coupled with new auditors beginning their term.
9. The audits of BHE and City's Cash have been completed and signed off in December.

### **Corporate Treasury Update**

10. The annual Treasury Management Strategy Statement for 2022/23 was approved at the March Court of Common Council. Going forward work has begun on the 2022 actuarial valuation for the Pension Fund.

### **Business Rates, Business Support Grants, Council Tax & Accounts Receivable**

11. Approximately £1.2 billion in business rates is collected per annum. Collection has been maintained in difficult circumstances, with an in-year collection rate for Q4 2021/22 of 95.29% compared with 94.37% at the same point in 2020/21. This is still down on the pre pandemic levels (97.36%) but shows a steady improvement. This improvement is despite the mid-year ending of the 100% Enhanced Retail Relief which resulted in a significant increase to the collectable debit. The Business Rate in year collection rate is measured and reported nationally and is calculated by measuring the amount of business rates billed during the year (the collectable debit), against the amount collected by year end on 31<sup>st</sup> March. This means that significant changes to the collectable debit during the year will impact the collection rate. It also means that achieving 100% collection is impossible as arrangements with debtors or changes in liability that are billed later in the year will not be collected in year.

12. The Business Rates Team continue to support businesses, agreeing longer arrangements and more flexible payment plans to try to assist businesses weather the economic impact. This obviously impacts in year collection. However, cumulative collection which includes previous years arrears, has improved with an increase of 2.28% on this point last year. This indicates that longer payment arrangements and ongoing recovery approach continues to be successful.
13. The Business Rates Team has administered the revised Retail and Hospitality Relief scheme for 2022/23 with 50% relief being applied automatically to eligible business rate accounts. Unlike previous years schemes the relief is now capped at £110,000 per business. The City will be administering the Covid Additional Restriction Relief (CARF) scheme over the coming months.
14. The Team have also finalised assessing and paying the various Government Business Support Grants that were available during 2021/22. All Government Business Support Grants have now been paid.
15. Approximately £9 million in Council Tax is collected per annum. Council Tax collection continues to improve with significant improvement at Q4 when compared to last year. In year collection is at 96.3% compared to 94.4% in 20/21. This is now only 1.9% behind 2019/20.
16. Investment Property Income collection is at 84.53% with arrears of £20.2m of which £16.6m relates to rent.

#### **COVID Recovery Fund (up to £50m)**

17. April 2021 saw the launch of the City's own COVID Recovery Fund for local/curb-side businesses within the square mile. The scheme closed to new applicants at the end of July 2021 with payments being made to the end of March 2022. A total of 308 grants have been awarded totalling £14.88 million.

#### **Finance for the Future (FSD Transformation) workstreams**

18. The big focus in this quarter has been on developing the Chamberlain's TOM proposals, in the context of the wider and major programme to transform financial capability and culture. The structuring proposals were put to Finance Committee in December 2021 and approved by Establishment Committee in January 2023. The department completed consultation on the new structure on 25<sup>th</sup> February with go-live date implemented for 25<sup>th</sup> April.
19. Work is also moving at pace on the Strategic Financial Analysis capability workstreams, with continuing development and testing of the markets project model and further, significant development of the City Fund and City's Cash MTFP models to provide better decision support into Committees on the financial position, scenarios and mitigation proposals. This is further complemented by the Chamberlain's transformation programme in flight, huge progress has been made to ensure the Chamberlain's TOM proposals are captured, clearly identifying the next steps defined and measured.

## ERP Oracle Project

20. The Project will deliver the replacement of the current HR, Payroll and Finance systems (Midland HR and Oracle) into a single ERP solution primarily for the Corporation and its Institutional Departments in order to align with the new Target Operating Model (TOM). As the target operating model design has progressed and thinking on how enabling services will work, it is clear that the tools need to support a step change in culture and behaviours and free up resource for responsive value-added services, and agility in financial insight/advice. This replacement will significantly support the City towards being “a first-class hub for financial and professional services”, as well as provide the capability “to align teams and to provide those “enabling services to help the whole organisation to run effectively.”
21. There are six phases to the ERP Programme:
- Discover
  - Define and Develop Specification (Sept 2021- March 2022)
  - External challenge and approval to move to procurement stage (March – April 2022)
  - Procure and Prepare (April – July 2022)
  - Implementation (start September 2022)
  - Embedding (Post go-live)
  - Scale, Improve, Refocus ( On Going)
22. The team have completed the Discovery phase- identifying the ‘as-is’ and the ‘to be’ architecture maps and conducted soft market testing with several vendors. The findings informed the option appraisal and the approved outline business case.
23. The workshops have been completed for the Define and Develop Stage and findings reported to the Project Board. An officer tender working group finalised the scope and requirements for the tender documentation. External challenge has been commissioned to ensure we have carefully captured the scope and requirements.
24. The new Project Manager started on 14 February to take the programme into the third phase.
25. A Members Steering Group has also been appointed from key Committees to provide oversight and steer to the Project Board. However, due to elections and changes in Members the setup of these meetings has been slightly delayed. However, in the interim the Digital Sub Committee received an update on progress on 25<sup>th</sup> April.
26. The update highlights three key areas of work, which are currently being progressed in the project board in collaboration with senior officers:
- resourcing- given impact of vacancies and staff changes;
  - ensuring the procurement specification clearly outlines outcomes required as well as detailed system specification; and
  - securing chief officer commitment to the underpinning change programme.

## Internal Audit Update

27. Internal Audit completed the programme of assurance work for 2021/22, enabling the Head of Internal Audit to provide an overall opinion that the internal control environment remains adequate. The following themes were identified from work undertaken and will be incorporated within the forward programme of work for 2022/23:

- Poorly defined roles and responsibilities
- Poorly defined deliverables
- Inconsistent approach to/formalisation of governance arrangements
- Instances of poor compliance and absence of enforcement
- Education and awareness
- Lessons learned

28. Follow-up reviews have also been undertaken in all cases where Audit recommendations were due to have been completed. While recommendation implementation continues to be consistently high overall, this is found to be approximately 60% within the original timescales agreed, the remainder largely being implemented within revised timescales and closed after a 2<sup>nd</sup> follow-up review. The Head of Audit and Risk Management is actively monitoring this performance measure and is making regular reports to the Executive Leadership Board.

29. The programme of work for 2022/23 has been initiated.

## Freedoms

30. A new Clerk of the Chamberlain's Court has been appointed following a successful recruitment campaign and the Deputy Clerk role is now in the process of being advertised.

31. A new Freedom applications system is currently under testing. The new software will manage freedoms administration providing the ability for statistical analysis as well as digitalising formerly manual processes. Users of the new system are to be provided with an enhanced experience when completing the application process. The system will provide increased resilience replacing an old heritage system which is no longer fit for purpose.

## KPI Scorecard- other matters

*The Score card reflects the 2021/22 Financial Year*

## Appendices

- Appendix 1 – Chamberlain's KPI Scoreboard

## Contact:

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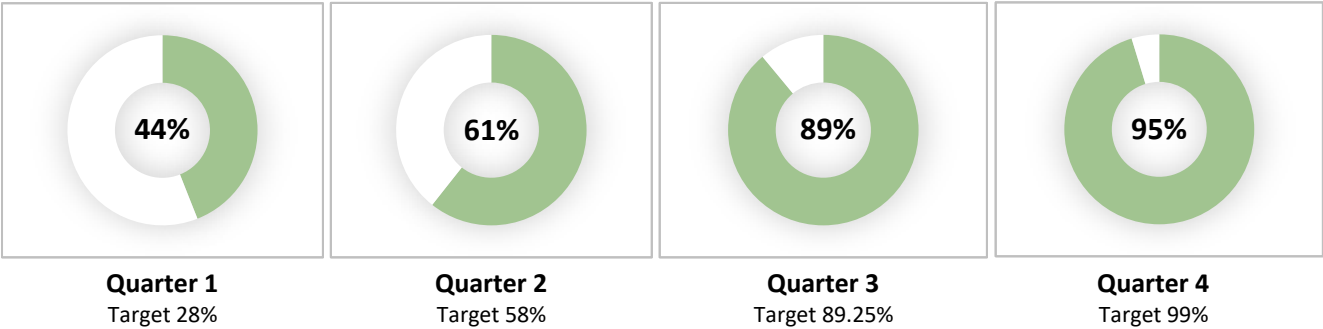
# Chamberlains KPI Scoreboard

As at 19 April 2022



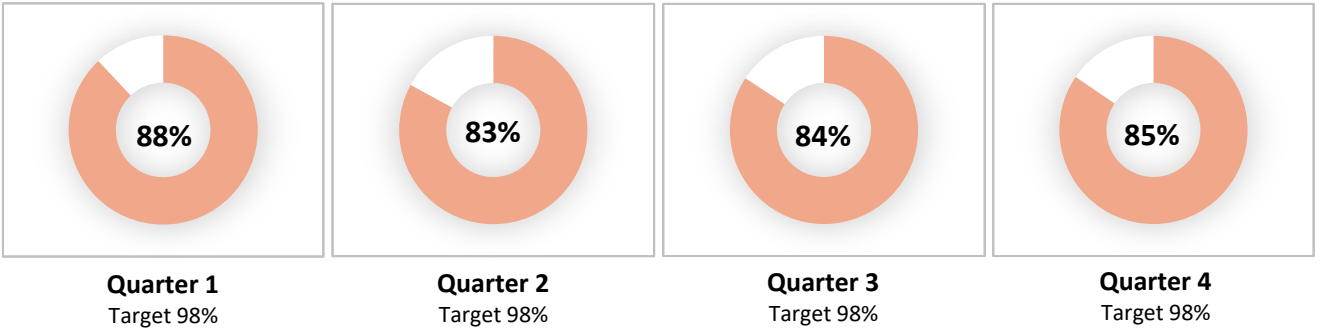
## Business Rates collection 21-22

% collected (cumulative)



## Commercial Rent Collection 21-22

% collected



Publication of the Draft City Fund Accounts within Statutory Deadline of 31st July

**COMPLETE**



Publication of Audited accounts on 30<sup>th</sup> September  
*City fund is still in progress*



Publication of City's Cash and BHE Accounts  
**COMPLETE**

**IN PROGRESS (updates to July Committee)**

Effective financial management: expenditure against departmental local risk budgets +/- 5% at year end

**ACHIEVED FOR 21/22**

Delivery of a balanced budget and Medium-Term Financial Plan for City Fund, approved by Court of Common Council by 31 March



Professionally qualified accountancy staff as a % of total finance staff undertaking reporting, controls and decision support processes (measured annually)

**TARGET 25%** Page 117

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

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