



Finance Committee

Date: TUESDAY, 19 FEBRUARY 2019

Time: 1.45 pm

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

Members:

Jeremy Mayhew (Chairman)	Gregory Lawrence
Deputy Jamie Ingham Clark (Deputy Chairman)	Tim Levene
Randall Anderson	Oliver Lodge
Nicholas Bensted-Smith	Paul Martinelli
Chris Boden	Deputy Robert Merrett
Deputy Roger Chadwick	Deputy Hugh Morris
Dominic Christian	Alderman Sir Andrew Parmley
Simon Duckworth	Susan Pearson
Deputy Kevin Everett	William Pimlott
Sophie Anne Fernandes	Deputy Henry Pollard
John Fletcher	Ian Seaton
Christopher Hayward	Sir Michael Snyder
Christopher Hill	Deputy James Thomson
Deputy Tom Hoffman	James Tumbridge
Alderman Robert Howard	Deputy Philip Woodhouse
Michael Hudson	Deputy Catherine McGuinness (Ex- Officio Member)
Deputy Wendy Hyde	Andrew McMurtrie (Ex-Officio Member)
Deputy Clare James	Deputy Alastair Moss (Ex-Officio Member)
Alderman Alastair King	

Enquiries: John Cater
tel. no.: 020 7332 1426
john.cater@cityoflondon.gov.uk

Lunch will be served for Members in Guildhall Club at 1pm
NB: Part of this meeting could be the subject of audio video recording

John Barradell
Town Clerk and Chief Executive

AGENDA

Part 1 - Public Agenda

1. **APOLOGIES**
2. **MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA**
3. **MINUTES OF THE PREVIOUS MEETING**
To agree the public minutes of the meeting held on 22 January 2019.
For Decision
(Pages 1 - 8)
4. **OUTSTANDING ACTIONS FROM PREVIOUS MEETINGS**
Report of the Town Clerk.
For Information
(Pages 9 - 10)
5. **ANNUAL REVIEW OF THE COMMITTEE'S TERMS OF REFERENCE**
Report of the Town Clerk.
For Decision
(Pages 11 - 14)
6. **FINANCE COMMITTEE'S FORWARD PLAN**
Report of the Chamberlain.
For Information
(Pages 15 - 16)
7. **REPORT OF THE WORK OF THE SUB-COMMITTEES**
Report of the Town Clerk.
For Information
(Pages 17 - 18)
8. **DRAFT PUBLIC MINUTES OF SUB-COMMITTEES**
To note the draft minutes of the following Sub-Committee meetings:
 - a) **Draft public minutes of the Corporate Asset Sub-Committee held on 30 January 2019**

To receive the public minutes of the Corporate Asset Sub-Committee meeting held on 30 January 2019.
For Information
(Pages 19 - 24)

b) **Draft public minutes of the Digital Services Sub-Committee held on 4 February 2019**

To receive the minutes of the Digital Services Sub-Committee meeting held on 4 February 2019.

For Information
(Pages 25 - 32)

c) **Minutes of the Joint Meeting of the Resource Allocation Sub-Committee and Efficiency and Performance Sub Committee with Committee Chairmen**

To receive the public minutes of the joint meeting of the Resource Allocation Sub-Committee and Efficiency and Performance Sub Committee with Committee Chairmen.

For Information
(Pages 33 - 34)

9. **RISK MANAGEMENT - TOP RISKS**

Report of the Chamberlain.

For Information
(Pages 35 - 38)

10. **CENTRAL CONTINGENCIES**

Report of the Chamberlain.

NB:- The accompanying appendix will be considered in the non-public section of the agenda under item 29.

For Information
(Pages 39 - 40)

11. **CITY FUND BUDGET REPORT AND MEDIUM-TERM FINANCIAL STRATEGY**

Report of the Chamberlain.

(TO FOLLOW)

For Decision

12. **REVENUE AND CAPITAL BUDGETS 2018/19 AND 2019/20**

Report to the Chamberlain.

(TO FOLLOW)

For Decision

13. **CHAMBERLAIN'S KEY WORK STREAMS AND BUSINESS PLAN - UPDATE**

Report of the Chamberlain.

For Information
(Pages 41 - 46)

14. **FINAL DEPARTMENTAL HIGH-LEVEL BUSINESS PLAN 2019/20 - CHAMBERLAIN'S DEPARTMENT**
Report of the Chamberlain.

For Decision
(Pages 47 - 50)
15. **COL PENSION FUND: GAD SECTION 13 SUMMARY REPORT**
Report of the Chamberlain.

For Information
(Pages 51 - 60)
16. **IRRECOVERABLE NON-DOMESTIC RATES**
Report of the Chamberlain.

For Decision
(Pages 61 - 66)
17. **INSURANCE AND INDEMNITIES**
Joint report of the Comptroller & City Comptroller and the Chamberlain.

For Information
(Pages 67 - 76)
18. **LONDON COUNTER FRAUD HUB - ONBOARDING**
Report of the Chamberlain.

For Decision
(Pages 77 - 86)
19. **ONE SAVINGS APPROACH**
Report of the Chamberlain.

For Decision
(Pages 87 - 90)
20. **EU EXIT READINESS: CATEGORY INSIGHT REPORT**
Report of the Chamberlain.

For Information
(Pages 91 - 112)
21. **DECISIONS TAKEN UNDER DELEGATED AUTHORITY AND URGENCY PROCEDURES**
Report of the Town Clerk.

For Information
(Pages 113 - 116)
22. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
23. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**
24. **EXCLUSION OF THE PUBLIC**
MOTION - 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.

For Decision

Part 2 - Non-Public Agenda

25. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**
To agree the non-public minutes of the meeting held on 22 January 2019.
For Decision
(Pages 117 - 122)
26. **OUTSTANDING ACTIONS FROM NON-PUBLIC MINUTES OF PREVIOUS MEETINGS**
Report of the Town Clerk.
For Information
(Pages 123 - 124)
27. **REPORT OF THE WORK OF THE SUB-COMMITTEES - NON-PUBLIC ISSUES**
Report of the Town Clerk.
For Information
(Pages 125 - 126)
28. **DRAFT NON-PUBLIC MINUTES OF SUB-COMMITTEES**
To note the draft non-public minutes of the following Sub-Committee meetings:
- a) **Draft non-public minutes of the Corporate Asset Sub-Committee held on 30 January 2019**
To receive the non-public minutes of the Corporate Asset Sub-Committee's meeting on 30 January 2019.
For Information
(Pages 127 - 132)
- b) **Draft non-public minutes of the Digital Services Sub-Committee held on 4 February 2019**
To receive the non-public minutes of the Digital Services Sub-Committee held on 4 February 2019.
For Information
(Pages 133 - 136)
- c) **Non-Public Minutes of the Joint Meeting of the Resource Allocation Sub Committee and Efficiency and Performance Sub Committee with Committee Chairmen**
To receive the non-public minutes of the joint meeting of the Resource Allocation Sub-Committee and Efficiency and Performance Sub Committee with Committee Chairmen.
For Information
(Pages 137 - 140)

29. **NON-PUBLIC APPENDIX FOR CONTINGENCY CONTINGENCIES REPORT**

Report of the Chamberlain.

NB:- The accompanying report is to be considered in the public part of the agenda under item 10.

For Information
(Pages 141 - 144)

30. **ADMITTED BODY STATUS FOR THE SUPPLIER FOR WASTE COLLECTION, STREET CLEANSING AND ANCILLARY SERVICES**

Report of the Chamberlain.

For Decision
(Pages 145 - 148)

31. **CITY OF LONDON FREEMEN'S SCHOOL - APPLICATION TO THE CITY FOR A LOAN TO FUND ITS MASTERPLAN**

Joint Report of the Chamberlain and the Headmaster of the City of London Freemen's School

For Information
(Pages 149 - 172)

32. **ASSET MANAGEMENT SERVICE BASED REVIEW - REPORT AND RECOMMENDATIONS**

Report of the City Surveyor.

For Decision
(Pages 173 - 190)

33. **GLA ROADS - LAND DISPUTE WITH TRANSPORT FOR LONDON**

Joint report of the Comptroller & City Solicitor and the City Surveyor.

For Decision
(Pages 191 - 204)

34. **PRIORITIES INVESTMENT POT (PIP) - APPROVED BIDS PROGRESS REPORT**

Report of the Chamberlain.

For Information
(Pages 205 - 212)

35. **NON-DOMESTIC RATES - REVIEW OF DISCRETIONARY RATE RELIEF**

Report of the Chamberlain.

For Decision
(Pages 213 - 220)

36. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**

37. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**

FINANCE COMMITTEE

Tuesday, 22 January 2019

Minutes of the meeting of the Finance Committee held at Guildhall, EC2 on Tuesday, 22 January 2019 at 1.45 pm

Present

Members:

Jeremy Mayhew (Chairman)	Deputy Wendy Hyde
Deputy Jamie Ingham Clark (Deputy Chairman)	Alderman Alastair King
Randall Anderson	Paul Martinelli
Dominic Christian	Hugh Morris
Sophie Anne Fernandes	Susan Pearson
Christopher Hayward	Ian Seaton
Christopher Hill	James Tumbridge
Michael Hudson	Deputy Philip Woodhouse

Officers:

John Cater	- Town Clerk's Department
Simon Latham	- Town Clerk's Department
Peter Kane	- Chamberlain
Michael Cogher	- Comptroller and City Solicitor
Paul Wilkinson	- City Surveyor
Sean Green	- Chamberlain's Department
Caroline Al-Beyerty	- Chamberlain's Department
Christopher Bell	- Chamberlain's Department
Philip Gregory	- Chamberlain's Department
Ola Obadara	- City Surveyor's Department

1. APOLOGIES

Apologies for absence were received from Nick Bensted-Smith, John Fletcher, Deputy Tom Hoffman, Alderman Robert Howard, Deputy Clare James, Oliver Lodge, Deputy Robert Merrett, Alderman Sir Andrew Parmley, Deputy Henry Pollard and Deputy James Thomson.

The Chairman expressed his thanks to Alderman Matthew Richardson for his contribution to the Committee. Alderman Richardson will be standing down from the Corporation at the end of January.

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

There were no declarations of interest.

3. **MINUTES OF THE PREVIOUS MEETING**

RESOLVED – That the public minutes held on 11th December 2018 be approved as an accurate record, subject to the following amendment -

Deputy Hugh Morris asked for the Minutes to reflect that he submitted his apologies for his absence on 11th December.

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.

A Member asked officers to ensure that the information security risk encompassed all forms of information; hitherto, the focus had been on keeping data stored on local drives and shared via email safe; it was important, however, to keep other materials, including hardcopy paper reports, secure. The Member asked officers to ensure that the relevant Committees and Sub-Committees were taking responsibility for this. The Deputy Chairman pointed out that the Digital Services Sub-Committee had overarching responsibility for the information security risk. He proposed that the DSSC review its Terms of Reference with a view to proposing changes in due course.

Turning to the internal charging pilot, the Chairman re-emphasised that the software needed to be adaptable for other departments.

RESOLVED – That the Committee notes the report.

5. **FINANCE COMMITTEE'S FORWARD PLAN**

The Committee received a Report of the Chamberlain concerning the Committee's forward plan.

RESOLVED – That the Committee noted the Report

6. **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 a recent meeting of the Procurement Sub-Committee.

The Chair of the Procurement Sub-Committee highlighted a report that updated Members on City Procurement's plan to improve 10-day payment performance, which mainly related to the payment of invoices from small and medium sized enterprises (SMEs). Since the action plan was produced, City Procurement has seen a positive impact with 10-day payment performance increasing from 84% in October to 91% in November.

With most of the action plan now completed, and the move from calendar days to working days for 10-day invoice payments, there has been a significant improvement in the figures and having exceeded the 85% target in November, the expectation is that this will be repeated each month for the remainder of the current financial year. Compared to other Local Authorities within Greater

London, the City Corporation appears to be leading the way, not only in terms of paying SMEs within 10 days, but also with regard to paying all suppliers within 30 days. A further update will be provided in the spring.

RESOLVED – That the Committee notes the report.

7. **RISK MANAGEMENT - TOP RISKS**

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

Officers pointed out that, for the foreseeable future, the Corporation is in a robust position vis-à-vis procurement post-Brexit. In the event of a transition period being agreed, the OJEU rules and portal would continue to be extant until 31st December 2020. If there is no deal, the rules would remain consistent in the medium-term, but an alternative portal would be established (this was currently being worked on by the Cabinet Office); essentially, under both scenarios, it would remain business-as-usual.

The longer-term impacts were less clear, and officers would continue to monitor any Government discussions around future proposals for changing OJEU procedures. It was also likely that supply chains would face disruption and the availability of construction workers would come under pressure; the degree of this disruption remains, for now, unknown; in mitigation, the Chairman pointed to the recent elimination of the £65 fee for EU workers to register in the UK as an encouraging indication of the Government's ambition to support business.

A Member raised concerns that Billingsgate Market had received EU grant funding and queried what would happen after Brexit; the Deputy Chamberlain responded that this was a one-off grant, but it would be remiss not to consider whether the Corporation needed to support financially Billingsgate after Brexit. The Chairman stressed that officers needed to ensure that nothing falls through the cracks when EU grant funding is withdrawn after Brexit.

The Deputy Chairman indicated that a full discussion of the information security risk would take place at the 4th February meeting of the Digital Services Sub-Committee.

RESOLVED – That the Committee notes the report.

8. **CENTRAL CONTINGENCIES**

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

On the general theme of the Corporation's contingencies, the Chairman was of the view that in the absence of any evidence that contingencies have ever been exhausted, there would be no need to increase them. Overspends on budgeted activity, in contrast to unforeseeable events, were separate, and should be considered on a case-by-case basis.

RESOLVED – That the Committee notes the report.

9. **Q3 BUDGET MONITORING**

The Committee received a Report of the Chamberlain concerning budget monitoring for Q3.

The Chairman reported to Members that a great deal of work had taken place, and was ongoing, to ensure the Police's adverse variance for 2018/19 was being mitigated, albeit "we were still not out of the woods". It was also important to recognise that concerns had been raised about the 18/19 financial outlook for the Barbican and certain areas within the City Surveyor's Department (CSD).

Both the Managing Director of the Barbican and the City Surveyor would present their updated efficiency plans to Members of the Efficiency and Performance Sub-Committee before the August recess; for the latter, the Chairman stressed that, although good financial management was vital, it was incumbent on Members to recognise the requirements that CSD will have to strengthen project management, and the significant extra funding this will require in the 2020s. The Deputy Chairman added that the Project Management Academy would be launched on 1st April; it was anticipated that this would produce a step change in both training and spreading, more widely, good practice among Corporation staff (both within CSD and other departments); he emphasised his support for the City Surveyor, and stressed that some areas, including the Investment Property Group, had produced a stellar performance across Q1-Q3.

RESOLVED – that the Committee notes the Report

10. **PROVISIONAL LOCAL GOVERNMENT FINANCE AND POLICE FINANCE SETTLEMENTS**

The Committee received a Report of the Chamberlain concerning the provisional local Government Finance and Police Finance settlements.

The Chamberlain reported that the draft police settlement recently announced by the Home Office was more generous than anticipated.

For the local government settlement, he added that 2019/20 will be the final year of the multi-year agreement where Government agreed to a four-year funding deal in return for publishing a corresponding efficiency plan. There remains a great deal of uncertainty regarding Local Government funding after March 2020. Members expressed concern about arrangements after this period; clearly, political sentiment was moving against more funding for London at the expense of other areas in England and Wales, and the Corporation, with the Policy and Resources Committee at the vanguard, would need to work with the Boroughs in defending London's interests in this new environment.

In the future funding formula for local government, deprivation may be given less weight when allocations are being determined. This had the potential to

have a significant impact on neighbouring boroughs, with a knock-on impact for the City the inevitable result.

The Chamberlain added that, given the wider external environment, officers had kept the mid-term forecasts (when factoring in the settlement) deliberately prudent.

RESOLVED – that the Committee noted the Report

11. POLICE ICT COMPANY GUARANTEE EXTENSION

The Committee considered a Report of the Chamberlain concerning the Police ICT Company.

RESOLVED – that the Committee agreed the increased guarantee provided to the Police ICT Company from £25,000 to £27,653.00.

12. DECISIONS TAKEN UNDER DELEGATED AUTHORITY AND URGENCY PROCEDURES

The Committee considered a report of the Town Clerk which provided information of the action taken by the Town Clerk since the last meeting of the Committee, in consultation with the Chairman and Deputy Chairman, in accordance with Standing Orders 41(a) and 41(b). The decision related to a donation of £30,000 from the International Disasters Fund to Save the Children UK's Indonesian Tsunami Appeal

RESOLVED – That the Committee notes the report.

13. QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE

There were no questions.

14. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT

There were three items of urgent business.

1. Officers submitted a late Report of the Chamberlain concerning council tax discounts and the premium for empty properties.

A Member expressed his concerns with the proposal to levy a premium on long-term empty property; he pointed to other local authorities which had pursued a similar policy in recent years - the experience of which had not been wholly flawless. He proposed that a grace period should be available where officers were able to exercise their judgement on a case-by-case basis, taking into account situations where residents had suffered unforeseen circumstances and were left in a vulnerable position.

Officers responded that there were provisions for exemptions in certain exceptional circumstances, including when probate and social care were factors. They added that, currently, there were no uninhabitable properties in the City.

The Chairman proposed a vote to decide on the paper. Members decided to approve the Report in full.

The Committee approved the following:

- The current 100% discount awarded to unoccupied and unfurnished and uninhabitable dwellings is reduced to zero (0%) for the financial year 2019/20. This will result in additional income of between £50,000 and £60,000 per annum.
- A premium is levied on long-term empty property for 2019/20 at the maximum permitted level of 100%. The resulting charge will be 200% of the standard council tax. This will result in additional income of approximately £20,000 in a typical year.
- Having regard to the Government guidance issued, the Chamberlain be given the discretion, delegated to the Head of Revenues, to reduce or waive the long-term empty premium charge in exceptional circumstances.

2. The Chairman confirmed that the March meeting of the Committee would be cancelled due to limited business that month.

3. Christopher Hill agreed to join the Efficiency and Performance Sub-Committee.

15. **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.

16. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**

The non-public minutes of the meeting held on 11th December were approved as an accurate record.

17. **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.

18. **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 non-public session at recent meetings of the Committee's Sub-Committees.

19. **POLICE COMMITTEE RESOLUTION TO FINANCE COMMITTEE**

The Committee received a Resolution from the Police Committee concerning revenue budget monitoring.

20. **BORROWING - UPDATE**
The Committee considered a Report of the Chamberlain concerning borrowing.
21. **MAJOR CONSTRUCTION WORKS FRAMEWORKS – STAGE 2 AWARD**
The Committee considered a Report of the Chamberlain concerning the Major Construction Works Frameworks and the Minor Works Frameworks.
22. **MINOR WORKS FRAMEWORKS – STAGE 2 AWARD**
The Committee considered two Reports of the Chamberlain concerning the major construction works frameworks and the minor works frameworks.
23. **CITY'S ESTATE - ANNUAL UPDATE & STRATEGY FOR 2019**
The Committee received a Report of the City Surveyor concerning City's Estate.
24. **CITY FUND - ANNUAL UPDATE AND STRATEGY FOR 2019**
The Committee received a Report of the City Surveyor concerning City Fund.
25. **STRATEGIC PROPERTY ESTATE (CITY FUND & CITY'S ESTATE) - ANNUAL UPDATE & STRATEGY FOR 2019**
The Committee received a Report of the City Surveyor concerning the Strategic Property Estate.
26. **BRIDGE HOUSE ESTATES - ANNUAL UPDATE & STRATEGY FOR 2019**
The Committee received a Report of the City Surveyor concerning Bridge House Estates.
27. **NON-PUBLIC DECISIONS TAKEN UNDER DELEGATED AUTHORITY AND URGENCY PROCEDURES**
The Committee noted a report of the Town Clerk detailing two non-public decisions taken under delegated authority procedures since the last meeting.
28. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
Members considered a non-public question relating to the work of the Committee
29. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**
There were no items of urgent business.

The meeting ended at 3.45 pm

Chairman

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DRAFT

Finance Committee – Outstanding Public Actions

Item	Date	Item and Action	Officer responsible	To be completed/ progressed to next stage	Progress Update
1	22 nd January 2019	<p><u>INFORMATION SECURITY RISK</u> A Member asked officers to ensure that the information security risk encompassed all forms of information; hitherto, the focus had been on keeping safe data stored on local drives and shared via email; it was important, however, to keep other materials, including hardcopy paper reports, secure. The Member asked officers to ensure that the relevant Committees and Sub-Committees were taking responsibility for this. The Deputy Chairman pointed out that the Digital Services Sub-Committee had overarching responsibility for the information security risk. He proposed that the DSSC review its Terms of Reference with a view to proposing changes in due course</p>	Chamberlain	March 2019	To be updated at the Finance Committee meeting on 19.02.19.

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Committee: Finance Committee	Date: 19 February 2019
Subject: Annual Review of the Committee's Terms of Reference	Public
Report of: Town Clerk	For Decision
Report author: John Cater, Town Clerk's Department	

Summary

As part of the post-implementation review of the changes made to the governance arrangements in 2011, it was agreed that all committees should review their terms of reference annually. This enables any proposed changes to be considered in time for the reappointment of Committees by the Court of Common Council.

It is not proposed to make any amendments to the Committee's Terms of Reference. The Terms of Reference of the Finance Committee are attached as an appendix to this report for your consideration.

Recommendation

That the Committee:

- a) subject to any comments and agreement, approves the Terms of Reference of the Finance Committee for submission to the Court, as set out in the appendix 1;
- b) considers the frequency of meetings of the Committee; and
- c) agrees that any changes to the Terms of Reference required in the lead up to the appointment of Committees be delegated to the Town Clerk, in consultation with the Chairman and Deputy Chairman.

Main Report

Review of the Committee's Terms of Reference and Frequency of Meetings

1. There are no amendments which are proposed to the Committee's Terms of Reference.
2. These proposed amendments are set out within the Terms of Reference set out at Appendix 1.
3. In addition, Members are asked to consider the frequency of meetings for the Committee. Currently meetings of the Committee are scheduled to be held every four weeks. In the 2019/20 civic year, eleven meetings of the Committee are currently scheduled.

Appendices

- Appendix 1 – Finance Committee Terms of Reference

Contact:

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FINANCE COMMITTEE

1. 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)
- the Chairman and Deputy Chairman of the Investment Committee (ex-officio)

2. Quorum

The quorum consists of any nine Members.

3. 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 and Bridge House Estates;
- (e) obtaining value for money in all of the City of London Corporation's 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, excluding the City Bridge Trust.
- (k) strategies and initiatives in relation to energy;

Sub-Committees

- (m) 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.

Finance Grants Oversight and Performance

- The Finance Grants Oversight and Performance Sub Committee provides strategic oversight of the City of London Corporation's Central Grants Programme, including reviewing progress, performance, impact against outcomes, and risks for all grants.

Digital Services

- The Digital Services Sub Committee recommends IT strategy and oversees implementation for both the City of London Corporation and the City of London Police to the Finance Committee. Furthermore, the Sub Committee also monitors delivery of IT internally and our contractor partners supplying the delivery of IT.

Corporate Assets

- The Corporate Asset 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.

Procurement Sub

- **Wording to be agreed**

Finance Committee – Work Programme 2018 and 2019

Meeting:	Dec	Jan	Feb	March	April	May	June	July	August	September	October	November
Budget setting process and Medium-Term Financial Planning												
		Provisional Financial settlement for Local Government and Police	City Fund Budget Report and Medium-Term Financial Strategy									
Effective Financial arrangements for the Corporation												
		Q3 Quarterly Budget Monitoring						Provisional Outturn Report Q1 Quarterly Monitoring Report		Capital Outturn Report		Q2 Quarterly Monitoring Report
Financial statements												
							Draft City Fund and Pension Fund Statement of Accounts			City Fund and Pension Fund – Audit Completion Report		City's Cash Financial Statements City's Cash Trust Funds and Sundry Trust Funds Annual Reports and Financial Statements
Finance Committee as a service Cttee												
					Final Departmental Business Plan 2019/20- Chamberlain's Department Risk Management Review	Business Plan End of Year Update				Finance Committee Revenue Outturn		Risk Management Review

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Committee: Finance Committee	Date: 19 February 2019
Subject: Public Report of the work of the Sub-Committees	Public
Report of: Town Clerk	For Information
Report author: John Cater, Town Clerk's Department	

Summary

On 19 July 2016, the Finance Committee agreed that, in addition to draft minutes of Sub-Committee meetings, short reports be provided to advise the Committee of the main issues considered by the Sub-Committees at recent meetings. This report sets out some of the main public issues considered by the following Sub Committees since 22nd January 2019:

Efficiency and Performance Sub Committee – 29 January 2019

Verbal update

Corporate Asset Sub Committee – 30 January 2019

Verbal update

Digital Services Sub Committee – 4 February 2019

Verbal update

Procurement Sub Committee – 13 February 2019

Verbal update

Recommendations

The Committee is asked to note the report.

John Cater

Senior Committee Services Officer, Town Clerk's Department

john.cater@cityoflondon.gov.uk

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CORPORATE ASSET SUB (FINANCE) COMMITTEE **Wednesday, 30 January 2019**

Minutes of the meeting of the Corporate Asset Sub (Finance) Committee held at Committee Rooms, 2nd Floor, West Wing, Guildhall on Wednesday, 30 January 2019 at 1.45 pm

Present

Members:

Nicholas Bensted-Smith (Chairman)
Randall Anderson
John Chapman
Alderman Alison Gowman
Michael Hudson
Deputy Wendy Hyde
Deputy Jamie Ingham Clark
Jeremy Mayhew
Jeremy Simons

Officers:

Alison Bunn	- City Surveyor's Department
James Carter	- Chamberlain's Department
Andrew Crafter	- City Surveyor's Department
Paul Friend	- City Surveyor's Department
John Galvin	- Performance Management Officer
Michael Harrington	- Chamberlain's Department
Ian Hughes	- Department of the Built Environment
Richard Jeffrey	- Comptroller and City Solicitor's Department
Andrew Little	- Chamberlain's Department
Dianne Merrifield	- Chamberlain's Department
Fiona McKeith	- Head of Corporate Development – Assistant Director
Martin Newton	- Town Clerk's Department
Ola Obadara	- Property Projects Director, City Surveyor's Department
Dorian Price	- Guildhall Manager
James Rooke	- Energy Manager
Mansi Sehgal	- City Surveyor's Department
Paul Wilkinson	- City Surveyor
Peter Young	- City Surveyor's Department

1. APOLOGIES

Apologies for absence were received from the Deputy Chairman, Marianne Fredericks, Christopher Hayward and Deputy Philip Woodhouse and for lateness from Deputy Jamie Ingham Clark.

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

The Town Clerk notified the meeting of Deputy Ingham Clark's interest in Item 19 (Guildhall and Walbrook Wharf Gateway Projects Update) insofar as he was a church warden of St. Lawrence Jewry, which is mentioned in that report.

3. **MINUTES**

RESOLVED – That the public minutes and non-public summary of the previous meeting held on 1 November 2018 be approved as an accurate record.

It was noted that the Court had received an update on Mansion House at its December meeting and that a further report would come before the Sub-Committee in June or July (**P01/2019**).

4. **OUTSTANDING ACTIONS**

The Sub-Committee considered a report of the Town Clerk which provided information on outstanding actions from previous meetings.

Members were informed that insurance cover for flooding to the Art Gallery basement would depend on the circumstances of any incident, that mitigation measures were in place to decrease water ingress possibilities, and that no problems had occurred since last Spring 2018.

On ratings relief for owners of public conveniences, it was noted that primary legislation was required for this, but that a possible saving of £45,000 would be in scope.

RECEIVED.

5. **WORK PROGRAMME**

The Sub-Committee considered a joint report of the Town Clerk and City Surveyor which provided information of the Work Programme for future meetings.

RECEIVED.

6. **BUSINESS PLAN 2018-23 - QUARTER 2, 2018/19**

Members considered the report of the City Surveyor on the Business Plan 2018-23 (quarter 2, 2018/19).

RECEIVED.

7. **DEPARTMENTAL RISK REGISTER UPDATE**

The City Surveyor reported to Members on the Departmental Risk Register Update.

RECEIVED.

8. **ENERGY PERFORMANCE UPDATE 2018/19, Q2**

The City Surveyor reported on the Energy Performance Update 2018/19, Quarter 2.

A Member raised the issue of performance improvements that could be made and the issue of the pool at City of London Freemen's School that was not covered every night. It was noted that a 'roll on, roll off' cover would greatly assist energy consumption figures.

RESOLVED – That

- a) a new method comparing the performance of the top 30 highest consuming sites be adopted for the next report as set out in table 2 (Performance comparison: 2018/19 Q2 with 2017/18) on page 28 of the agenda pack; and
- b) future reports be on half-hourly data for electricity and gas sites that already are or shortly will be AMR capable.

9. **RIGHTS OF LIGHT CLAIM PROGRESS - BERNARD MORGAN HOUSE**

The Sub-Committee had before them the report of the City Surveyor on progress on the Rights of Light Claim, Bernard Morgan House.

Members were asked to note that the CoL's rights to light compensation will be finalised under the powers within the scheme of delegations to officers.

Discussion turned to the restriction prohibiting the CoL from claiming or acting on behalf of tenants on the loss of light claims and, in response to a question from a Member, the City Surveyor confirmed that tenants had not been informed of this and that the intention was to advise ward members accordingly. The City Surveyor undertook to liaise with the Director of Community and Children's Services on the communication issue. The Chairman asked that this matter be added to the outstanding actions report for resolution by the next meeting (**P02/2019**).

RECEIVED.

10. **PUBLIC CAR PARKS UPDATE**

The Director of the Built Environment provided his update to the Sub-Committee on public car parks.

During brief discussion, it was noted that option 3(b) had been favoured by the Planning and Transportation Committee and the Markets Committee.

RECEIVED.

11. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE SUB-COMMITTEE**

There were no questions.

12. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**
There were no urgent items.
13. **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.
14. **NON-PUBLIC MINUTES**
RESOLVED – That the non-public minutes of the previous meeting held on 1 November 2018 be approved as an accurate record.
15. **NON-PUBLIC OUTSTANDING ACTIONS**
The Sub-Committee noted a report of the Town Clerk which provided information of outstanding non-public actions from previous meetings.
16. **ASSET MANAGEMENT SERVICE BASED REVIEW REPORT**
The Sub-Committee considered the report of the City Surveyor on the Asset Management Service Based Review.
17. **TEMPLE BAR – LETTING**
The City Surveyor reported on a lease proposal relating to Temple Bar and additional accommodation.
18. **MINOR WORKS FRAMEWORKS - STAGE 2 AWARD**
Members had before them the joint report of the Chamberlain and the City Surveyor, on behalf of the Facilities Services Category Board, on the Minor Works Frameworks – Stage 2 Award.
19. **GUILDHALL AND WALBROOK WHARF - GATEWAY PROJECTS UPDATE**
The City Surveyor updated the Committee on the Guildhall and Walbrook Wharf Project.
20. **GUILDHALL MASTERPLAN**
The Sub-Committee considered the report of the City Surveyor on the Guildhall Complex Masterplan.
21. **SMART WORKING AND RELOCATION OF WALBROOK WHARF CITY TEAM**
Members had before them the City Surveyor's report on smart working and relocation of the Walbrook Wharf City Teams.
22. **GLA ROADS - LAND DISPUTE WITH TRANSPORT FOR LONDON**
The Comptroller and City Solicitor and the City Surveyor reported to Members on the GLA Roads land dispute with Transport for London.
23. **COMBINED HEAT AND POWER SYSTEM - ANNUAL REPORT 2017/18**
The City Surveyor submitted his annual report to Members on the Combined Heat and Power System.

24. **CITIGEN CONTRACT - ORAL UPDATE**
The City Surveyor gave an oral update on the Citigen Contract.
25. **REGISTRATION OF THE CITY'S FREEHOLD TITLES**
The Sub-Committee considered the Comptroller and City Solicitor's report on the first registration of the City's freehold titles.
26. **ACTION TAKEN BETWEEN MEETINGS**
The Town Clerk reported on delegated and urgent action taken between meetings.
27. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE SUB-COMMITTEE**
There were no questions.
28. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**
There were no items of urgent business.
29. **GUILDHALL PLANT TEAM - NEW WAYS OF WORKING**
Members had before them the City Surveyor's report on new ways of working for the Guildhall Plant Team.

The meeting ended at 3.34 pm

Chairman

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DIGITAL SERVICES SUB (FINANCE) COMMITTEE

Monday, 4 February 2019

Minutes of the meeting of the Digital Services Sub (Finance) Committee held at Guildhall, EC2 on Monday, 4 February 2019 at 11.00 am

Present

Members:

Deputy Jamie Ingham Clark (Chairman)
Randall Anderson (Deputy Chairman)
Rehana Ameer
Deputy Keith Bottomley
John Chapman
Jeremy Mayhew
Hugh Morris
Sylvia Moys
James Tumbridge

Officers:

Rofikul Islam	- Town Clerk's Department
Emma Cunnington	- Town Clerk's Department
Sean Green	- Chamberlain's Department
Andrew Bishop	- City of London Police
Mona Moore	- Chamberlain's Department
Colin Tharby	- Chamberlain's Department
Sean Spicer	- Chamberlain's Department
Kevin Mulcahy	- Chamberlain's Department
Sam Collins	- Chamberlain's Department
Jonathan Chapman	- City of London Police
Matt Gosden	- Chamberlain's Department

In attendance:

Eugene O'driscoll	Agilisys
Sean Grimes	Agilisys

1. APOLOGIES

Apologies were received from Tim Levene and Alderman Sir Andrew Parmley.

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

There were no declarations.

3. MINUTES OF THE PREVIOUS MEETING

RESOLVED – That the public minutes and summary of the meeting held on 2 November 2018 be approved as a correct record subject to the following change:

- That Hugh Morris' apologies for that meeting be noted.

The Chairman advised that he would be adding his electronic signature to the minutes in due course.

4. OUTSTANDING ACTIONS FROM PREVIOUS MEETINGS

The Sub-Committee received a joint report of the Town Clerk and the Chamberlain outlining outstanding actions from the previous meetings.

The Chairman took this opportunity to advise the Sub-Committee that items 8 and 19 from that day's agenda had been withdrawn. In addition, Members were informed that there had been some movement on the items and that item 21 and item 28 were to be moved into the public session.

RESOLVED, that:

- The report be noted.

5. WORK PROGRAMME FOR FUTURE MEETINGS

The Sub-Committee received a joint report of the Town Clerk and the Chamberlain concerning a forecast of events relevant to the Digital Services Sub Committee.

Members commented on the June 2019 session regarding 'New Ways of Working Review' that the timing of the session seemed to be too late and that the correct terminology to use was 'smart' working. In addition, Members agreed that a yearly plan, rather than quarterly, would be better focused and more useful for Members to receive, and it be noted that the programme would be flexible.

RESOLVED, that:

- The forward plan be noted.

6. CHAMBERLAIN'S DEPARTMENT DIGITAL ADOPTION

The Sub-Committee heard a presentation from the Chamberlain regarding his department's digital adoption.

Members heard how the Chamberlain's Department had been recognised as a leading example and enabler for digital change within the organisation. The Chamberlain mentioned highlights including:

- That through the IT Transformation Programme, the department delivered 2,600 Windows 10 devices and 936 mobile devices to the organisation.
- In the Chamberlain's department, this included a move to 100% laptops, encouraging more staff to work flexibly through providing greater agility

to work anytime and from anywhere. The Chamberlain reported that his department was the primary adopter for Skype for Business (65%) and SharePoint (59%).

A Member raised concerns that in light of the digital approach for service users, consideration was needed for some residents, who were not computer literate and may feel isolated, as a result. The Chamberlain assured the Sub-Committee that the City Corporation was intending on encouraging residents to use the online services but not to make this mandatory. The Chairman also referenced the grants given by the City Bridge Trust to programmes that help those who need to enhance their digital skills across London.

A Member commented that other local authorities have had issues with their data collection proformas where fields are made mandatory, which legally have no mandatory basis. He urged the City Corporation to be careful in terms of how it asked for personal information online.

Lastly, a Member encouraged the Chamberlain to think about measuring the effectiveness and customer experience of online services. The Chamberlain reported an increase of improved responses to feedback surveys from customers and work that was being undertaken to drive down costs to services to ensure that it can be maintained.

RESOLVED, that:

- The presentation be noted.

7. **DIGITAL STRATEGIC FRAMEWORK**

The Subcommittee received a presentation from the Head of Corporate Strategy and Performance, which gave an overview on the Digital Strategic Framework at a corporate level. The presentation emphasised that the Digital Strategic Framework would lead towards a more user-friendly service, more choices with lower costs and assist City Corporation departments to deliver more for less.

Members then made the following key points:

- It was important to avoid jargon such as “add value” and be clear on what specific outcomes would be;
- Questions were raised over the use of the term “strategic” and discussed whether the framework was tactical;
- Important to see alignment of different digital services and how the City Corporation would prioritise individual services.

RESOLVED, that:

- The presentation be noted.

8. **CASE FOR A DIGITAL STRATEGIC FRAMEWORK**

Item 8 was withdrawn from the agenda.

9. **GENERAL DATA PROTECTION REGULATION (GDPR/DATA PROTECTION ACT 2018 (DPA))**

The Committee considered a report of the Comptroller and City Solicitor, which provided a general update on the progress of phase two of the GDPR/DPA Implementation Project and the planned outcomes for the final phase of the work to embed GDPR/DPA implementation into the City Corporation.

Members heard how the Finance Committee and Policy & Resources Committee would be considering a change in the terms of reference of the Digital Services Sub Committee to ensure that all physical and mechanical breaches of GDPR would be reported to this Sub-Committee. It was noted that the Chairman of the Audit and Risk Management Committee also received notice of ICO breach reports as they happened, and members requested that they receive updates of detailed reports every six months.

A Member, noting that the Electoral Services Team had not completed their self-audit, stressed the importance of the Team to check its cloud based services would not be affected by moving out of the European Economic Area after Brexit. The Member also noted that it was important that the Information Commissioner's Office (ICO)'s advice be clarified, as an organisation would need specific reasons to explain why it had missed the 72 hour window to report a GDPR breach.

The Chairman commended the Comptroller & City Solicitor on his recent GDPR accreditation.

A Member noticed that there appeared to be compliance issues with Human Resources and Department of Built Environment. The Comptroller reassured the Member that some of these red risks were ready to be moved to amber, and that he expected green status to move to 80% across the City Corporation.

In addition, Members heard how the Barbican Estate had been breaking down barriers by translating information to non-English speakers who live in the Barbican so that they understood the importance of data security.

The Sub-Committee expressed collective disappointment for those Departments who are not 100% GDPR compliant and suggested any Department that failed to adhere to the standards put in place on GDPR/PDA would be asked to appear before this Sub Committee.

RESOLVED – That the Committee:

- note the report;
- receive further GDPR/DPA monitoring reports in relation to data breach at a frequency of every six months;
- request that any Department who failed to maintain 100% GDPR compliance be invited to explain the reasons for this at the Digital Services Sub Committee.

10. **CR 16 INFORMATION SECURITY RISK**

The Committee considered a report of the Chamberlain on CR 16 Information Security Risk.

A Member asked for further clarification on the delineation of CR16 and the risk relating to GDPR. Members heard that the information security policies were incorporated into other policies (such as the Social Media policy).

RESOLVED – that the Sub Committee:

- note the report;
- agree that the risk can be recommended to the Audit and Risk Committee to be moved to Amber.

11. IT DIVISION - IT SERVICE DELIVERY SUMMARY

The Sub Committee received a report of the Chamberlain regarding a summary of the IT Service's recent delivery.

RESOLVED – that the report be noted.

12. IT DIVISION RISK UPDATE

The Sub Committee received a report of the Chamberlain updating Members on IT risks.

Members welcomed the active management of a risk register and asked for further analysis to be circulated electronically outside of the meeting.

RESOLVED – that the report be noted.

13. UPDATE ON NEW WEBSITE

The Sub Committee received a report of the Director of Communications on the progress of the new website.

Members heard how a supplier for the website had now been selected and a Project Manager from the supplier was working closely with the City Corporation.

Following a comment, it was also reported that the chosen supplier had the facility to maintain the website platform using software that is regularly refreshed and updated.

A Member reported that the maintenance of the current website took longer than advertised the previous weekend and that the holding message should have been updated to reflect this.

Members were in agreement that the search engine on the current website was not fit for purpose, therefore the search engine would be a test to see how successful the new website would be.

Members discussed that whilst the Public Relations and Economic Development Sub Committee would also receive updates on the website in

respect of its content, it was important that this Sub Committee also received an update if the project is under schedule or over budget in six months' time.

RESOLVED – that the report be noted.

14. MICROSOFT LICENSING AND CLOUD PRODUCTIVITY SUITE (OFFICE 365)

The Sub Committee received a report of the Chamberlain on Microsoft Licencing and Cloud productivity suite (Office 365).

A Member noted that Office 365 is widely used by other Local Authorities but that some of those Local Authorities found they had legal issues around the location of where the servers for Office 365 were hosted. The Director of IT was asked to verify the location for the City Corporation's servers.

At this point, the Chairman moved item 21 and item 28 into the public session.

15. SMART WORKING UPDATE

The Committee received a report of the Chamberlain updating Members on progress with the Smart Working Programme.

RESOLVED – that the report be noted.

16. MARKETS STOCK CONTROL SOFTWARE

The Committee received a report of the Chamberlain updating Members on progress in the implementation and adoption of the Markets Stock Control Software.

RESOLVED – that:

- The report be noted;
- The report be shared with the Markets Committee

17. QUESTIONS ON MATTERS RELATING TO THE WORK OF THE SUB COMMITTEE

There were no questions.

18. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT

There was one item of other business. The Chairman took the opportunity to introduce Rofikul Islam to the Sub Committee as its new committee clerk.

19. 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 the Schedule 12A of the Local Government Act.

20. NON-PUBLIC MINUTES OF THE PREVIOUS MEETING

That the non-public and summary of the meeting held on 2 November 2018 be approved as a correct record.

21. **INFORMATION & CYBER SECURITY STRATEGY - SECURITY SPEND FORECAST**

Item 19 had been withdrawn.

At this point, the Chairman agreed to take items 22 and 27 together.

22. **2020 SOURCING PROJECT - POSITION STATEMENT**

The Sub Committee considered a report of the Chamberlain concerning the City Corporation's contract with Agilisys, which was due to expire on 31 August 2020.

23. **COL IT TRANSFORMATION PHASE II IT SERVICE 2020 CONTRACT**

The Sub Committee received a joint report of the Chamberlain and the Commissioner of the City of London Police on the City Corporation's IT Service 2020 Contract.

24. **COLP IT MODERNISATION - MANAGED DESKTOP & O365**

The Committee received a joint report of the Chamberlain and the Commissioner of the City of London Police concerning City of London Police IT Modernisation Managed Desktop and Office 365.

25. **COLP IT MODERNISATION - SECURITY ZONE**

The Committee received a joint report of the Chamberlain and the Commissioner of the City of London Police regarding the CoLP It Modernisation Security Zone.

26. **HOUSING MANAGEMENT SYSTEM UPGRADE**

The Committee received a report of the Director of Community and Children Services on the Housing Management System Upgrade.

27. **CONTRACT VARIATION: MIDLAND ITRENT HR AND PAYROLL SYSTEM EXTENSION**

The Committee considered a report of the Chamberlain on the increase of contract value for Midland iTrent HR and Payroll system's extension.

28. **POLICING PROGRAMMES - UPDATE REPORT**

The Committee received a report of the Chamberlain and the Commissioner of the City of London Police updating Members on the current position of the Home Office's National Policing Programmes and local projects.

29. **SYNECTICS COMPLAINT WAIVER**

The Committee considered a report of the Chamberlain concerning the Synectic Complaint Waiver.

30. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE SUB COMMITTEE**

There were no non-public questions.

31. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE SUB COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED

There was no other non-public business.

The meeting ended at 12.47 pm

Chairman

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JOINT MEETING OF THE RESOURCE ALLOCATION SUB (POLICY AND RESOURCES) COMMITTEE AND EFFICIENCY AND PERFORMANCE SUB (FINANCE) COMMITTEE WITH COMMITTEE CHAIRMEN

Thursday, 17 January 2019

Minutes of the meeting of the Resource Allocation Sub (Policy and Resources) Committee held at Committee Rooms, 2nd Floor, West Wing, Guildhall on Thursday, 17 January 2019 at 11.00 am

Present

Members:

Deputy Catherine McGuinness (Chairman)	Deputy Edward Lord
Jeremy Mayhew (Deputy Chairman)	Sir Michael Snyder
Sir Mark Boleat	Deputy John Tomlinson
Deputy Keith Bottomley	Randall Anderson
Deputy Jamie Ingham Clark	Alderman Robert Howard
Simon Duckworth	Hugh Morris
Marianne Fredericks	Deputy Philip Woodhouse

In Attendance

Deputy Roger Chadwick
Alderman Alison Gowman
Michael Hudson
Alderman Ian Luder
Graham Packham
Jeremy Simons
John Scott (Chief Commoner)

Officers:

John Barradell	- Town Clerk and Chief Executive
Angela Roach	- Assistant Town Clerk & Director of Members' Services
Peter Lisley	- Director of Major Projects (Town Clerk's Department)
Bob Roberts	- Director of Communications (Town Clerk's Department)
Eugenie de Naurois	- Town Clerk's Department
Simon Latham	- Town Clerk's Department
Gregory Moore	- Town Clerk's Department
Peter Kane	- Chamberlain
Caroline Al-Beyerty	- Deputy Chamberlain
Philip Gregory	- Chamberlain's Department
Vic Annells	- Executive Director, Mansion House & Central Criminal Court
Gerry Kiefer	- Open Spaces Department

1. APOLOGIES

Apologies were received from Randall Anderson, Christopher Hayward, Paul Martinelli, Deputy Joyce Nash, Ian Seaton, Deputy Dr Giles Shilson, Deputy Tom Sleight, Alderman William Russell, and Alderman Sir David Wootton.

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

Alderman Ian Luder and Deputy Edward Lord declared an interest in respect of item 6 as council tax payers. It was noted that both had sought and received dispensations to speak and vote on this issue.

3. QUESTIONS ON MATTERS RELATING TO THE WORK OF THE SUB-COMMITTEE

There were no questions.

4. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT

There were no urgent items.

5. EXCLUSION OF THE PUBLIC

RESOLVED – That under Section 100A(4) 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 1 of Schedule 12A of the Local Government Act.

Item No.	Paragraph No.
6	3

6. OVERALL FINANCIAL POSITION AND MEDIUM-TERM FINANCIAL PLANNING

Members received a report of the Chamberlain concerning the City Corporation's overall financial position and medium-term financial plan.

7. QUESTIONS ON MATTERS RELATING TO THE WORK OF THE SUB-COMMITTEE

There were no questions.

8. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE SUB-COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED

There were no urgent items.

The meeting ended at 12.10 pm

Chairman

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Committee(s)	Dated:
Finance Committee – For Information	19/02/2019
Subject: Chamberlain’s Department Risk Management – Monthly Report	Public
Report of: Chamberlain	For Information
Report author: Hayley Hajduczek, Chamberlain’s Department	

Summary

This report has been produced to provide Finance Committee with an update on the most significant risks faced by the Chamberlain’s department.

There are currently two RED risks on the Corporate Risk Register within the responsibility of Chamberlain’s Department and one RED risk on the departmental risk register,

- **CR16 – Information Security**
- **CR23 – Police Funding**
- **CHB CP001 – Brexit risk to City Corporation procurement and supply chains**

While there is no change formally, the Digital Services Sub Committee recommend that Information Security risk should move to Amber.

The Senior Leadership Team continues to monitor closely the progress being made to mitigate these risks and other possible Brexit related risks, including income streams.

Recommendation(s)

Members are asked to note the report.

Main Report

Background

1. The Risk Management Framework of the City of London Corporation requires each Chief Officer to report regularly to Committee the key risks faced in their department. Finance Committee has determined that it will receive the Chamberlain’s risk register on a quarterly basis with update reports on RED rated risks and any other Brexit risks at the intervening Committee meetings.

Current Position

2. This report provides an update on the current RED risks that exist in relation to the operations of the Chamberlain’s department and, therefore, Finance Committee.

3. There are currently two RED risks on the Corporate Risk Register for which the Chamberlain's Department is responsible and one RED risk on the departmental Risk Register; there is also one Amber rated Brexit Risk:

CR16 – Information Security (Current Risk: Red – no change formally but recommendation to move to Amber)

4. A number of key security projects closed in January. The Digital Sub Committee on 4 February agreed that it should now be moved to Amber.

CR23 – Police Funding (Current Risk: Red – no change)

5. A plan is now in place to balance the budget for 2019/20, although this is subject to funding decisions by Court of Common Council. Further work will be required in the coming months in order to balance the medium-term finances beyond 2019/20.

CHB CP001 – Brexit risk to City Corporation procurement and supply chains (Current Risk: Red)

6. The City Corporation received a Cabinet Office update on 13 January 2019 advising what the impact will be on the Procurement Regulations in the following scenarios:
 - a. No Deal Brexit - in this instance from midnight on 29 March 2019 the existing UK Public Contract Regulations will remain as is but references to EU will revert to UK with current thresholds retained. The main change will be that contract notices will be advertised on a UK only equivalent to EU's TED (Tenders Electronic Daily) service (eTending platform). The Cabinet Office confirmed that there is a fully tested and functioning portal ready to be launched and the key eTendering providers have already been accredited to interface with this new portal including the City Corporation's eTendering provider Jaegger.
 - b. Deal Secured - The regulations will stay as current and be phased to UK only legislation by 31 December 2020.
 - c. Extension of Article 50 - The regulations will stay as current until details of a revised transition period are announced.
7. The EU Exit risk assessment by category report developed in conjunction with Efficio Consulting is in final draft stage awaiting final review before it can be shared with our Member governance. The latest draft of the report was presented to the Brexit Planning Group on 22 January 2019.

CHB FS005 – Brexit impact on City Corporation income streams (Current Risk: Amber)

8. A new action has been added to this risk regarding the use of Brexit to terminate lease contracts via the doctrine of frustration. This presents a risk to income as some European businesses look to terminate leases early. The Corporation is monitoring current court cases as they progress, enabling us to be better placed to advise going forward.

Conclusion

1. Members are asked to note the actions taken by Chamberlain's Department to manage the Information Security, Police Funding and Brexit risks.

Appendices

- None

Background Papers

Monthly Reports to Finance Committee: Finance Committee Risk
Report to Finance Committee 22 January 2019: Finance Committee Risk – Quarterly Report.

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Chamberlain's Department

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Committee: Finance Committee – For information	Date: 19 February 2019
Subject: Central Contingencies	Public
Report of: Chamberlain	For Information
Report author: Philip Gregory, Financial Services Division	

Summary

This report has been produced to provide Members with an update on the Central Contingencies uncommitted balances.

Recommendation(s)

Members are asked to note the report.

Main Report

Background

1. Service Committee budgets are prepared within the resources allocated by the Policy and Resources Committee and, with the exception of the Policy and Resources Committee, such budgets do not include any significant contingencies. The budgets directly overseen by the Finance Committee therefore include central contingencies to meet unforeseen and/or exceptional items that may be identified across the City Corporation's range of activities. Requests for allocations from the contingencies should demonstrate why the costs cannot, or should not, be met from existing provisions.
2. In addition to the central contingencies, the Committee has a specific City's Cash contingency of £100,000 to support humanitarian disaster relief efforts both nationally and internationally.

Current Position

3. The uncommitted balances that are currently available are set out in the table below. At the time of preparing this report there are no requests for funding elsewhere on the agenda.

2018/19 Contingencies – Uncommitted Balances at 11 February 2019				
	City's Cash	City Fund	Bridge House Estates	Total
	£'000	£'000	£'000	£'000
General Contingencies	301	277	46	624
National and International Disasters	30	0	0	30
Uncommitted Balances	331	277	46	654
Requests for contingency allocations	0	0	0	0
Balances pending approval	331	277	46	654

4. The sums which the Committee has previously allocated from the 2018/19 contingencies are listed in Appendix 1.

Conclusion

5. Members are asked to note the Central Contingencies uncommitted balances.

Appendices

- Appendix 1 – Allocations from 2018/19 contingencies

Philip Gregory

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Committee(s) Finance Committee – For Information	Dated: 19/02/2019
Subject: Chamberlain’s Key Work Streams and Business Plan – Update	Public
Report of: Chamberlain	For Information
Report author: Hayley Hajduczek	

Summary

This report provides Members with a brief update of key areas of work underway in Chamberlain’s and assurance that the department is making good progress in the delivery of the 2018/19 Departmental Business Plan. Performance is in line with expectations for the third quarter.

Recommendation

Members are asked to note the report.

Main Report

Background

1. The Chamberlain’s Department Business Plan for 2018-2019 was approved by Finance Committee on 10th April 2018. This report has been produced to provide Members with a summary of key work streams and progress against key deliverables and performance in quarter three of the current financial year.

Progress on Key Work Streams

Finance

2. The primary focus has been on preparing the Medium Term Financial Plan to inform the reports to the Ratepayers consultation and Finance Committee in February and Court of Common Council in March. Addressing the rising deficit in the Police budget has also been a priority.
3. The timetable for year-end accounting activity has been finalised and circulated to key stakeholders. The primary focus of this project is to produce draft 2018/19 accounts for City Fund by 1st May 2019 and working towards a secondary objective to synchronise the production of the 2019/20 accounts for all funds to this timetable.

IT

4. The focus for the IT Division in Quarter 3 has been finalising the technology roadmap and capital bid priorities for both the City of London Corporation and the City of London Police. These bids have now been submitted for consideration and decision by Members. In addition, the IT Division have been carrying out extensive engagement with staff across the organisation through a short 60 second survey (this achieved over 600 responses) and a series of workshops and focus groups. The purpose of this engagement was to gain views from staff on what will be important in the re-tendered contract which comes to an end in August 2020.

Commercial

5. Interventions in Corporate contracts by the Commercial Contract Management Team have delivered confirmed in-year savings to end of Q3 amounting to £956k across 11 projects. The total of the contracted savings across these projects amounts to £1.66m throughout these contracts' lifecycles. These projects have included service rate reductions realised through non-contractual benchmarking activity; service charge credits through specification realignment to match current needs; and successful commercial negotiation of contractual disputes.
6. In line with the CCM learning and development service objective, the team is preparing a learning programme focussed on Commercialism in the Supply Chain. This purpose of this learning programme is to raise awareness of the principles of commercialism amongst non-procurement colleagues, so that these colleagues can contribute constructively, through their daily duties, towards achieving best value from contracted provisions.

Delivery against Key Performance Indicators

7. It is a requirement of the Corporate Business Planning Framework that business plan delivery update reports be provided to Committee on a quarterly basis.
8. The Chamberlain's Performance Scorecard is shown as Appendix 1 to this report. This shows good performance across the range of KPIs in place: although the Internal Audit plan completion rate is below target, this is in part a profiling issue and steps are being taken to ensure target is achieved.
9. The target was missed for P1 incidents fixed within 2 hours for the City of London Police due to a firewall issue, the third party supplier recommended an upgrade of the Security Zone firewalls which has taken place and since the upgrade reliability has improved.
10. The target was missed for P2 incidents fixed within 6 hours for the City of London Corporation this was largely due to third parties taking longer than our SLA to respond and deliver fixes.

Conclusion

11. Members are asked to note that good progress is being made on key work streams and in the delivery of the Chamberlain's business plan. Performance for the third quarter of the year is in line with expectations.

Appendices

- Appendix 1 – Chamberlain's Department Scorecard

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Chamberlain's Department Performance Scorecard

				Quarterly update				
	Measure	2017/18 performance	2018/19 target	Qtr 1	Qtr 2	Qtr 3	Qtr 4	RAG
Accounts Payable invoice turnaround (30 day)	% paid measured quarterly	Cumulative:		95%	95%	94%		G
		95%	97%	95%	94%	94%		
Accounts Payable invoice turnaround (10 day)	% paid measured quarterly	Cumulative:		80%	80%	83%		G
		77%	85%	80%	80%	89%		
% of Invoices in true PDF form by the AP team	measured quarterly	Cumulative:		72%	72%	79%		A
		N/A	80%	72%	72%	93%		
Annual Procurement Savings (cumulative)	Savings achieved	Target Profile:		£1.45m	£3.12m	£4.94m	£6.58m	G
		£6.98m	£6.52m	£1.63m	£3.21m	£4.98m		
Commercial rent collection rates	% collected	98.61%	98%	98.76%	98.77%	98.60%		G
Business Rates collection rates (cumulative)	% collected	Target Profile:		28.0%	58.0%	89.25%	99.75%	G
		100%	99.75%	32.31%	59%	88%		
Internal Audit Performance (cumulative)	Audit Plan delivery (%)	96%	96%	14%	32%	62%	96%	R
				5%	17%	29%		
IT Service Performance (SLA with Agilisys is monthly so a yearly average does not necessarily reflect their performance across the year)	Fixing Issues		Application Availability					
	P1 incidents fixed within 2hrs (98%)	P2 incidents fixed within 6hrs (98%)	Application availability (99%)	Telephony Availability (99.5%) moved to Freedom from 1 st September	Datacentre LAN Availability (99.9%)	Corporate Network Availability (99.5%) moved to Freedom from 1 st September		
	CoL 100% CoLP 67%	CoL 67% CoLP 100%	CoL 100% CoLP 99.96%	CoL 100% CoLP 100%	CoL 100% CoLP 100%	CoL 100% CoLP 100%		
Publication of City Fund Accounts within Statutory Deadline of 31 st July				Status:		Complete		
Delivery of a balanced budget and Medium Term Financial Plan for City Fund, approved by Court of Common Council by 31 March				Status:		On track		
Effective financial management: Expenditure against Departmental Local Risk Budgets within ±5% (year-end target)				Status:		On track		
Provide a high quality service to our customers measured through our annual customer survey						2017/18		
Cumulative average assessment "good"						"good to very good"		
Increased staff engagement, measured by percentage of positive responses to Staff Survey Q4: "I recognise that if I am successful in my role it contributes to successful delivery of the Department's Business Plan"				2017/18	90.1%	Target	92%	

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Committee:	Date:
Finance Committee	19/02/2019
Subject: Final Departmental High-level Business Plan 2019/20 - Chamberlain's Department	Public
Report of: Chamberlain	For Decision
Report author: Matt Lock, Assistant Director – Strategic Resources	

Summary

This report presents for information the final high-level Business Plan for the Chamberlain's Department for 2019/20.

Recommendation

Members are asked to approve the Chamberlain's Department's final high-level business plan for 2019/20 and provide feedback.

Main Report

Background

1. As part of the new framework for corporate and business planning, departments were asked to produce standardised high-level, 2-side Business Plans for the first time in 2017/18. Members generally welcomed these high-level plans for being brief, concise, focused and consistent statements of the key ambitions and objectives for every department.
2. For 2018/19, departments were again asked to produce high-level plans in draft, which were presented to Service Committees in November and December 2017 alongside the departmental estimate reports, so that draft ambitions could be discussed at the same time as draft budgets. This represented the first step towards integrating budget-setting and priority-setting.
3. For 2019/20, to secure deeper Member engagement with Business Plans, a series of four informal 'cluster' meetings took place in early February to allow Chairmen and Deputy Chairmen of relevant approving Committees to scrutinise how departments are using their Business Plans to prioritise activities towards corporate goals. These meetings were chaired by the Chair and Deputy Chairman of Resource Allocation Sub Committee.
4. To complement this and to give all Members a chance to ask questions and put their views to their Chairmen and Deputy Chairmen in advance of these meetings, a 'Business Plan Surgery' was held on 10 January (immediately before Court of Common Council).
5. Taken together, these sessions replace the submission of draft high-level Business Plans to Committees. Final high-level Business Plans are still subject to Committee approval, as in previous years.

6. Work has also taken place to review the content and format of the supporting detail beneath the high-level Business Plans. This includes: information about inputs (e.g. IT, workforce, budgets, property and assets); improved links to project and risk registers; EEE Health Checks (economy, efficiency and effectiveness), and schedules of measures and key performance indicators for outputs and outcomes. This is a key element in the move towards business planning becoming a joined-up service planning process that links directly to Corporate Plan outcomes.

High-level Business Plan for 2019/20

7. This report presents, at Appendix 1, the final high-level Business Plan for 2019/20 for the Chamberlain's Department.
8. Our top-level priorities for the year include:
 - a. Ensuring sustainable medium-term financial plans for the City Corporation and Police
 - b. Driving value for money and increased commercial benefits across all service areas and major projects
 - c. Streamlining processes, such as for accounts preparation, and ensuring safe, secure, stable and responsive Digital and Information solutions
 - d. Providing assurance on control environments, effective risk management and minimising fraud
 - e. Promoting Responsible Business and Investment, Diversity and Inclusion
9. Delivery of the Business Plan is driven by service level plans and activities. Their achievement is monitored and reported through set of key performance indicators, some of which are captured in the high-level plan. Performance and delivery will be reported to this committee on a quarterly basis.

Corporate & Strategic Implications

10. As a corporate service department, our activities support delivery across all outcomes in the Corporate Plan, although a mapping exercise has identified that a larger proportion of our specified activity directly impacts Outcome 5: Businesses are trusted and socially and environmentally responsible.

Conclusion

11. This report presents the final high-level Business Plan for 2019/20 for the Chamberlain's Department for Members to approve and provide feedback.

Appendices

- Appendix 1 – Final high-level Business Plan 2019/20

Matt Lock

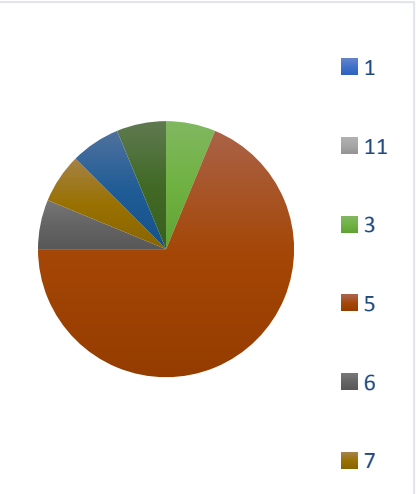
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We will support and enable the City of London Corporation and its partner organisations to achieve their aims and aspirations, driving transformation to ensure that the City thrives.

The corporate outcomes we aim to impact on are:



Outcome	Count
1	1
11	11
3	3
5	5
6	6
7	7

What we do is:

Financial Services
Ensuring sustainable finances to deliver the Corporate Plan's key outcomes.

Information Technology
Working with partners to implement efficient and effective digital technology and business process solutions to enhance service outcomes.

Procurement/Commercial
Providing an effective and innovative comprehensive procurement/commercial service.

Internal Audit
Providing independent assurance, maintaining the risk management framework and providing counter fraud services.

Our budget is:

	£'000
Expenditure	
FSD and Chamberlain's General	10,359
Internal Audit	787
City Procurement	3,340
IT	10,246
	<hr/> 24,732
Less: Income	
FSD and Chamberlain's General	258
City Procurement	128
IT	167
	<hr/> 553
Net Local Risk Expenditure	<hr/> 24,179

Our top line objectives are to:

- Ensure sustainable medium-term financial plans for the Corporation and Police.
- Drive value for money and increased commercial benefits across all service areas and major projects.
- Streamline processes, such as for accounts preparation, and ensure safe, secure, stable and responsive Digital and Information solutions.
- Provide assurance on control environments, effective risk management and minimise fraud
- Promote Responsible Business and Investment, Diversity and Inclusion

Supported by a range of detailed performance indicators, including:

- Increased customer satisfaction
- Achievement of 2% departmental efficiencies, including the target procurement savings
- Consistently high IT application availability and improved customer advocacy
- Increased adoption of digital ways of working

Deliverables in relation to departmental / service programmes and projects

- Deliver a sustainable medium-term financial plan for the Corporation and City of London Police
- Help Departments to achieve their efficiency savings through adopting digital ways of working and the provision of finance and commercial support
- Deliver our own 2% savings as per our departmental efficiency plan
- Implement improved processes to enable more efficient and effective working across the Chamberlain's Department
- Publish / Begin implementation of the 2019-2022 Procurement Strategy

Deliverables within corporate programmes and projects

- Work with Town Clerk to deliver the fundamental review of services and operations
- Provide focussed financial, commercial and IT support for the major projects
- Work with Corporate Strategy team to develop and implement the Digital Strategy

How we plan to develop our capabilities this year

- Develop "One Team" focus to strengthen links across Chamberlains and provide joined-up service
- Implement our Equalities and Inclusion plan to diversify our workforce and raising awareness within the department
- Delivery of an in-house programme of training, secondment and apprenticeship opportunities
- Engage with our customers to better understand their business requirements

- Performance of high risk, business critical contracts against expectations.
- Audit Plan 95% delivered
- Our departmental learning and development activity has had positive impact
- Earlier publication of the financial statements for all funds
- Sustain and increase high levels of staff engagement

What we're planning to do in the future:

- Continuously improve financial reporting capability through improved management information and Faster Closing of Accounts
- Deliver innovative digital and information solutions to enable efficient and effective working. Equipping staff with the skills and capabilities to maximise the benefit of the solutions provided
- Develop and embed a stronger commercial focus through the work of the Commercial team.
- Further strengthen our anti-fraud work, through the London Counter Fraud Hub

Key to the Corporate Outcomes that we aim to impact on:

1 – People are safe and feel safe, 3 – People have equal opportunities to enrich their lives and reach their full potential, 5 – Businesses are trusted and socially and environmentally responsible, 6 - We have the world's best legal and regulatory framework and access to global markets, 7- We are a global hub for innovation in finance and professional services, commerce and culture, 11- We have clean air, land and water and a sustainable natural environment.

Committee: Finance Committee – For Information	Date: 19 February 2019
Subject: CoL Pension Fund: GAD Section 13 Summary Report	Public
Report of: The Chamberlain	For Information
Report author: Kate Limna – Chamberlain’s Department	

Summary

Following the 2016 triennial actuarial valuation of all Local Government Pension Schemes (LGPS) in England and Wales, the Government Actuary’s Department (GAD) on behalf of the Ministry of Housing, Communities and Local Government has scrutinised the assumptions used by LGPS actuaries to ensure that employers are taking a sufficiently prudent approach to financing the LGPS benefits.

This review or health check of the LGPS is mandated under Section 13 of the Public Service Pensions Act 2013. This Section 13 Valuation Report (the Section 13 Report) adopts standard assumptions for all LGPS funds with the aim of providing a level playing field so that funds can be compared on a like for like basis. The purpose of the Review is to identify any outlying Pension Funds measured against the following objectives:

- Compliance
- Consistency
- Solvency
- Long term cost efficiency

The Section 13 Report was published on 27 September 2018 and can be found at <https://www.gov.uk/government/publications/local-government-pension-scheme-review-of-the-actuarial-valuations-of-funds-as-at-31-march-2016> .

The City’s Actuary, Barnett Waddingham, have provided a report summarising the results of the Section 13 Report and it also sets out the results in relation to the City of London Pension Fund (the Fund). The report is attached as an Appendix.

The Fund achieved green flags on all measures except under solvency where it received an amber flag. GAD’s approach to solvency arbitrarily flags the bottom 10% of Funds on standardised assumptions. For the 2016 actuarial valuation this meant that all Funds with a funding level of below 85% received an amber flag. Under the standardisation assumptions, the City’s funding level was 84% No additional action is required and the Pension Fund remains on track to meet its deficit recovery period which as the 2016 actuarial valuation, was 17 years.

It is important to note that the solvency objective does not require pension funds to be 100% funded at all times or as quickly as possible. The key aim is to ensure that the contributions have been set at a suitable level to target 100% funding over an

appropriate period and GAD's report makes it clear that the amber flag for solvency is simply an advisory signal which is automatically triggered at an arbitrary funding level.

Members should note that it is important to ensure that decision taken by the Fund are taken for the right reasons and meet the Fund's objectives, Funding Strategy Statement and Investment Strategy Statement. Although the Section 13 Report is a useful check on the health of the LGPS and its Funds it would not be appropriate to allow it to influence decisions.

The Section 13 Report applies standardised assumptions across the LGPS and our Actuary will apply assumptions relevant to the profile of the City's Pension Fund when undertaking the next actuarial review. The actuarial valuation is due as at 31 March 2019 and the Actuary's recommendation on the level of employer contribution for the following three years from 1 April 2020, will be considered by a Member/Officer working group with Members to be appointed at the April/May Finance Committee. The outcome of that valuation and recommended course of action will be reported to the Finance Committee for consideration later in the year.

Recommendation

Members are asked to note this report.

Appendices

Appendix – COL Pension Fund: Section 13 Summary Report

Background Papers

31/01/2017 Finance Committee: Pension Fund - Actuarial Valuation as at 31/03/16

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City of London Corporation Pension Fund

Section 13 summary report

Introduction

This paper has been requested by City of London Corporation, as Administering Authority to the City of London Corporation Pension Fund.

This paper summarises the review of the actuarial valuations of LGPS Funds as at 31 March 2016 as carried out by the Government Actuary's Department (GAD), under section 13 of the Public Service Pensions Act 2013 ("the Section 13 valuation"). This paper also sets out the results of this review in relation to the City of London Corporation Pension Fund ("the Fund").

For the avoidance of doubt, the formal actuarial valuation is still carried out by the Fund's actuary based on assumptions set locally and agreed with the Fund. The key objectives of the formal valuation are to check the financial position of the Fund and to set employer contribution rates for the subsequent 3 years. The Section 13 valuation will not directly impact employer contribution rates.

Background

The Section 13 valuation carried out by GAD is based on the formal actuarial valuations of the 91 English and Welsh LGPS Funds, as carried out by their Fund actuary. The Section 13 valuation adopts standard assumptions for all LGPS Funds with the aim of providing a level playing field so that Funds can be compared on a like for like basis.

For the purposes of comparing funding levels, GAD use a standardised basis consistent with the basis used by the Scheme Advisory Board for comparing Funds. For the other tests GAD undertake they use a "best estimate" basis across all Funds.

In summary, the purpose of the Section 13 valuation is to identify any outlying Funds measured against the following objectives:

- 1) Compliance – whether the actuarial valuation has been carried out in accordance with the Regulations;
- 2) Consistency – whether the actuarial valuation has been carried out "not inconsistently" with other Funds;
- 3) Solvency – whether a Fund has sufficient assets together with employer and employee contributions to pay all the benefits due over the long term; and
- 4) Long term cost efficiency – whether a Fund is receiving sufficient contributions to meet the cost of benefits accruing and to repair any existing deficit over an appropriate period.

Overall, the news is very positive – the weighted funding level of the LGPS as a whole using the GAD best estimate assumptions has increased from 93% as at 31 March 2013 to 106% as at 31 March 2016, and will have improved since, as a result of strong investment performance and deficit contributions paid (Note - the Section 13 valuation is not necessarily appropriate for setting employer contributions, but is instead used as a comparator). The unweighted average has improved from 87% to 96% and the distribution of Funds is shown in a chart in the Appendix.

The Section 13 valuation has calculated a large number of measures to help GAD consider the above objectives and uses a flagging system to identify any outlying Funds. Having been identified as an outlier, the Fund would be expected to put a plan in place to help improve their position.

However, this application of measures is not helpful when each is considered in isolation and a more holistic view is required. For example, a reader may conclude that significant contribution increases may be required for a particular Fund at the next formal funding valuation, when in fact, this might not be the case.

Summary of overall results

This section summarises the key points against the objectives above.

Compliance

All LGPS actuarial valuation reports complied with Section 13, meeting the requirements of the LGPS regulations and containing appropriate detail in relation to primary and secondary contribution rates for employers.

Consistency

There are no flags raised for any Fund under the objective of consistency. However, GAD's interpretation of the consistency requirement (or lack of non-consistency) is such that valuations should have "consistent" rather than "not inconsistent" assumptions unless local circumstances justify something different. The report therefore focuses heavily on the consistency of assumptions, and in particular each assumption in isolation, instead of considering the overall level of prudence in the assumptions and the funding strategy.

The review therefore suggests there could be more consistency in relation to setting assumptions. GAD believe that the Fund actuary holds a house view and so there is some consistency across Funds by Fund actuary but not across the LGPS.

As expected, there are differences in financial and demographic assumptions across LGPS Funds. This is valid and appropriate as Funds have different investment strategies which impacts the assumed discount rate and different membership profiles which impacts the demographic assumptions.

For example, the life expectancy of members is very different in different parts of the country and an investment strategy that has a heavy growth allocation should in theory over the long term provide a higher return than a more defensive strategy.

The actuarial valuation is a complex process that produces employers' contribution rates in accordance with local Funding Strategy Statements. Setting assumptions is only a small, but important, part of the process and Funds have different views on the economic outlook, attitude to risk and funding objectives which will impact financial assumptions.

In summary, the process each Fund goes through with their adviser is highly consistent and so could be argued the objective of consistency is achieved.

Any move to adopt standardised assumptions set by central government could be dangerous as Funds "race to the middle" which may result in some Funds adopting a less prudent approach. As with any benchmarking type approach the decision making process could lead to bad or at least inappropriate decisions for individual Funds.

The report does acknowledge that there has been an improvement in the consistency of reporting of employer contribution rates since 2013.

Solvency

Where a Fund achieved a green flag, this demonstrates that their current financial position and contribution level should be sufficient to meet all the benefits over the long term, using appropriate assumptions. Most Funds demonstrated they met the objective of solvency, with 74 out of the 91 Funds as at 2016 achieving a green flag. This is a material improvement on the 2013 position where only 56 Funds achieved a green flag.

GAD's approach arbitrarily flags the bottom 10% of Funds on the standardised assumptions. At 2016 this meant that Funds with funding levels below 85% got an amber flag. This does not mean that a Fund is insolvent as solvency will depend not just on current funding level but the funding plan to get back to a 100% funding level. In fact a Fund in the bottom 10% may get back to 100% before one outside the bottom 10 if they are funding their deficit more quickly. This is another aspect of one of the GAD tests that we do not believe is particularly helpful.

City of London Corporation were amber flagged on this with a funding level on the Section 13 valuation standardised assumptions of 84%. This is similar to the position at 31 March 2013 of 83%.

Funding level is the most commonly used measure of solvency. The Section 13 valuation also provided some other measures of solvency which are given below. **The Fund achieved green flags on all these measures.**

The measures are defined as follows:

- Non- Statutory Employees – the proportion of active members employed by employers without tax raising powers or statutory backing. This is a proxy for the proportion of higher risk employers and therefore liabilities the Fund has as these employers do not have any form of guarantee. A low percentage is a good result as it means the Fund is less exposed to default risk from employers who may not be able to pay any shortfall if they leave the Fund or become insolvent.
- Asset shock – this measures the change in the average employer pension costs as a percentage of what is called "core spending" if there was a fall in markets and the Fund's "growth" assets– essentially non bonds - fell by 15% and never recovered. A lower percentage is regarded as good here as it indicates that employer contributions are more resilient to market volatility.
- Employer default – this is the change in average employer contributions if all employers without tax raising powers/statutory backing cannot repay their deficit amount as calculated at the 2016 valuation. A low percentage means the Fund is less exposed to default of more risky employers and the impact on employer contribution rates would be low.

The data for the Fund are set out below:

Non-Statutory Employees	10.6%
Asset shock	3.6%
Employer default	1.1%

The asset shock test, and in particular the use of "core spending", did give GAD some problems due to the unique way the Corporation is funded. However, eventually GAD amended the test for the Corporation and a couple of other Funds to accommodate this, resulting in a green flag for the Fund.

Long term cost efficiency

Where a Fund achieved a green flag, this demonstrates that the contributions being paid are, in GAD's view, sufficient to meet the cost of benefits accruing and to repair any deficit over an "appropriate period". In particular, it demonstrates the Fund is not deferring payments excessively so that they impact future generations.

Most Funds demonstrated they met the objective of long term cost efficiency, with 83 out of 91 Funds achieving a green flag. This is a material improvement on the 2013 position, when only 72 Funds achieved a green flag.

GAD's interpretation of the CIPFA guidance on deficit recovery plans and resulting expectation is that Funds should stick with the same deficit recovery end point at each valuation rather than "roll over" the same recovery period. So if at a valuation the recovery period is set at say 20 years then in 3 years' time the recovery period should be 17 years and in 6 years' time it should be 14 years etc.

The LGPS actuarial firms, however, have raised concerns about GAD's interpretation. A rigid objective to reduce the deficit recovery period at each valuation is not in itself a desirable aim, and it not realistic to expect that a deficit, and deficit recovery period, would not arise again in future. Pension funding is very long term, the LGPS is an open scheme with backing from tax-raising employers and many Funding Strategy Statements require overall contribution stability. A more sensible approach is to try to reduce the recovery period if affordable and if in line with the funding objectives set out in the Funding Strategy Statement. Otherwise, employers in the Funds could end up paying very high levels of contribution during the recovery period and then coming to a cliff edge as the deficit in theory is finally paid off.

A number of measures were calculated to check if the objective was met. Some of these are defined below.

The Fund achieved green flags for all measures.

- Implied deficit recovery period – this measures the time it will take to pay off the Section 13 best estimate deficit at the current level of deficit contributions. A low number is good as this indicates the employers in the Fund are paying sufficient deficit contributions to clear the deficit more quickly. Note that this implied recovery period will be shorter than the recovery period used in the actual funding valuation.
- Required return – this shows the return the Fund's assets need to achieve to be fully funded in 20 years' time on the Section 13 best estimate basis. A lower required return means a lower bar for the Fund to exceed and so a greater chance of doing so.
- Return scope – The estimated return that the Fund's investment strategy is expected to deliver, in excess of the required return. A higher percentage is good as it means there is a much higher chance of the Fund's investment strategy beating the return needed.
- Deficit reconciliation – a check on whether the current deficit recovery period is a continuation of the previous deficit recovery period. This is an amber flag if deficit recovery contributions have decreased and the deficit recovery period has not been reduced.
- Interest cover – whether the implied deficit contributions cover the interest on the deficit.

The results for the Fund are as follows:

Implied deficit recovery period	6 years
Required return	4.0%
Return scope	1.8%
Deficit recovery plan	Green
Interest cover	Yes

Conclusions

The key point for the Corporation is that the Fund has met all the criteria of the Section 13 valuation, except the standardised funding level which has received an amber flag

There is an increasing amount of scrutiny on the LGPS from external parties and it is becoming increasingly important to ensure the Fund is well governed and takes a balanced, sensible approach to funding and investment strategy, which the Fund has of course been doing. .

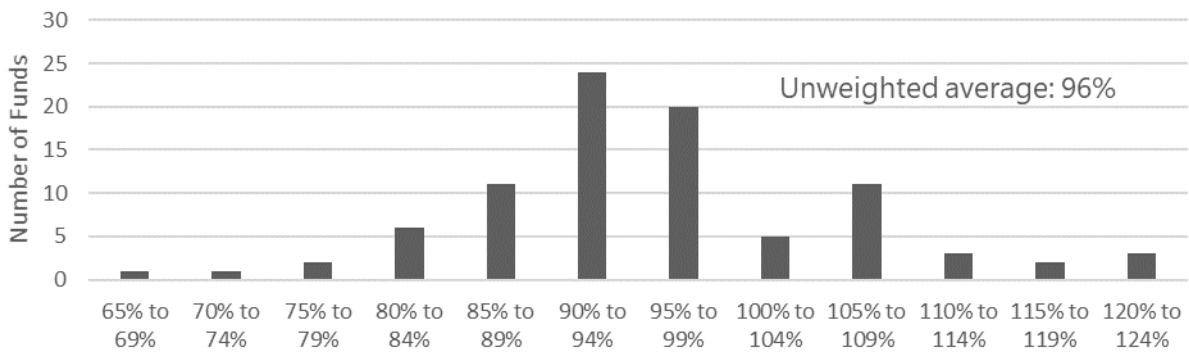
It is important to note that the solvency objective does not require the pension fund to be 100% funded at all times, or even as quickly as possible. The key aim is to ensure that the contributions have been set at a suitable level to target 100% funding over an appropriate period and GAD's report makes it clear that the amber flag for solvency is simply an advisory signal which is automatically triggered at an arbitrary funding level.

It is equally important to ensure that decisions taken by the Fund are taken for the right reasons and meet the Fund's objectives, Funding Strategy Statement and Investment Strategy statement. Although the Section 13 valuation is a useful check on the health of the LGPS and its Funds, it would not be beneficial to allow this to influence decisions.

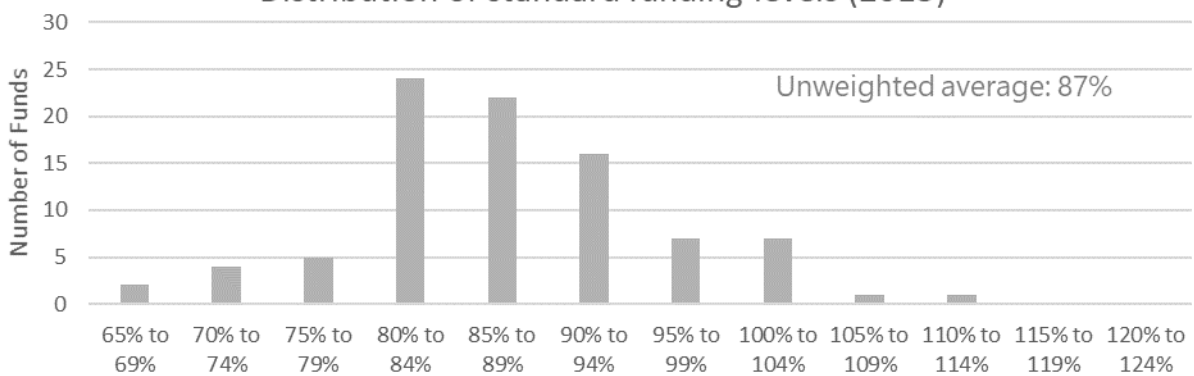
Appendix

The charts below show the distribution of the standard funding levels at 2016 and 2013 respectively. There has been an increase in the average unweighted funding level from 87% in 2013 to 96% in 2016.

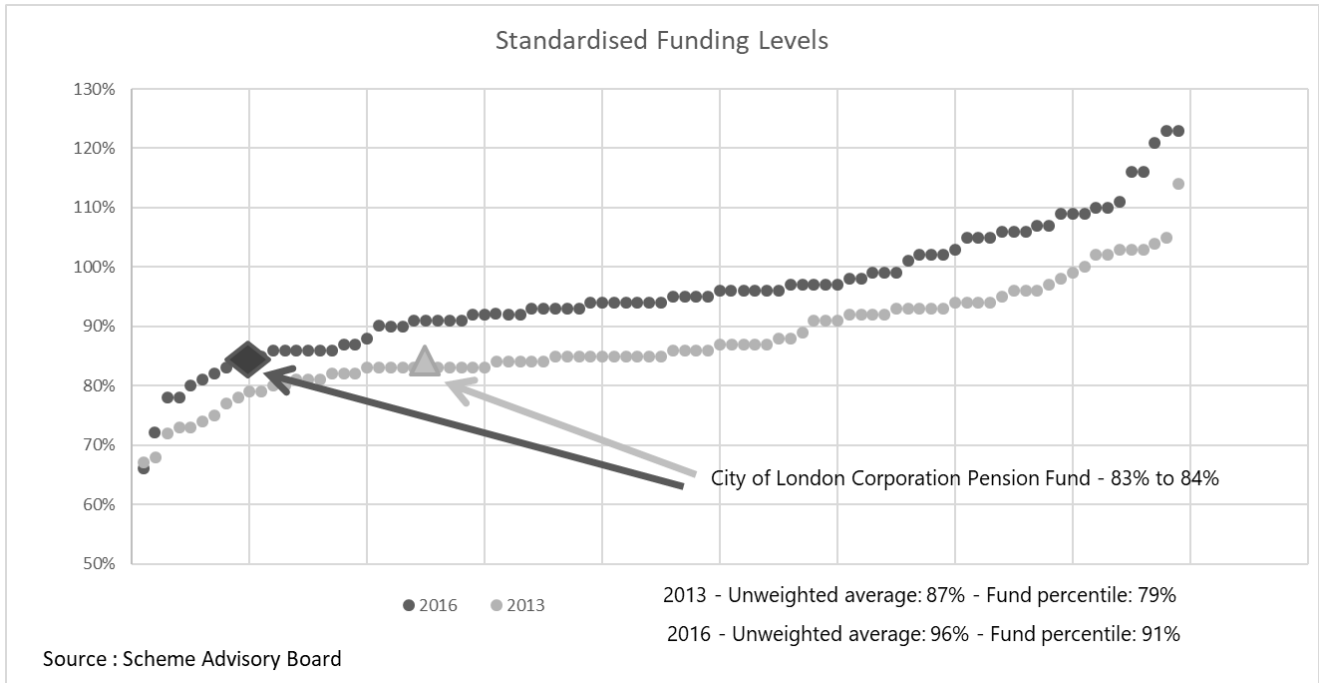
Distribution of standard funding levels (2016)



Distribution of standard funding levels (2013)



The chart below shows the distribution of the funding levels at 2013 and 2016 for the LGPS Funds on the standardised basis. The Fund's funding level has increased from 83% to 84%, although this is smaller increase relative to most other Funds.



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Committee(s):	Date:
Finance Committee – For decision	19 February 2019
Subject: Irrecoverable Non-Domestic Rates	Public
Report of: Chamberlain	For Decision
Report author: Phil Black – City Revenues	

Summary

The Finance Committee has delegated authority to the Chamberlain to write off Council Tax and Non-Domestic Rates debts of up to £20,000 without seeking the approval of the Committee. This report seeks approval to write off irrecoverable amounts in excess of that level.

Under the arrangements in place from 1 April 2013 when the business rates retention scheme was introduced, 50% of income and therefore any losses attributable to irrecoverable amounts is met from the government’s central share. The remaining 50% is funded from the local share. The local share is divided between the City Corporation (30%) and the Greater London Authority (20%). Under the London Business Rates pooling arrangements from 1 April 2018 the shares are revised and are wholly distributed between the GLA at 36% and the City Corporation share at 64%. The element attributable to the additional amounts levied by the City of London as a premium and the Crossrail business rate supplement for the Greater London Authority are borne wholly from the proceeds of the premium and supplement.

All the amounts submitted for write off have previously been provided for as uncollectable in accordance with guidelines agreed with the City Corporation’s external auditors and instructions issued by central government for the accounting of Non-Domestic Rates. The amounts submitted have been included in a previous year’s provision for bad debts in the annual outturn contribution form (NNDR3). The total annual debit for each of the last three years is in excess of £900 million. The amounts written off, including amounts written off under delegated powers, as a percentage of the annual non-domestic rates debit, is less than 0.5% in each year.

Recommendation

Members are asked to:

- Approve the write off of irrecoverable non-domestic rates in the sum of £753,551 noting that £216,513 will be met by the City Corporation and £6,277

borne from the proceeds of the City Premium. The debt relates to 12 companies dating back to 2009.

Main Report

National Non-Domestic Rates

1. The level of irrecoverable National Non-Domestic Rates in this report is £753,551. The total amount submitted for write off comprises debts that have arisen over several financial years. All available recovery procedures have been taken to recover these sums, but without success.
2. The debts are uncollectable primarily because the companies concerned have become the subject of insolvency proceedings or have ceased to trade and subsequently been struck off the Register of Companies and dissolved. The proposed write offs take account of any dividend payments received after the realisation of any assets.

Options

3. These debts have proved to be irrecoverable after exhaustive checks have been made. The City follows a statutory recovery process and where payment is not made a Liability Order is obtained at Magistrate's Court and enforcement action instigated. These companies are dissolved, in liquidation or administration. The only course of action now available is to write the debts off. If the debts are not written off there is a risk of non-compliance with the financial orders.

Proposals

4. The table in Appendix 1 sets out the amounts recommended for write off and for comparison purposes the amounts that were written off by Committee in the previous two financial years. The reason for the increase in write-offs in 2018/19 is due to a specific case written off in 2018/19 for £1.76m. This case was brought to the attention of this Committee in September 2018.
5. The total annual debit for each of the years shown in the table is in excess of £900 million. The amounts written off, including amounts written off under delegated powers, as a percentage of the annual non-domestic rates debit, is less than 0.5% in each year.

Implications

6. All the amounts submitted for write off have previously been provided for as uncollectable in accordance with guidelines agreed with the City Corporation's external auditors and instructions issued by central government for the accounting of non-domestic rate. The amounts submitted have been included in a previous year's provision for bad debts in the annual outturn contribution form (NNDR3).

7. The elements attributable to additional amounts levied by the City of London as a Premium and under the Crossrail Business Rate Supplement are borne wholly from the proceeds of the Premium and Supplement.
8. The attribution of the cost of the amounts submitted for write off is detailed overleaf

Attribution of amounts of non-domestic rates to be written off as irrecoverable	Amount £
Government's Central Share	354,691
City Corporation	216,513
GLA	149,312
Crossrail Supplement	26,758
City Premium	6,277
Total	753,551

9. A review of the debt recovery process was carried out earlier this year and reported to this committee in November 2018. The review found that generally processes were robust and were carried out to a high standard. However, in order to provide additional reassurance that debts are uncollectable a third-party debt review will be introduced in the next financial year.

Appendices

- Appendix 1 – Write-Off Comparisons for 2016-17 to 2018-19

Background Papers

- Report to Finance Committee 13 November 2018

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APPENDIX 1

Write-Off Comparisons for 2016-17 to 2018-19

Reason for write off	Amount submitted for write off 2016/17 (£)	Amount submitted for write off 2017/18 (£)	<i>Amount submitted for write off September 2018 (£)</i>	<i>Amount submitted for write off Feb 2019 (£)</i>	Total Amount submitted for write off 2018/19 (£)
Dissolved companies	649,332	727,313	2,370,521	239,561	2,610,082
Companies in liquidation	281,411	264,782	233,785	483,630	717,415
Companies in administration	43,593	249,620	0.00	30,360	30,360
Bankrupt individuals	15,416	0.00	19,381	0.00	19,381
Absconded individuals	117,318	20,992	0.00	0.00	0.00
Otherwise irrecoverable/uneconomic	14,075	96,771	12,256	0.00	12,256
Total	1,121,145	1,359,478	2,635,943	753,551	3,389,494

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Committee(s):	Date:
Local Government Pensions Board Finance Committee (For information) Court of Common Council	7 February 2019 19 February 2019 7 March 2019
Subject: Insurance and Indemnities	Public
Report of: The Comptroller and City Solicitor and the Chamberlain	For Decision
Report authors: Richard Jeffrey and Kate Limna	

Summary

This report sets out the position in relation to the potential personal liability of members of the Local Government Pensions Board (LGPB) and the Police Pensions Board (PPB) (together “the Boards”) in the event of breaches of data protection legislation. The report proposes that the Court of Common Council confirms that the City Corporation will indemnify Members of the Boards against any such personal liability in the circumstances defined in the report.

The Information Commissioner has power to impose civil penalties under various provisions of the Data Protection Act 2018 (DPA). The penalties lie against the relevant Data Controller responsible for the breach, but Members of the Boards are concerned they could have a personal liability because of the nature of the Boards.

The Boards are creatures of the Public Service Pensions Act 2013 (the PSPA 2013) and they are not committees established under the Local Government Acts.

The City Corporation’s existing insurance policies have been extended to include all members of the Boards but they do not cover civil penalties under the DPA.

Recommendation

Members are asked to approve the proposal as set out in paragraph 15 of this report for onward approval by the Court of Common Council.

Main Report

Background

1. The PSPA 2013 requires administering authorities of public sector pension schemes to establish committees or boards to oversee the administration of the scheme and assist the Scheme manager. The City Corporation is an

- administering authority for the local government pension scheme and the police pension scheme.
2. Accordingly, the Local Government Pensions Board and the Police Pensions Board were established in 2015. Their membership comprises Common Councillors and, at present, one Alderman, as well as current and retired employees and police officers respectively.
 3. The advice of James Goudie QC to the Local Government Association in 2015 highlighted that committees established under the PSPA 2013 have an anomalous legal status. They are creatures of the PSPA 2013, and the Boards are not committees of the City Corporation within its local authority capacity. Mr Goudie also advised that in some unspecified circumstances Board members could incur personal legal liability, and the local authority should ensure that its insurance policies are extended to specifically cover members of the Boards.

Insurance

4. The City Corporation's insurers have confirmed that the indemnity under the Employers', Public and Professional indemnity insurance policies has been extended to the Boards and the members of the Boards as a business activity of the City Corporation. However, there are important exclusions.
5. The Data Protection Act 2018 (DPA) empowers the Information Commissioner to impose civil penalties in the event of certain breaches, such as unauthorised and unjustified disclosure of personal data. The City Corporation's insurance policies do not cover civil penalties arising from breach of the DPA, only the costs and damages arising from civil claims as a result of the breach. It should be noted that the DPA also creates a number of criminal offences which are excluded from the cover, as is normal.
6. Furthermore, there are general market exclusions for what might be termed "cyber liability"; for example, arising from computer systems and viruses, malicious or otherwise inappropriate use of software or emails. There is a specific insurance market for cyber related products, but this has not been pursued on a corporate basis. In order to procure appropriate cover that provides valuable financial protection, the City would need to undertake a corporate wide project to determine the key risks, exposures and their potential impact against the cost of available cover. This would be a significant project, requiring wide consultation and committee approval as a change of insurance strategy.
7. Therefore, the specific circumstances of a data breach and the effect of the breach would determine the extent of cover or the application of any policy exclusions. Members of the Boards are concerned therefore that the existing insurance policies will not necessarily cover against all potential liabilities arising from data breaches. It is not anticipated that the Boards will be required to consider significant amounts of personal data, if any, and wherever possible such data will be anonymised. In the final resort personal data will be presented in the confidential "blue paper" part of the agenda.

Current Position- Immunity and Indemnity

8. Local authority Members and officers benefit from certain immunities. Section 265 of the Public Health Act 1875 (extended by s. 39 of the Local Government (Miscellaneous Provisions) Act 1976) provides that "no matter or thing done bona fide for the purpose of executing a public general act or local act by any member or officer of a local authority or any other person acting under direction of the authority shall subject them personally to any action liability claim or demand whatsoever".
9. The limitations of this protection are that it only applies to local authority functions, and does not apply to Members or officers sitting on outside bodies. Arguably the Boards are outside bodies because of the anomalous legal status already referred to. The immunity also does not extend to former officers of the local authority nor to current or former police officers.
10. The Local Authorities (Indemnities for Members and Officers) Order 2004 clarified the power of local authorities to indemnify Members and officers. The Order is attached at Appendix 1. The Order permits indemnities and/or insurance to be provided in relation to any action or failure to act by a Member or officer providing the Member or officer is carrying out a function at the request of, with the approval of, or for the purposes of, the authority. The power extends to cases where the Member or officer exercises the function in a capacity other than that of a Member or officer of the authority, for example, as a member of an outside body. The Order applies to the City Corporation in its capacities as local authority and police authority.
11. The 2004 Order excludes criminal acts, deliberate wrongdoing or recklessness, and the bringing of defamation proceedings. However, an indemnity can be granted to cover criminal defence costs, but is re-payable if conviction results.
12. The Order would enable an indemnity to be granted to Members and current City Corporation officers sitting on the Boards, but would not apply to enable an indemnity to be granted to former local authority officers sitting on the LGPB, nor to serving or former police officers who are members of the PPB.
13. The general power of competence in Part I of the Localism Act 2011 enables the City Corporation to grant an indemnity for the benefit of former City Corporation employees sitting as members of the LGPB. However, the 2011 Act only applies to the City Corporation in its capacity as a local authority, and therefore serving and former police officers sitting as members of the PPB would have to be indemnified through City's Cash.

Proposals

14. The Court of Common Council on 9th June 2011 exercised the power in the 2004 Order to indemnify Members and officers sitting on outside bodies. In cases where the outside body was not related to a local authority or police

authority function the indemnity was to fall on City's Cash. If the Boards are understood to be outside bodies then there is a degree of protection already in place for Members and officers sitting on the Boards by virtue of this decision of the Court. However, serving and former police officers sitting as members of the PPB do not fall within this decision.

15. Therefore it is proposed that, utilising powers in the 2004 Order and in the Localism Act 2011, and utilising City's Cash where necessary, the City Corporation resolves to indemnify Members and officers, including former officers, and serving and former police officers, who sit as members of the Boards against any personal liability that may arise to pay a civil penalty under the Data Protection Act 2018, to the extent that the City Corporation's insurance policies do not fully cover such liability, and subject to the exclusions and restrictions contained in the 2004 Order.

Appendix 1:

The Local Authorities (Indemnities for Members and Officers) Order 2004

Background Papers:

Report to the Court of Common Council on 9 June 2011

The Comptroller and City Solicitor

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The Chamberlain

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APPENDIX 1

STATUTORY INSTRUMENTS

2004 No.3082

LOCAL GOVERNMENT, ENGLAND AND WALES

The Local Authorities (Indemnities for Members and Officers) Order 2004

Made - - - - 22nd November 2004

Coming into force - - 23rd November 2004

The First Secretary of State, in exercise of the powers conferred upon him by sections 101 and 105 of the Local Government Act 2000(a) and having consulted representatives of relevant authorities, representatives of employees of relevant authorities and such other persons as he considered appropriate hereby makes the following Order, of which a draft has been laid before, and approved by, resolution of, each House of Parliament:

Citation, commencement and interpretation

1.—(1) This Order may be cited as the Local Authorities (Indemnities for Members and Officers) Order 2004.

(2) It shall come into force on the day after that on which it is made.

(3) In this Order—

“Part 3 proceeding” means any investigation, report, reference, adjudication or any other proceeding pursuant to Part 3 of the Local Government Act 2000; and

“secure”, in relation to any indemnity provided by means of insurance, includes arranging for, and paying for, that insurance and related expressions shall be construed accordingly.

Application

2. This Order applies to relevant authorities in England(b) and to police authorities in Wales(c).

Indemnities

3. The authorities to whom this Order applies may, in the cases mentioned in article 5 below, provide indemnities to any of their members(d) or officers.

(a) 2000 c. 22.

(b) For the meaning of “relevant authority”, see section 49(6) of the Local Government Act 2000.

(c) For powers in relation to relevant authorities in Wales, see section 105(2) of the Local Government Act 2000.

(d) For the meaning of “member”, see sections 49(6) and 101(5) of the Local Government Act 2000 and, in relation to elected mayors, the Local Authorities (Elected Mayors) (England) Regulations 2004 (S.I. 2004/1815).

Insurance

4. In place of, or in addition to, themselves providing an indemnity under article 3 above, any authority to whom this Order applies may, in the cases mentioned in article 5 below, provide an indemnity by securing the insurance of any of its members or officers.

Cases in which an indemnity may be provided

5. Subject to article 6 below, an indemnity may be provided in relation to any action of, or failure to act by, the member or officer in question, which—

- (a) is authorised by the authority; or
- (b) forms part of, or arises from, any powers conferred, or duties placed, upon that member or officer, as a consequence of any function being exercised by that member or officer (whether or not when exercising that function he does so in his capacity as a member or officer of the authority)—
 - (i) at the request of, or with the approval of the authority, or
 - (ii) for the purposes of the authority.

Restrictions on indemnities

6.—(1) No indemnity may be provided under this Order in relation to any action by, or failure to act by, any member or officer which—

- (a) constitutes a criminal offence; or
- (b) is the result of fraud, or other deliberate wrongdoing or recklessness on the part of that member or officer.

(2) Notwithstanding paragraph (1)(a), an indemnity may be provided in relation to—

- (a) subject to article 8 below, the defence of any criminal proceedings brought against the officer or member; and
- (b) any civil liability arising as a consequence of any action or failure to act which also constitutes a criminal offence.

(3) No indemnity may be provided under this Order in relation to the making by the member or officer indemnified of any claim in relation to an alleged defamation of that member or officer but may be provided in relation to the defence by that member or officer of any allegation of defamation made against him.

Matters that exceed the powers of the authority or member or officer

7.—(1) Notwithstanding any limitation on the powers of the authority which grants an indemnity, the authority may provide an indemnity to the extent that the member or officer in question—

- (a) believed that the action, or failure to act, in question was within the powers of the authority, or
- (b) where that action or failure comprises the issuing or authorisation of any document containing any statement as to the powers of the authority, or any statement that certain steps have been taken or requirements fulfilled, believed that the contents of that statement were true,

and it was reasonable for that member or officer to hold that belief at the time when he acted or failed to act.

(2) An indemnity may be provided in relation to an act or omission which is subsequently found to be beyond the powers of the member or officer in question but only to the extent that the member or officer reasonably believed that the act or omission in question was within his powers at the time at which he acted.

Terms of indemnity or insurance

8.—(1) Subject to paragraphs (2) and (3) below, the terms of any indemnity given (including any insurance secured), under this Order may be such as the authority in question shall agree.

(2) Paragraph (3) applies where any indemnity given to any member or officer (including any insurance secured for that member or officer) has effect in relation to the defence of—

- (a) any criminal proceedings; or
- (b) any Part 3 proceedings.

(3) Where this paragraph applies, the indemnity shall be provided, and any insurance secured, on the terms that—

- (a) in the case of criminal proceedings, if the member or officer in question is convicted of a criminal offence and that conviction is not overturned following any appeal, and
- (b) in the case of Part 3 proceedings—
 - (i) if a finding is made in those proceedings that the member in question has failed to comply with the Code of Conduct and that finding is not overturned following any appeal, or
 - (ii) if the member admits that he has failed to comply with the Code of Conduct,

that member or officer shall reimburse the authority or the insurer (as the case may be) for any sums expended by the authority or insurer in relation to those proceedings pursuant to the indemnity or insurance.

(4) Where a member or officer is obliged to reimburse an authority or insurer pursuant to the terms mentioned in paragraph (3) above, those sums shall be recoverable by the authority or insurer (as the case may be) as a civil debt.

Signed by authority of the First Secretary of State.

Nick Raynsford
Minister of State

in the Office of the Deputy Prime Minister

22nd November 2004

EXPLANATORY NOTE

(This note is not part of the Order)

This Order provides for circumstances in which a relevant authority in England or a police authority in Wales may provide an indemnity to any of their members or officers. The Local Authorities (Elected Mayors) (England) Regulations 2004 (S.I. 2004/1815) provide that the term “member” shall, in this context, include any elected mayor. These powers are in addition to any existing powers that such authorities may have (such as powers under section 111 of the Local Government Act 1972). The relevant authorities in England are—

- county councils;
- district councils;
- London borough councils;
- parish councils;
- the Greater London Authority;
- the Metropolitan Police Authority;
- the London Fire and Emergency Planning Authority;
- the Common Council of the City of London (in its capacity as a local or police authority);
- the Council of the Isles of Scilly;
- a fire authority constituted by a combination scheme under the Fire Services Act 1947;
- a police authority;
- a joint authority established by Part IV of the Local Government Act 1985;
- the Broads Authority;
- a National Park Authority established under section 63 of the Environment Act 1995.

Article 4 makes it clear that an indemnity may be provided by means of the authority securing the provision of an insurance policy for the member or officer.

Article 5 sets out the cases in which indemnities (including those provided by insurance) may be provided. This article restricts the power to cases in which the member or employee is carrying on any function at the request of, with the approval of, or for the purposes of, the authority. However, it does extend to cases in which when exercising the function in question the member or officer does so in a capacity other than that of a member or officer of the authority. This would permit an indemnity, for example, to cover a case where the member or officer acts as a director of a company at the request of his authority, and thus is acting in his capacity as a director.

Article 6 prevents the provision of an indemnity (or securing of insurance) in relation to criminal acts, any other intentional wrongdoing, fraud, recklessness, or in relation to the bringing of (but not the defence of) any action in defamation.

Article 7 gives a limited power to provide an indemnity (including any indemnity provided by insurance) where the action or inaction complained of is outside the powers of the authority itself or outside the powers of the member or officer who acts. It also covers cases in which a member or officer makes a statement that certain steps have been taken or requirements fulfilled but it later becomes clear that this is not the case. This power is limited to cases in which the person indemnified—

- reasonably believed that the matter in question was not outside those powers, or
- where a document has been issued containing an untrue statement as to the authority’s powers, or as to the steps taken or requirements fulfilled, reasonably believed that the statement was true when it was issued or authorised.

Article 8 gives the authority freedom to negotiate such terms for any indemnity or policy of insurance as it thinks appropriate but requires that those terms include provision for re-payment of sums expended by the authority or the insurer in cases in which a member has been found to be in

breach of the Code of Conduct applicable to him as a member of the authority, or a member or officer has been convicted of a criminal offence (if the indemnity or insurance policy would otherwise cover the proceedings leading to that finding or conviction). Any sums recoverable may be recovered as a civil debt.

A regulatory impact assessment has been prepared in relation to these Regulations. A copy may be obtained from Local Government Legislation Division, Office of the Deputy Prime Minister, Zone 5/D1, Eland House, Bressenden Place, London, SW1E 5DU (telephone 020 7944 4148; e-mail lg1@odpm.gsi.gov.uk).

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Committee(s)	Dated:
Audit and Risk Management Committee	06/11/2018
Subject: London Counter Fraud Hub - Onboarding	Public
Report of: The Chamberlain	For Decision

Summary

The London Counter Fraud Hub (LCFH) is a pan-London data-matching solution that uses data provided by local authorities and from other sources, along with advanced analytics to increase the detection and prevention of fraud across London, and to create opportunities for cross-boundary co-operation to reduce fraud.

The current cost model upon which the LCFH primarily works is on a payment by results basis; however, we understand that CIPFA are currently considering implementing a subscription model as an alternative, which is being monitored by Internal Audit.

The upfront costs of onboarding to the hub are expected to be limited to internal system developments for data extraction and automation to deal with referrals as appropriate.

The LCFH is designed to complement, not replace, current methods for detecting and preventing fraud, or to replace the City's participation in the National Fraud Initiative exercise.

The Comptroller and City Solicitor has advised that there is no major legal impediment to the City of London signing the Deed of Adherence and becoming a "Participating Authority" to the Services Agreement between the London Borough of Ealing and CIPFA Business Limited.

On-going internal consultation with the Revenues, Housing, Insurance and Legal teams continues to ensure that the City is fully prepared for the LCFH.

The City of London is aiming to on-board to the LCFH in January 2019, subject to the proof of concept phase being completed and signed-off.

Recommendation(s)

- It is recommended that Members delegate authority to the Chamberlain to sign the Deed of Adherence with the London Borough of Ealing for the City of London to onboard to the London Counter Fraud Hub.

Main Report

Background

1. The London Counter Fraud Hub (LCFH), is a pan-London data-matching solution that uses data provided by local authorities and from other sources,

along with advanced analytics to increase the detection and prevention of fraud across London, and to create opportunities for cross-boundary co-operation to reduce fraud.

2. In October 2015, the City of London signed a Memorandum of Understanding, along with the 32 London Boroughs, demonstrating London's commitment to using the Hub.
3. Members were advised of the City's progress in preparing for the LCFH in our Anti-Fraud & Investigations Annual report to this Committee on 29^h May 2018.
4. The London Borough of Ealing are the lead authority for the LCFH and in 2015 launched a competitive dialogue procurement procedure in accordance with the Public Contracts Regulations 2015 (as amended) (PCR 2015).
5. Regulation 38 of the PCR 2015 permits contracting authorities such as Ealing Council to jointly procure services in its own right and on behalf of other named contracting authorities.
6. Following the conclusion of a competitive dialogue procurement procedure in 2016, CIPFA Business Ltd were awarded a contract to develop and provide the LCFH data-matching solution, along with their partner, BAE Systems.
7. The initial datasets that the City would be expected to provide to the LCFH are Council Tax, Business Rates and Housing Tenancy; it is expected that further datasets will be added as the LCFH matures.

Current Position

8. Four pilot authorities, the London Boroughs of Ealing, Croydon, Camden and Islington have been working with CIPFA over the past 18 months to test the LCFH and develop the proof of concept. The proof of concept phase is nearing completion when we expect the results to be shared with the City of London and other London Boroughs.
9. CIPFA are currently developing a timeframe for London Boroughs to on-board to the LCFH. At this point, the City is aiming to on-board to the LCFH, subject to the proof of concept phase being completed and signed-off, in January 2019.
10. On-boarding to the LCFH is undertaken via a Deed of Adherence with the London Borough of Ealing.
11. As part of our preparations for on-boarding to the LCFH, we are working with colleagues in the Revenues and Housing teams to ensure that data in the specified format can be extracted from our internal data-bases and provided to CIPFA for the purposes of data-matching. Likewise, we have been consulting with colleagues in the Information Team, Insurance Team, and the Comptroller and City Solicitors Department.
12. Resources will be reviewed periodically as the City's participation in the LCFH develops, and appropriate steps will be taken as necessary.

13. The LCFH is designed to complement, not replace, current methods for detecting and preventing fraud, or to replace the City's participation in the National Fraud Initiative exercise.

Cost Implications

14. The current cost model upon which the LCFH primarily works is on a payment by results basis; however, we understand that this model is currently under review by CIPFA, and that consideration is being given to implementing a subscription model as an alternative, this will be monitored by Internal Audit and cost implications reviewed.
15. Some up-front on-boarding costs are likely to be necessary to develop, for example, in-house systems to enable the City to provide data in the required format, and to develop automation where appropriate.

Data Protection & Legal Position

16. A data privacy impact assessment has been completed and agreed with the City's Information Team; likewise, the LCFH has been listed on our Record of Processing Activities.
17. The contract documents for the LCFH have been reviewed by the Comptroller & City Solicitor, who advise that there is no major legal impediment to the City of London signing the Deed of Adherence and becoming a "Participating Authority" to the Services Agreement between the London Borough of Ealing and CIPFA Business Limited.
18. A small number of queries surrounding insurance indemnities and data retention periods are being worked on with the City's Insurance Team and the London Borough of Ealing respectively. We expect these to be resolved prior to the City on-boarding to the LCFH.

Proposal

19. It is proposed that the Chamberlain is given delegated authority to sign the Deed of Adherence on behalf of the City of London, enabling the City to on-board to the LCFH in January 2019, subject to the proof of concept phase being completed and signed-off.
20. The LCFH has been designed to be a sophisticated tool to assist in the prevention and detection of fraud and is expected identify fraud in local Government across London, whilst also enabling authorities to prevent fraud at point of access by verifying application data. The success of the LCFH is dependent on London Borough's and the City of London on-boarding to the Hub.
21. Should the City not sign-up to the LCFH, we risk not identifying fraud that may otherwise have been identified through participation in the LCFH.

Corporate & Strategic Implications

22. The City of London is committed to tackling fraud across the services that it provides as set-out in its Anti-Fraud & Corruption Strategy. It is anticipated that the LCFH will be a valuable tool in detecting fraud that may otherwise have gone undetected.
23. Participation in the LCFH to tackle pan-London fraud aligns to a primary objective in the City of London's Corporate Plan - to contribute to a flourishing society by tackling terrorism, violent and acquisitive crime, **fraud**, cyber-crime and anti-social behaviour and facilitate justice.

Conclusion

24. The LCFH will provide an additional tool in the fight against fraud across London by providing a sophisticated data-matching tool to the City of London and other London Borough's, which is designed to identify in-boundary, and cross-boundary fraud that may otherwise go undetected by current and traditional anti-fraud and investigation activities.
25. The current cost model upon which the LCFH primarily works is on a payment by results basis, however we understand that CIPFA are currently considering implementing a subscription model as an alternative; this is being monitored by Internal Audit.
26. Internal consultation continues with the Revenues, Housing, Insurance and Legal Teams, to ensure that the City is ready for on-boarding in January 2019, subject to the proof of concept phase being completed and signed-off.
27. The Comptroller & City Solicitor has advised that there is no major legal impediment to the City of London signing the Deed of Adherence to join the LCFH.

Contact:

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Committee(s)	Dated:
Audit & Risk Management Committee Finance Committee	15 January 2019 19 February 2019
Subject: London Counter Fraud Hub	Public
Report of: The Chamberlain	For Information – Audit & Risk Management Committee For Decision – Finance Committee
Report author: Chris Keesing – Anti-Fraud Manager	

Summary

The London Counter Fraud Hub (LCFH) is a pan-London data-matching solution that uses data provided by local authorities and from other sources, along with advanced analytics to increase the detection and prevention of fraud across London, and to create opportunities for cross-boundary co-operation to reduce fraud. London Authorities will onboard to the LCFH via a Deed of Adherence with the LB Ealing.

On 6 November 2018, Members of the Audit & Risk Management Committee signified their support for the LCFH and granted The Chamberlain delegated authority to progress. Enrolment to the London Counter Fraud Hub will be completed by 31 March 2019, via a Deed of Adherence with LB Ealing, subject to funding approval from the Finance Committee.

The cost of the LCFH is £70,000 per annum over a contract period of seven years, plus a one-off joining fee of £75,000.

The LCFH joining fee of £75,000 is requested from the Finance Committee contingency fund

A request for funding for the LCFH annual subscription, over the seven-year contract period, has been prepared and will form part of the papers to the Resource Allocation Sub-Committee as part of the budget setting process for ratification by Court of Common Council in March 2019.

Whilst recoveries from increased detection of Council Tax Single Person Discount Fraud, and Business Rates Fraud, as a direct result of the City's participation in the LCFH, along with recoveries from our financial investigations under the Proceeds of Crime Act are anticipated to support the cost of the LCFH, these cannot be easily quantified at this stage.

The City's participation in the LCFH will support London and aligns to a primary objective in the City of London's Corporate Plan - to contribute to a flourishing society by tackling terrorism, violent and acquisitive crime, **fraud**, cyber-crime and anti-social behaviour and facilitate justice.

The LCFH is designed to complement, not replace, current methods for detecting and preventing fraud, or to replace the City's participation in the National Fraud Initiative exercise.

Recommendation(s)

Members of the Finance Committee are asked to approve funding of £75,000 from the Finance Committee contingency fund to cover the London Counter Fraud Hub joining fee.

Members are asked to note that following Member support for the London Counter Fraud Hub at Audit & Risk Management Committee on 06 November 2018, and the delegated authority given to the Chamberlain to progress, enrolment to the London Counter Fraud Hub will be completed by 31 March 2019, via a Deed of Adherence with LB Ealing, subject to funding approval as part of the budget setting process.

Main Report

Background

1. The London Counter Fraud Hub (LCFH), is a pan-London data-matching solution that uses data provided by local authorities and from other sources, along with advanced analytics to increase the detection and prevention of fraud across London, and to create opportunities for cross-boundary co-operation to reduce fraud.
2. In October 2015, the City of London signed a Memorandum of Understanding, along with the 32 London Boroughs, demonstrating London's commitment to using the Hub.
3. The London Borough of Ealing are the lead authority for the LCFH and in 2015 launched a competitive dialogue procurement procedure in accordance with the Public Contracts Regulations 2015 (as amended) (PCR 2015).
4. Regulation 38 of the PCR 2015 permits contracting authorities such as Ealing Council to jointly procure services in its own right and on behalf of other named contracting authorities, who would then be able to join the LCFH through a Deed of Adherence.
5. Following the conclusion of a competitive dialogue procurement procedure in 2016, CIPFA Business Ltd were awarded a contract to develop and provide the LCFH data-matching solution, along with their partner, BAE Systems.
6. The initial datasets that the City will be required to provide to the LCFH are Council Tax, Business Rates and Housing Tenancy; it is expected that further datasets will be added as the LCFH matures.
7. The LCFH contract documents have been reviewed by the Comptroller & City Solicitors Department with only minor clarifications on data retention periods and insurance indemnities identified; these are currently being resolved and

do not impact on the City Corporation signing the Deed of Adherence to onboard to the LCFH and becoming a participating authority to the Services Agreement between the London Borough of Ealing and CIPFA Business Limited.

8. Updates on the progress of the LCFH have been delivered to the Audit & Risk Management Committee periodically, with Members signifying support for the LCFH and granting delegated authority to The Chamberlain on 6 November 2018, to sign a Deed of Adherence to onboard to the LCFH.

Current Position

9. The LCFH was initially intended to operate on a payment by results model, whereby authorities would only pay for those matches that were identified for investigation, in addition to this, any investigations that the authority did not have the capacity to investigate would have been investigated by the Hub, at an additional cost; this model, however, did not provide any certainty as to expenditure for London authorities and following feedback from stakeholders across London it has been decided to change to a subscription based model, thereby providing far greater clarity over the cost of the LCFH to London authorities. In addition to this, investigations by the Hub will now be discretionary.
10. The LCFH is designed to complement, not replace, current methods for detecting and preventing fraud, or to replace the City's participation in the National Fraud Initiative exercise.
11. Following Member support for the London Counter Fraud Hub at Audit & Risk Management Committee on 6 November 2018, and the delegated authority given to the Chamberlain to progress, enrolment to the London Counter Fraud Hub will be completed by 31 March 2019, via a Deed of Adherence with LB Ealing, subject to funding approval from the Finance Committee.
12. The City's participation in the LCFH will support London and aligns to a primary objective in the City of London's Corporate Plan - to contribute to a flourishing society by tackling terrorism, violent and acquisitive crime, **fraud**, cyber-crime and anti-social behaviour and facilitate justice.

Cost Implications

13. Onboarding to the LCFH will be for a term of seven years, with the costs as set out below:

Joining Fee	£75,000
Annual subscription	£70,000

14. The LCFH joining fee of £75,000 is requested from the Finance Committee contingency fund.
15. A request for funding for the LCFH annual subscription, over the seven-year contract period has been prepared and will form part of the papers to the

Resource Allocation Sub-Committee as part of the budget setting process for ratification by Court of Common Council in March 2019.

Anticipated returns

16. The current arrangements for detecting fraud across the City Corporation are effective and do lead, in certain cases, to recovery of losses, which include recent successes in using the Proceeds of Crime Act to recover £92,000 from two investigations in the past year, along with a current application in the Crown court for the recovery of £35,000, under the same legislation.
17. Such recoveries cannot be guaranteed on an ongoing basis, however, and in many cases, such as in the majority of housing tenancy fraud investigations, the recovery of a tenancy fraudulently obtained, or illegally occupied, is primarily a social benefit, enabling the City Corporation to provide housing to those in greater need.
18. The LCFH have provided cost benefit calculators that indicate the potential for the City Corporation to detect the following levels of fraud during a full year cycle of the LCFH in Council tax and business rates based on London-wide expectations, although these cannot be guaranteed and may vary owing to the unique nature of the City Corporation.
 - Council tax single person discount - £20,536
 - Business rates charitable relief - £61,942

Resource Implications

19. Resources will be reviewed periodically as the City's participation in the LCFH develops, and whilst we anticipate that in so far as possible any additional fraud identified by the LCFH can be absorbed, appropriate steps will be taken to ensure that effective resources are available as necessary.
20. On-going liaison between the Internal Audit team, Revenues Division, Housing Department, and the Litigation and Information teams in the Comptroller and City Solicitors department will continue in order to ensure an effective response to the investment made in the LCFH.

Conclusion

21. The LCFH will provide an additional tool in the fight against fraud across London by providing a sophisticated data-matching tool to the City of London and other London Borough's, which is designed to identify in-boundary, and cross-boundary fraud, that may otherwise go undetected by current and traditional anti-fraud and investigation activities. Furthermore, the LCFH aligns to a primary objective in the City of London's Corporate Plan - to contribute to a flourishing society by tackling terrorism, violent and acquisitive crime, **fraud**, cyber-crime and anti-social behaviour and facilitate justice.
22. Following Member support for the LCFH at Audit & Risk Management Committee on 06 November 2018, where delegated authority was given to

The Chamberlain to progress, enrolment to the London Counter Fraud Hub will be completed by 31 March 2019, via a Deed of Adherence with LB Ealing, subject to funding approval from the Finance Committee.

23. The City Corporation will need to pay an onboarding fee and an annual subscription to become a subscriber to the LCFH over a seven-year contract period.
24. The LCFH joining fee of £75,000 is requested from the Finance Committee contingency fund, whilst a request for funding for the LCFH annual subscription, over the seven-year contract period, has been prepared and will form part of the papers to the Resource Allocation Sub-Committee as part of the budget setting process for ratification by Court of Common Council in March 2019.
25. The City Corporation will pay an onboarding fee and annual subscription to become a subscriber to the LCFH over a seven-year contract period.
26. It is anticipated that recoveries from the additional fraud identified by the LCFH, along with recoveries from our financial investigations under the Proceeds of Crime Act will support the cost of the LCFH for the City Corporation.
27. Whilst we anticipate that in so far as possible any additional fraud identified by the LCFH can be absorbed by current resources, appropriate steps will be taken to ensure that effective resources are available as necessary, should there be significant increases in work generated from the City's participation in the LCFH.
28. Internal consultation continues with the Revenues, Housing, Insurance and Legal Teams, to ensure that the City is ready for on-boarding to the LCFH.
29. The LCFH contract documents have been reviewed by the Comptroller & City Solicitors Department with only minor clarifications on data retention periods and insurance indemnities identified; these are currently being resolved and do not impact on the City Corporation signing the Deed of Adherence to onboard to the LCFH and becoming a participating authority.

Background Papers

- LCFH report to Audit & Risk Management Committee on 6 November 2018.

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Committee(s) Finance Committee – For decision	Date(s): 19 February 2019
Subject: One Savings Approach	Public
Report of: The Chamberlain	For Decision
Report author: Philip Gregory, Chamberlain’s Department	

Summary

The City Procurement service, within the Chamberlain’s department, supports the organisation in delivering savings and efficiencies. There are a number of current activities and initiatives which have developed over a period of time; and some of the incentives under these initiatives cause conflict between departments and Chamberlains on who can recognise which part of the saving. At the extreme it drives behaviours whereby departments will prioritise savings that benefit their local risk budget at the expense of wider organisational savings that benefit all departments. This report proposes the introduction of a single, corporate approach to recording and reporting savings and efficiencies, the ‘One Savings Approach’ and aligns incentives.

It is proposed that all savings that arise will contribute towards the ‘Efficiency and Sustainability Plan’ i.e. towards the 2% efficiency savings made by departments and committees. This will include all savings that are developed with the support of the City Procurement service.

Procurement performance against savings targets will still be monitored and scrutinised by Members to ensure it is delivering the expected outputs in support of the overall savings aims.

Recommendation(s)

Members are asked to:

- Approve the introduction of the ‘One Savings Approach’ to savings and efficiencies that are delivered with the support of City Procurement.

Main Report

Background

1. There are a number of current activities and initiatives in delivering savings and efficiencies which have developed over a period of time. These are in line with delivering our ‘Efficiency and Sustainability Plan’ which set out a 2% year on year efficiency requirement. This was included in the plan that was submitted to the Ministry for Housing, Communities and Local Government (MHCLG) in return for a

4 year settlement agreement on funding. The 4 year settlement agreement ends after 2019/20.

Current Position

- There are currently a number of savings and efficiency programmes currently running across the City Corporation. These are detailed in the table below.

Efficiencies / Savings programme	Description
Service Based Review	Presently we are closing out the final local SBR projects. The majority have now been completed with the last remaining few delivered by the end of 2018/19.
Efficiency and Sustainability plan <i>(Annual 2% budget reduction)</i>	Local risks budgets will be reduced by 2% annually from 2018/19 for three years.
Procurement savings	Efficiencies and Savings generated by the City Procurement service. Each year the procurement team have targets to achieve
Income generation review	Review set up to identify income generation opportunities across the City
Strategic Asset Management	Ongoing review of the organisation's operational property with an aim to reduce footprint and sell or transfer to investment portfolio any vacant space.
Contract Management Savings	New initiative introduced from 2017/18 with Efficiencies and Savings delivered from within the duration of a contract.
Commercial	Efficiencies, Savings and increased income initiatives identified by the new Commercial team (i.e. Consolidated logistic, corporate fleet management)

- Some of the incentives under these initiatives cause conflict between departments and Chamberlains on who can recognise which part of the saving. Historically, departments have benefited from savings made from changes in scope or specification in new contracts; and procurement from savings made in how those services are procured. This leads to excessive resource being employed in the negotiation of whose saving it is- reducing the benefit of the saving to the City Corporation's bottom line; and undermines collaborative behaviours.
- There are also a number of risks arising from having a range of savings and efficiency programmes in operation at any one time. These include:

- a. Conflicting priorities; having a range of savings and efficiency programmes results in activity that prioritises one programme over another.
- b. Double counting; where projects cut across more than one savings and efficiency programme there is a risk that a double count of the saving takes place.
- c. Misalignment with corporate objectives; there is a risk that departments will prioritise savings and efficiencies that benefit their local risk budget and wish to maintain control of such initiatives, forgoing a potential benefit to the organisation as a whole.

Proposals

5. It is proposed that all savings that arise will contribute towards the 'Efficiency and Sustainability Plan' i.e. towards the 2% efficiency savings made by departments and committees. This will include all savings that are developed with the support of the City Procurement service, including the commercial contract team.
6. This action streamlines the current programmes enabling greater collaboration with departments working together to deliver savings and efficiencies. The proposal also clarifies the way that cashable savings are managed. Departments will benefit from a cashable saving once any costs of the City Procurement service have been deducted.
7. Performance of the City Procurement team in securing savings and adding commercial value will be managed by monitoring key performance indicators (KPIs) which will hold to account the City Procurement service ensuring that procurement activity delivers value for money.
8. Implementing this single approach will also reduce bureaucracy within the City Corporation, in turn demonstrating improved efficiency.
9. A flow chart is being developed to clarify the role that City Procurement plays in supporting the development and delivery of savings and efficiency initiatives. This will be circulated to Chief Officers and publicised on the intranet.

Conclusion

10. There are currently a range of savings and efficiency programmes in operation across the City Corporation. This proposal will ensure that all savings that arise will contribute towards the 'Efficiency and Sustainability Plan'. The proposal also clarifies how cashable savings will benefit departments in achieving their 2% efficiency goals.

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Committee(s): Finance Committee Procurement Sub-Committee	Date: 19 February 2019 13 March 2019
Subject: EU exit readiness: Category insight report	Public
Report of: The Chamberlain	For Information
Report authors: Chris Bell, Commercial Director, Chamberlain's Darran Reid, Assistant Director of Commercial Contract Management, Chamberlain's	

Summary

Due to the ongoing uncertain nature of the EU exit deal, the Commercial Director as the owner of the corporate risk on Brexit Supply Chain commissioned an external consultancy firm (Efficio Consulting) to work with us to produce Category level risk cards. The categories that the report focuses on were selected based on internal knowledge, spend data and of the areas that would be most impacted by Brexit.

The category cards have been produced in the main through desk top research, industry insights and stakeholder knowledge have been developed to allow us at this stage to identify the main risks in these categories.

Each Category is structured as follows:

- Category overview
- Common contracting methods in this category
- The City of London context
- Brexit risks
- Potential mitigations

The full EU Exit Readiness Category Insight Report can be found at Appendix 1.

Recommendations

Members of the committee are recommended:

- To note the content of this report and the full EU Exit Readiness Category Insight Report.

Main Report

Background

1. Due to the ongoing uncertain nature of the EU exit deal, the Commercial Director as the owner of the corporate risk on Brexit Supply Chain commissioned an external consultancy firm (Efficio Consulting) to work with us to produce Category level risk cards. The categories that the report

focuses on were selected based on internal knowledge, spend data and of the areas that would be most impacted by Brexit.

2. The category cards have been produced in the main through desk top research, industry insights and stakeholder knowledge have been developed to allow us at this stage to identify the main risks in these categories.
3. Each Category is structured as follows:
 - i. Category overview
 - ii. Common contracting methods in this category
 - iii. The City of London context
 - iv. Brexit risks
 - v. Potential mitigations
4. The full EU Exit Readiness Category Insight Report can be found at Appendix 1.

Key Points from the Category Insight report to date

5. Construction is our highest risk category, this is due to the pressure on the industry to supply the required skilled tradesmen should there be a no deal Brexit. Costs are rated as medium but given the nature of our busy capital programme and the need to procure new contractors regularly, the velocity factor means that costs for construction at an increased level are likely to affect us sooner than other services which have security of longer term contracts already in place.
6. Highways maintenance and Food services are the next categories that offer the highest risk, mainly around the ability to supply the services due to reliance on overseas and EU workers in the London marketplace.
7. All categories will have challenges in the main on key workers. Therefore, there could be intermittent service issues in the medium term or cost pressures as suppliers must pay more to attract workers, this will see pressure on rates and likely requests for contract price uplifts. Although we have the security of contracts, it is likely to become prevalent within 3-6 months from the date of exit and requests for contract change controls will need to be managed carefully.
8. Commodities are likely to increase in some areas dependent on the origin of the goods, but our assessment covers the larger areas of spend and we have no red risks highlighted to date with materials being sourced or available from alternative origin countries as mitigation.
9. Finally, although we have the security in the main with existing contracts, we are likely to see price increases for newly procured works and services post Brexit, therefore careful consideration of upcoming new contracts or tenders will be taken in baseline budgeting and service scoping if we seek as a policy to remain cost neutral or drive savings as a default.

Next Steps

10. The mitigation considerations will be used to finalise a supplier engagement strategy, tailoring our requests to key suppliers to focus on the areas we feel are the greatest risk to our organisation.
11. Our intelligence to date from our peers advises us not to commence with full requests to our key suppliers, as until the terms of the EU exit is known we are unlikely to receive much meaningful engagement. Therefore, the timing of supplier outreach must be considered to gain maximum engagement with realistic and insightful mitigation plans produced from the suppliers.
12. The engagement approach is something we will bring to Members of Procurement Sub-Committee once the terms of the deal are known, utilising templates and approaches currently being developed by the Home Office. Given we will be required to use this format for City of London Police, for consistency it is our intentions to utilise these for our corporate engagement. In the meantime, at a local department level if engagement with suppliers has started we would recommend they continue whilst we work up the corporate approach.

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Appendices

Appendix 1 – EU Exit Readiness Category Insight Report – Efficio Consulting

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EU Exit Readiness: Category Insight

City of London

London, 4 February 2019

Table of Contents

Overview	3
Methodology	4 - 5
Categories	6 - 17
Construction	6
Facilities Management	7
Highways	8
Food Services	9
Waste & Street Cleansing	10
IT Services and Consumables	11
IT Networks & Telecommunications	12
Adult & Social Care	13
MRO	14
Energy	15
Aggregates	16
Granite	17

This EU Exit Readiness report provides City of London Corporation with insight into possible impacts of EU exit on its core categories of spend

Overview

Situation summary

- The City of London Corporation (City of London) wishes to understand the possible impacts of Brexit on the key markets from which it buys goods and services
- As far as possible, City of London wishes to make use of existing research and insight
- The requirement is for category/market level insight – not a detailed impact assessment on City of London contracts or projects
- The cost of the work should be kept to a minimum
- The key categories identified by the City of London most at risk due to Brexit are: Construction, Highways maintenance, Facilities services Hard and Soft (cleaning, security, catering), IT, Commodities – Fuel, Energy (gas/electric), IT consumables, MRO, Food, granite, Adult and Social care, Waste collection and street cleansing
- Efficio is well-placed to meet the needs of the City of London. We have deep expertise in the key categories of spend and have completed EU exit readiness assessments for relevant clients in the public and private sectors



Approach

- We have produced 1 page summaries of the impacts on each category, leveraging past work & category knowledge – supplemented with new research to fill gaps
- Each 1 page summary covers, in digestible format:
 - Sector overview – exposure to EU exit risk
 - Possible Brexit impacts (forex, tariffs, freedom of movement restrictions, barriers to trade)
 - Likely risks to an organisation such as the City of London – tailored impact assessment
 - Actions to consider – typical mitigation actions that organisations such as City of London should consider

We have assessed the high level impact of a ‘No-Deal’ Brexit to understand risk to cost and supply

Methodology for EU Exit Assessment



Page 98

Assumptions:



- Since a no-deal Brexit may have biggest impact and changes to the industries, this scenario was considered while evaluating impact of each category
- In labour composition, unless specified, “Others” refers to non-EU workers who can be from the UK or other countries
- Supply Risk: **Red** – Significant risk to service continuity, **Amber** – Medium risk to service continuity, **Green** – Low risk to service continuity
- Cost Risk: **Red** – Major cost change potential, **Amber** – Minor cost change potential, **Green** – no change expected

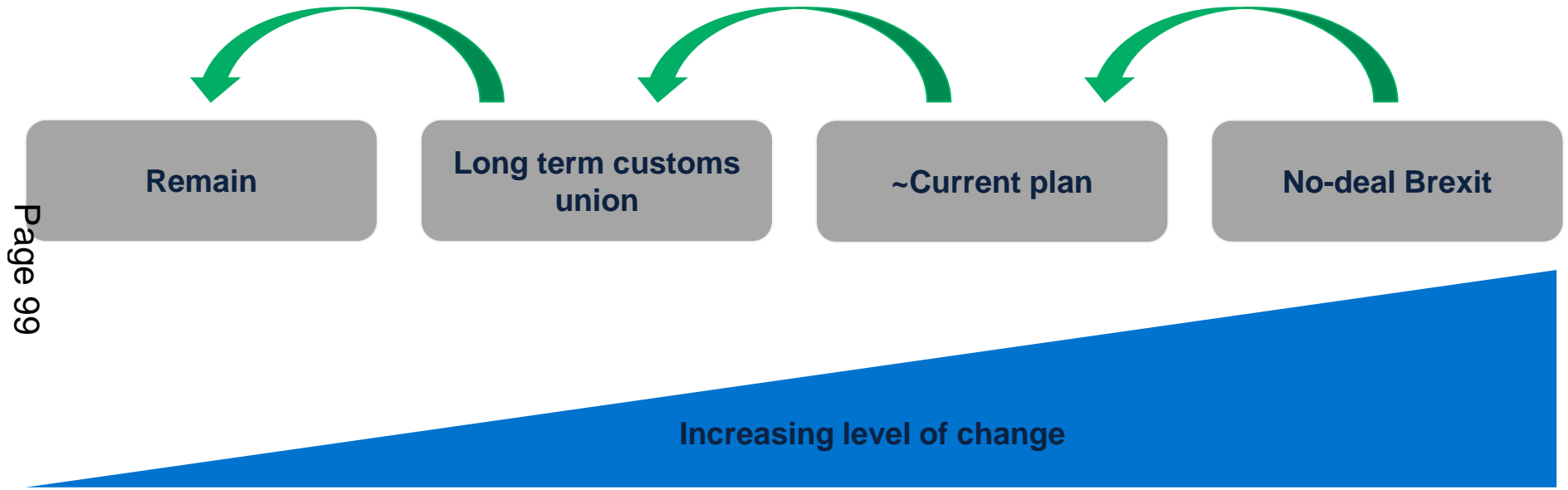
Each category addresses these elements:



- **Category and Contract Overview:** Outline of key features of the industry and typical contract types
- **City of London Context:** Specific CoL considerations for the category
- **Brexit Risks:** Movement of People, Movement of Goods, Tariffs and Forex

There is a wide range of Brexit scenarios; this analysis has been simplified to focus on 'no-deal Brexit'; from which every other scenario can be seen as a 'step back'

Simplifying the possible scenarios




Page 99

Each scenario can be understood as a series of 'steps back' from a hard exit scenario

By basing our analysis on a 'no-deal exit' scenario we can understand key risks to supply and cost


Construction is a labour intensive industry and laws regarding freedom of movement will have the biggest impact on this category

Risk	RAG
Supply	Red
Cost	Yellow




Category Overview

- Labour and Materials are the biggest cost drivers in this category, both of which stand to be impacted by Brexit. Cost Breakdown: Labour (30%), Material (70%)²
- Up to 7% of the UK construction workforce³ and 60% of materials are from the EU¹
- The workforce in London consists of up to 28% workers from the EU³. There are also expected to be a significant portion of workers from non-EU countries working in this industry.
- Construction is a highly time-sensitive industry – any disruption or delays to the supply of labour or materials has a significant impact on costs and revenues
- As of late 2018, a number of major UK construction companies are currently operating in stressed conditions (following the failure of Carillion in early 2018) and Brexit may further add to general industry problems and increase the risk of further failures.




Contracts

- Construction contracts are a mix of lump-sum and cost plus contracts¹. In instances where companies undertake construction for a customer they may also have a mix of contract types which may not be “back-to-back” with supplier contracts. This may create cost pressure at both ends.
- Even in existing agreements where suppliers are contractually bound to a fixed price, CoL may face price pressure from suppliers as they seek to find other ways to increase contract values.



City of London Context

- CoL tendering activity and proposed Major Projects indicate significant investments in construction projects over the next few years (FY18/19 ~£250m; FY19/20 ~£350m; FY20/21 ~£400m)
- There may be potential for suppliers to try to push through cost increases to CoL by Brexit as a context. A review of contracts with suppliers should be conducted to understand how changes in labour movement and tariffs which may impact costs.
- Given the challenges faced by the construction industry at present, CoL may be able to leverage it's strong cash position to secure supply continuity as a result of Brexit (e.g. through early payment)



Brexit Risks

Movement of People

- Potential shortage of labour as 7% of the construction workers in the UK and 28% in London are from the EU³. Loss of freedom of movement, and any changes to the way workers are paid and taxed, presents risk of delay in projects and increasing costs. For example, if there are changes to EU workers' ability to reclaim tax, it may make UK less attractive to EU workers unless wages increase such that workers have the same net position. If wages don't increase to this level, scarcity of labour will drive a labour cost increase regardless.

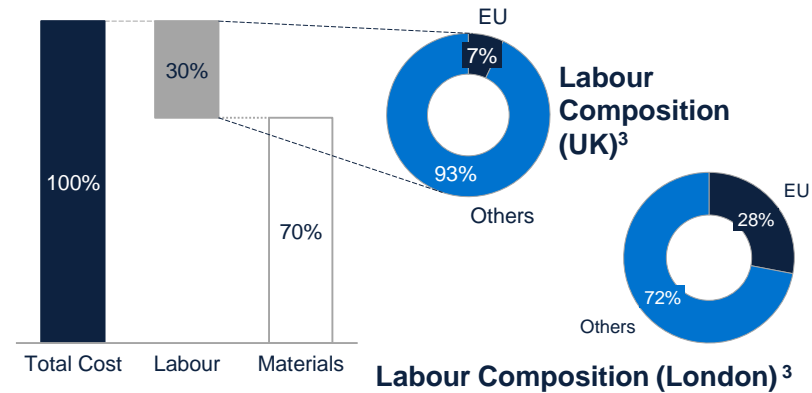
Movement of Goods

- UK imports 60% of total construction materials from the EU¹
- Potential delays at ports if clearance required – leading to additional costs and longer lead times. This will have a knock-on effect on construction timelines, further increasing costs and lost revenues
- Material supplies will be interrupted if suppliers stop serving UK markets altogether
- Some companies have started building safety stock to minimize any price spikes and supply issues¹

Tariffs & Forex

- Material prices may increase due to increase in import/export duties and clearance work.
- Volatility in currency may have an impact on cost
- Decline in the value of GBP may result in a reduction in the attractiveness of working in the UK for both EU and non-EU nationals

Industry Cost Breakdown²



Potential Mitigations

- Engage major suppliers to identify how CoL can secure supply (e.g. reducing payment terms)
- Engage suppliers to evaluate workforce to identify breakdown of workforce and highlight any critical knowledge or skills held by non-UK employees and related risk of losing these.
- Map what % of employees are not directly employed and without notice periods or obligations
- Discuss with suppliers if they are building safety stock for materials that may be impacted by Brexit

Facilities Management services may see a major impact because of dependence on lower-skilled EU workers

Risk	RAG
Supply	Yellow
Cost	Yellow

Category Overview

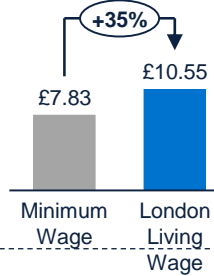
- FM consists of Hard and Soft Services which have varying dependency on labour and materials. While hard services would be more affected by changes related to materials, soft services would be impacted by loss of free movement of labour.
- The sector employs up to 10% of the country's workforce¹ and up to 24% of them are from EU⁴.
- Cleaning is a part of Facilities Management, and according to statistics, the workforce involved in the general cleaning of buildings in London consists of 32% EU nationals⁵. There are also expected to be a significant portion of workers from non-EU countries working in this industry.
- The UK market was regarded as the 'most mature and competitive in Europe' but it faces a skills shortage due to the UK's demographic changes and a lack of skilled applicants.
- Workers in the industry are often paid minimum wage or close to those levels, and many are likely to be on short notice periods.
- Cost breakdown: Labour (55%), Material (30%), Overhead (15%)²

Contracts

- There is a mix of cost-plus and fixed price supplier contracts in the FM industry. CoL's own customer contracts may also be a mix and may not be "back-to-back" with supplier contracts. This may create cost pressure at both ends for CoL.
- Average contract period in the industry is 3 years². There may be uncertainty over future contract type and length until impact of Brexit is known.

Context of London

- CoL has a diverse portfolio of properties ranging from schools to bridges to commercial offices – all requiring a different set of FM services.
- Certain soft FM services like security could have a greater operational risk than others if they were to fail (e.g. not being able to cover security positions vs struggling to get cleaning services).
- If CoL needs security clearance for FM workers, it may increase complexity and timelines to hire new staff which should be discussed with suppliers
- CoL requires its suppliers to pay the London living wage which is approx. 35% higher than the minimum wage³ and may protect them from shortage of labour to some extent as workers have incentive to work with CoL



Brexit Risks

Movement of People

- Potential shortage of labour as up to 24% of the FM workforce is from the EU⁴
- Upward pressure on wages and costs due to the potential scarcity of labour
- FM industry would be hit directly because of its reliance on lower-skilled migrant workers. As above, CoL London Living Wage policy may limit the impact and ensure CoL has continuity of labour, however suppliers' other contracts may be affected and there may be a knock-on effect

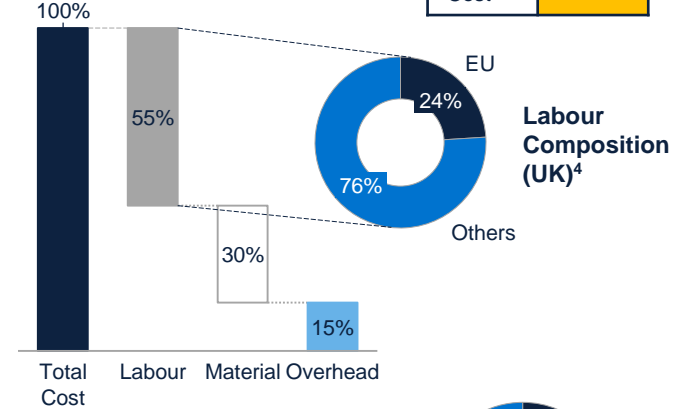
Movement of Goods

- Availability of critical parts may be interrupted due to delays at customs impacting particular areas of hard FM services (e.g. elevators and lifts); for some products, there will not be any international substitution opportunities
- Potential increased supplier costs at any suppliers who rely on EU materials – may face upward pressure

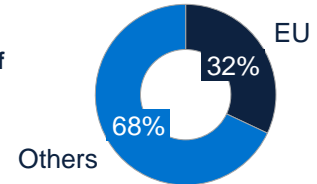
Tariffs & Forex

- Material prices may increase due to increase in import/export duties and clearance work
- Volatility in currency may have impact on cost
- Decline in the value of GBP may result in a reduction in the attractiveness of working in the UK for both EU and non-EU nationals

Industry Cost Breakdown²



General Cleaning of buildings - Labour Composition (London)⁵



Potential Mitigations

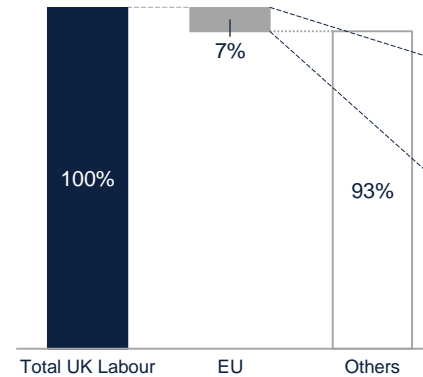
- Review contracts with customers and suppliers to understand relationship and contract types in place and where contract types are not aligned
- Engage major suppliers & gain commitment to service levels and continuity
- Engage suppliers to evaluate workforce to identify breakdown of EU nationals and highlight any critical knowledge or skills held by individual employees and related risk of losing these
- Ensure Service plans and requirements are up to date in case of a need to rapidly transition suppliers or retender

Highways Maintenance is principally dependent on labour with some minor critical equipment requirements – both of which will be affected by EU exit

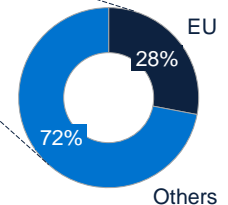
Risk	RAG
Supply	High
Cost	Medium



 Category Overview	<ul style="list-style-type: none"> Highways maintenance is highly dependent on the utilisation of high-skilled labour (design engineers), low-skilled labour (general operatives), and construction equipment, all of which stand to be impacted by Brexit. Part of highways spend is street furniture some of which have high technical specifications (e.g. street lights) and others which are low specification (e.g. road signs, rubbish bins). Street furniture can be categorised into illuminated (installed & maintained by the highways maintenance supplier) and non-illuminated (installed & defects rectified by the highways maintenance supplier, cleaned by the waste collection and street cleansing supplier). Highway workers are included in the overall construction workforce by the Office of National statistics. It states 7% of UK construction workers and 28% in London are EU nationals.¹ There are also expected to be a significant portion of workers from non-EU countries working in this industry. According to a report by Highways UK, the industry is concerned about future labour shortages due to an ageing workforce, and more people retiring than joining⁴ Typically highways maintenance includes 2 kinds of projects: routine (where there is continuity) & section work (ad-hoc project work)
 Contracts	<ul style="list-style-type: none"> Approximately 50% of UK authorities, CoL included, are estimated to use term maintenance contracts² (the contract creates a mechanism for the client to instruct services at different locations without needing to procure a new contract every time) Contracts for routine works are typically long, ranging between 5-10 years in length²
 City of London Context	<ul style="list-style-type: none"> CoL manages 5 key bridges and resurfaces about 15-20³ roads each year. CoL roads are heavily utilised by business, leisure and emergency services traffic. It is essential highways maintenance works are able to continue efficiently to avoid major congestion and delays that may significantly impact other sectors of the economy (e.g. tourism, transport, emergency services).
 Brexit Risks	<p>Movement of People</p> <ul style="list-style-type: none"> Potential shortage of labour as 7% of construction workers in the UK and 28% in London are from the EU¹ Loss of freedom of movement, and changes to the way workers are paid and taxed, presents risk of delay to projects and increasing costs. For example, changes to EU worker's ability to reclaim tax may make UK less attractive to EU workers unless wages increase such that workers have same net position. If wages don't increase to this level, scarcity of labour will drive a wage increase regardless. <p>Movement of Goods</p> <ul style="list-style-type: none"> Suppliers of higher specification street furniture such as lighting may be local UK companies or large global companies such as Siemens. Either way, finished products or component parts (particularly non-illuminated) are highly likely to be imported from the EU and elsewhere. There is a potential risk to critical part availability if suppliers have their supply chain in the EU. Potential delays at ports if clearance required – leading to additional costs and longer lead times. This will have a knock-on effect on maintenance timelines. Low specification items (e.g. bins) are low impact and low risk due to relative ease of supplier substitution in the event these are manufactured and imported from the EU. <p>Tariffs & Forex</p> <ul style="list-style-type: none"> Material prices may increase due to increase in import/export duties and clearance work. Volatility in currency may have an impact on cost Decline in the value of GBP may result in a reduction in the attractiveness of working in the UK for both EU and non-EU nationals

Labour Composition (UK)¹




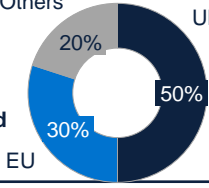


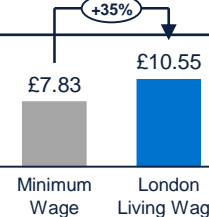

Labour Composition (London)¹



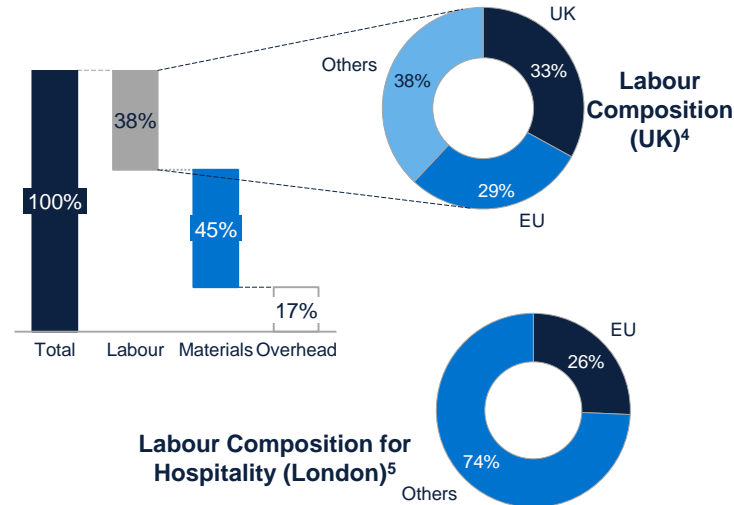
Potential Mitigations	
	<ul style="list-style-type: none"> Review services to identify critical services (e.g. street lighting) and associated supplier contracts
	<ul style="list-style-type: none"> Engage with suppliers, prioritised according to the above review, to ensure they have appropriate labour and safety stock of critical spare parts located in the UK and are taking action to manage inventories in the event of customs delays
	<ul style="list-style-type: none"> Engage suppliers to evaluate workforce to identify breakdown of EU nationals and highlight any critical knowledge or skills held by individual employees and related risk of losing these.
	<ul style="list-style-type: none"> Map what % of employees are not directly employed and without notice periods or obligations

Food Services & Banqueting are dependent on labour and materials, with Brexit risks associated with shortage of contract labour and availability of food produce

Risk	RAG
Supply	High
Cost	Medium

 Category Overview	<ul style="list-style-type: none"> UK is a mature market for catering services. The market consists of specialized catering providers & large FM companies who provide catering services as a bundled service offering Cost breakdown: Labour (38%), Material (45%), Overheads (17%)² Wages in the food services industry are typically at or close to minimum wage (LLW for CoL) Suppliers have a high proportion of contractors/temporary staff to permanent staff² 30% of the food consumed in the UK was imported from the EU¹ in 2017  <p style="text-align: center;">Origins of food consumed in the UK¹</p>
 Contracts	<ul style="list-style-type: none"> Catering services contracts are typically 2-3 years in length² Alongside cost plus & fixed price contracts, the other contract types used in the category are²: <ul style="list-style-type: none"> concession model (suppliers use the clients' premises and pay a fixed rent/% of revenue) and nil subsidy model (supplier's costs are covered by income generated through services. The clients do not pay the supplier for their services)
 City of London Context	<ul style="list-style-type: none"> As part of CoL, catering services are provided to schools, corporate estate and business events CoL also hosts "banqueting" events which focus on premium produce from the EU Both staff and materials are needed to deliver catering services successfully. Brexit may have an impact on the movement and prices of both of these as 30% of the food in UK is imported from the EU¹ CoL requires its suppliers to pay the London Living Wage which is approx. 35% higher than the minimum wage and may protect them from shortage of labour to some extent as workers have incentive to work with CoL³  <p style="text-align: center;">Minimum Wage London Living Wage</p>
 Brexit Risks	<p>Movement of People</p> <ul style="list-style-type: none"> Potential shortage of labour as up to 29% of the labour is from the EU⁴ If there was loss of freedom of movement, more than 80% of the EU workers working in catering services would not meet UK's requirements for non-EU work visas². Highly likely to see upward pressure on wages and costs due to the potential scarcity of labour in the event of Brexit. In addition, increased staff turnover will likely impact efficiency and service quality in the short term. CoL London Living Wage policy may limit the impact for CoL and ensure CoL has continuity of labour, however suppliers' other contracts may be affected and there may be a knock-on effect. <p>Movement of Goods</p> <ul style="list-style-type: none"> UK imports 30% of food from the EU¹ Potential delays at ports if clearance is required – leading to additional costs and longer lead times Increased time at custom checkpoints may impact availability of certain foods (e.g. perishable items) coming from EU, driving higher prices and/or requiring in product substitution Food supplies will be interrupted if suppliers stop serving UK markets altogether Longer term, changes to policies on farming and food production may structurally alter UK food production and prices/availability Ports may be overburdened if checks need to be done for food imported from EU, leading to delays in perishable items. For example, Terry Jones, Director General of the NFU has said: "Currently, the only ports set up to do veterinary checks on meat are London Gateway, Tilbury, Felixstowe, Southampton and Liverpool."⁶ <p>Tariffs & Forex</p> <ul style="list-style-type: none"> Food prices may increase if being imported from the EU due to increase in import/export duties and clearance work making catering services more expensive Decline in the value of GBP may result in a reduction in the attractiveness of working in the UK for both EU and non-EU nationals

Industry Cost Breakdown²



Potential Mitigations
<ul style="list-style-type: none"> Engage with suppliers to understand their supply chain for food imports & understand what mitigations are being taken to ensure supply continuity (e.g. menu changes) Review contracts with suppliers and build contingency by agreeing on flexible catering menus to avoid disruption until further clarity on Brexit Engage suppliers to evaluate workforce to identify breakdown of EU nationals and highlight any risks to service and understand their mitigation plans (e.g. training and apprenticeships to maintain staff levels and ensure workers are capable of providing quality service)

Waste Collection and Street Cleansing are heavily reliant on labour, comprising 40% of total cost

Risk	RAG
Supply	Yellow
Cost	Yellow

Category Overview

- Collection and disposal are the two most costly elements of waste management. This review focuses on the waste collection and street cleansing elements, not disposal.
- Cost breakdown: Labour (40%), Transportation (10%), Overheads (5%), Disposal (30%), Others (15%)¹
- Typically workers in the industry are paid minimum wage or close to those levels, and many are likely to be on short notice periods.
- General cleaning of buildings has been used to represent the EU workforce breakdown in this category.

Contracts

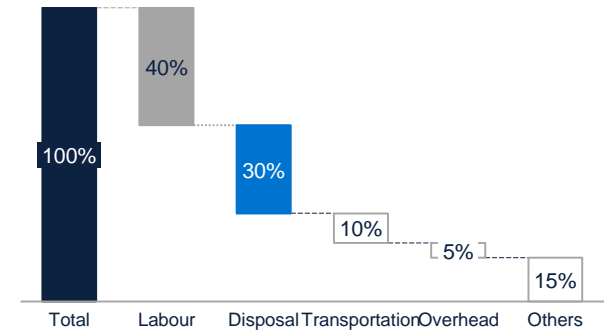
- Waste contracts are typically volume based or fixed price.
- Globally, about 60%¹ of Total Waste management contracts are volume-based so the suppliers work to increase profits by reducing their costs. Normally under this sort of contract, a customer would expect that the supplier would absorb any increases in cost during the contract term.

City of London Context

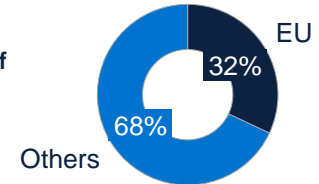
- Labour accounts for approx. 60% of the cost for CoL as it uses a system which involves intensive manual sweeping which has a low level of mechanisation. Streets are swept by hand up to four times daily depending on demand.
- The majority of waste produced in the City originates from businesses and construction companies that operate in the Square Mile. Construction waste is however managed by construction contractors, so won't directly affect these services
- CoL has a very small residential base in comparison to the number of people that work in the area.
- By 2021, commercial/business waste is estimated to make up over 90% of total waste².
- Being an area that is heavily utilised by tourists and businesses, it is essential waste collection and street cleansing services continue without disruption to avoid loss of reputation.
- CoL requires its suppliers to pay the London Living Wage which is approx. 35% higher than the minimum wage and may protect them from shortage of labour to some extent as workers have incentive to work with CoL³



Industry Cost Breakdown¹



General Cleaning of buildings - Labour Composition (London)⁴



Brexit Risks - Movement of People

- Typically, waste collection and street cleansing services employ workers from the EU, many of who may be affected by loss of freedom of movement¹
- Upward pressure on wages and costs due to the potential scarcity of labour
- CoL London Living Wage policy may limit the impact for CoL and ensure CoL has continuity of labour, however suppliers' other contracts may be affected and there may be a knock-on effect.

Brexit Risks - Movement of Goods

- Waste collection and street cleansing are highly unlikely to be affected by any changes to movement of goods however disposal and treatment of waste may be impacted due to UK exporting waste to the EU and non-EU countries

Brexit Risks - Tariffs & Forex





- Decline in the value of GBP may result in a reduction in the attractiveness of working in the UK for both EU and non-EU nationals

Potential Mitigations

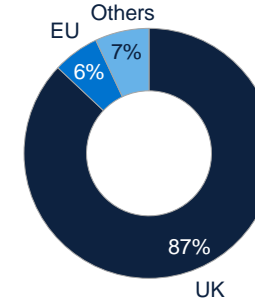
- Engage suppliers to evaluate workforce to identify breakdown of EU nationals.
- Map what % of employees are not directly employed and without notice periods or obligations
- Engage with suppliers to understand impact of Brexit on CoL's contracts (depending on if they are volume-based or fixed price)
- Evaluate workforce to identify breakdown of EU nationals and highlight any critical risks of potential breakdown in service.

IT categories face the main challenges of labour shortages and how and where data is stored and processed post Brexit

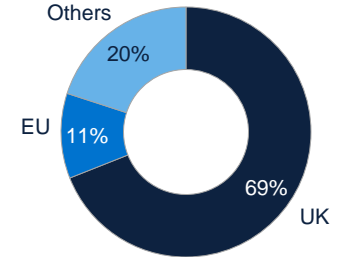
Risk	RAG
Supply	Green
Cost	Yellow

 Category Overview	<ul style="list-style-type: none"> In this category, IT services, data centres and hardware will be reviewed. Though this category is fragmented, the top ten vendors command a larger share of the market¹ with most leading vendors having a global presence (across multiple locations). Data centres are situated both in the UK and globally, Power and space rental costs constitute nearly 65%¹ of the total costs for data centres In order to act on collection, usage, storage and transmission of data within data centres, data sovereignty is an important aspect for enterprises as standards may be different across countries. Although hardware companies may be located in the UK, they may be having distribution centres and warehouses in the EU 11% of the London IT workforce is from the EU and 20% from non-EU countries²
 Contracts	<ul style="list-style-type: none"> IT service and data centre contracts may need to be revisited to understand if there is any data storage and regulatory impact due to changing regulations post Brexit For hardware, the average contract duration is 3-4 years with a refresh of hardware every 18-24 months¹
 City of London Context	<ul style="list-style-type: none"> CoL follows guidelines set by the HMRC regarding data usage and storage. Assuming the data is stored in the UK and continues to be so, there should be minimal impact. City's main outsourced ICT contract includes UK provision for data storage rather than EU. Expect market costs may increase for UK provision when City tender contracts Suppliers providing hardware for the police force may have supply chains extending to the EU which may be disrupted Licensing is another area CoL should review with suppliers to understand impact due to any changes in legislation
 Brexit Risks	<p>Movement of People</p> <ul style="list-style-type: none"> 6% of the workforce in the IT industry is made up of EU nationals, but over 30% of the workers in London are not UK nationals The UK, London in particular, may experience an IT skill shortage, as non UK workers make a big portion of the workforce Labour costs, and visa and immigration costs may increase for suppliers with centres in the UK. This may lead to moving of delivery centres to Europe and other non-EU countries
	<p>Movement of Goods</p> <ul style="list-style-type: none"> Risk of technology firms moving distribution centres to the EU putting an upward pressure on price. May affect supply chain for products and spare parts, especially if they are stocked outside UK. This may lead to longer lead times and waiting time for consumers
	<p>Tariffs & Forex</p> <ul style="list-style-type: none"> Volatility in currency may have an impact on cost Decline in GBP value may reduce the attractiveness of working in the UK for skilled workers from both EU and non-EU national

IT Workforce Composition (UK)






IT Workforce Composition (London)



Potential Mitigations	
<ul style="list-style-type: none"> Confirm with Suppliers future intentions for service locations, safety stock and impact on data storage and processing Review if the suppliers are paid in a currency other than Pound Sterling that may be affected by Brexit Evaluate workforce to identify breakdown of EU nationals and highlight any critical risks of potential breakdown in service Extensively review supplier's supply chain and remind supplier of responsibility for service continuation and proactive planning around spare parts and staffing Refresh training package and ensure readiness in case new staff need to be hired and trained 	

Networks and Telecommunications are unlikely to be majorly impacted although have some risks surrounding labour and equipment availability

Risk	RAG
Supply	Green
Cost	Yellow

 Category Overview	<ul style="list-style-type: none"> The network and telecommunications industry consist of both mobile and telecommunications infrastructure (e.g. cables) The telecoms industry is highly regulated which restricts a company's ability to operate in or provide services in certain areas/markets. UK regulation requires companies to maintain licenses for their operations¹. Telecoms markets are governed, in the majority, at a national, not EU, level The industry is characterised by rapid technological change, requiring high capital expenditure costs to set up infrastructure and implement new technologies. Major cost components include labour and equipment (e.g. fibre-optic cables) There are high-skilled workers in the industry as well as semi-skilled workers, involved in infrastructure construction.
 Contracts	<ul style="list-style-type: none"> For mobile, companies tend to adopt a pooling fee structure where a fixed fee is charged, and voice minutes and data is priced for the entire group, irrespective of how the volume is distributed across users¹ Contracts may need to be revisited to understand if there is any data storage and regulatory impact due to changing regulations post Brexit
 City of London Context	<ul style="list-style-type: none"> City of London will have contracts with likely one telecommunications supplier providing employee mobile services and potentially a number of suppliers providing network connectivity across London.
 Brexit Risks	<p>Movement of People</p> <ul style="list-style-type: none"> Loss of freedom of movement, and changes to the way workers are paid and taxed, presents risk of project delays and increasing labour costs Labour costs, and visa and immigration costs may increase for suppliers with centres in the UK. This may lead to moving of delivery centres to Europe and other non-EU countries
	<p>Movement of Goods</p> <ul style="list-style-type: none"> Risk of technology firms moving distribution centres to the EU putting an upward pressure on price. May affect supply chain for products and spare parts (e.g. fibre-optic cables), especially if they are stocked outside UK. This may lead to longer lead times and waiting time for consumers
	<p>Tariffs & Forex</p> <ul style="list-style-type: none"> Risk of increase in costs with companies charging extra for voice and data usage in the EU Volatility in currency may have impact on cost Decline in the value of GBP may result in a reduction in the attractiveness of working in the UK for both EU and non-EU nationals

Potential Mitigations

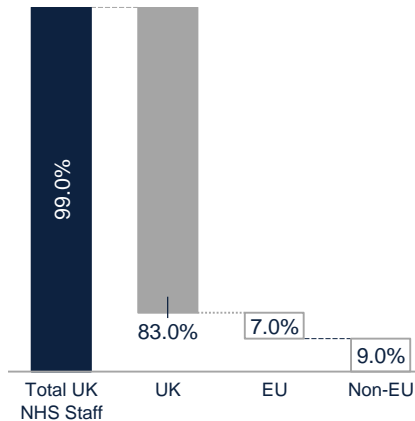
- Confirm with Suppliers future intentions for service locations, and impact on data storage and processing
- Review if the suppliers are paid in a currency other than Pound Sterling that may be affected by Brexit
- Evaluate workforce to identify breakdown of EU nationals and highlight any critical risks of potential breakdown in service
- Extensively review supplier's supply chain and remind supplier of responsibility for service continuation and proactive planning around spare parts and staffing
- Refresh training package and ensure readiness in case new staff need to be hired and trained

Adult and Social Care services need skilled labour to deliver services effectively which may be impacted by loss of freedom of movement

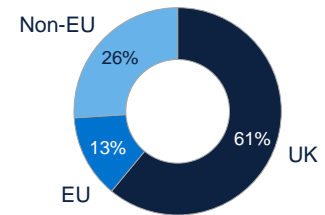
Risk	RAG
Supply	Yellow
Cost	Yellow

 Category Overview	<ul style="list-style-type: none"> Social care services are provided by Local Authorities, Charities and Independents. Social Care Workers in London are predominantly British (61%), with over a quarter non-EU nationals (26%) and the remainder being EU nationals (13%)¹ On average, care workers (who make up over half of the Social Care workforce) are paid marginally (5-10%) above the minimum wage. Almost a quarter of UK care workers are on zero-hour contracts. Approximately half of care workers have relevant qualifications of some level. Health and social care service failures are “high profile” and therefore there will be a reputational risk in the event CoL is unable to provide adequate services to its community.
 Contracts	<ul style="list-style-type: none"> Social care services may be delivered (i) direct with employment agencies or carers, with CoL directly managing the activities of the carers; and/or (ii) via outsourced care providers co-ordinating and providing services on behalf of City of London.
 City of London Context	<ul style="list-style-type: none"> CoL has responsibility for all the people, housing, education, social care and community services of the approximately 8,760-strong residential community in the Square Mile². Assuming the wider London social care workforce is representative of the CoL workforce, the main Brexit risks relate to the 13% of workers who are EU nationals. There may be need for increased spending on training to develop additional workforce capable of providing adult and social care services in London CoL requires its suppliers to pay the London living wage which is approx. 35%³ higher than the minimum wage and may protect them from shortage of labour to some extent as workers have incentive to work with CoL.
 Brexit Risks	Movement of People <ul style="list-style-type: none"> Labour shortages may lead to an upward wage pressure in the industry. As above, CoL London Living Wage policy may limit the impact and ensure CoL has continuity of labour, however suppliers' other contracts may be affected and there may be a knock-on effect In the short term, a shortage of labour due to loss of freedom of movement may result in people may not get required help in time, with potentially high profile negative press coverage
	Movement of Goods <ul style="list-style-type: none"> The supply of occupational therapy aids and home conversion appliances manufactured inside the EU could be interrupted (specialist toilets, handrails, mobility aids)
	Tariffs & Forex <ul style="list-style-type: none"> Decline in the value of GBP may result in a reduction in the attractiveness of working in the UK for both EU and non-EU nationals

Workforce Composition (UK)¹



Workforce Composition (London)¹



Potential Mitigations

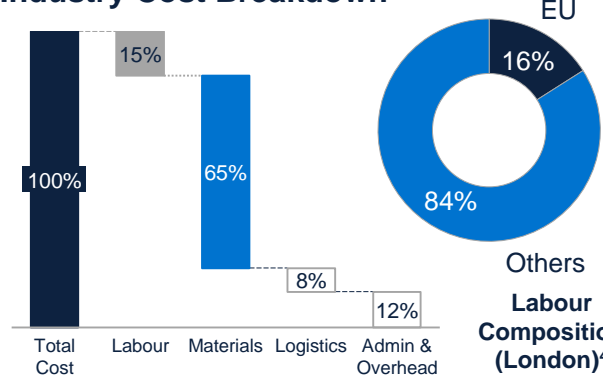
- Evaluate workforce to identify EU nationals and highlight any critical knowledge or skills held by individual employees and related risk of losing it
- Review and develop contingency plans to prioritise services in case there is restricted workforce at supplier
- Refresh training packages and funding to ensure readiness if new staff need to be hired and trained

MRO may see disruption in everyday activities mainly due to disruption in the supply chain of equipment needed for MRO activities

Risk	RAG
Supply	Yellow
Cost	Yellow

 Category Overview	<ul style="list-style-type: none"> MRO is the general categorisation for maintenance, repair and overhaul of plant, machinery and equipment and it's scope varies greatly by industry. For this overview we have focused on CoL critical systems for Water, Power, HVAC, Fire and Security Systems, and Lifts Machinery and equipment in these focus areas is often likely to have been originally manufactured in EU, requiring specialist parts and, in some cases, specialist labour for installation and services The typical MRO category cost breakdown is: Labour (15%), Material (65%), Logistics (8%), Admin/Overheads (12%)¹ Many suppliers keep labour costs low by employing contractors rather than permanent staff¹ Materials and Labour may be severely impacted due to Brexit and disrupt timelines in this category Government statistics include repair & installation of machinery and equipment under the manufacturing industry, and statistics show about 16% of workers in the industry in London are from the EU⁴. There are also expected to be a significant portion of workers from non-EU countries working in this industry.
 Contracts	<ul style="list-style-type: none"> There is a mix of cost plus, fixed price and management fee (all costs incurred + fixed management fee) contracts in the industry Cost plus and Fixed price models are more widely adopted than the Management fee model¹
 City of London Context	<ul style="list-style-type: none"> City of London will have a large number of critical systems for Water, HVAC and Lifts which, should they cease to operate properly, will impact ongoing use of premises/locations. This failure risk is managed by CoL through its MRO supplier contracts, who rely on availability of parts and labour to meet the required response/resolution times for the different repair categories. CoL has 4 different levels of repair categories depending on the associated risk and hazard: Emergency, Urgent, Priority and Non-Urgent repairs². CoL may have customer contracts with significant liabilities in the event that locations/premises are unusable.
 Brexit Risks	<p>Movement of People</p> <ul style="list-style-type: none"> Potential shortage of labour if the industry is reliant on labour from EU countries. For example: GKN's (automotive and aerospace components company) workforce consists of 10% EU nationals³ Upward pressure on wages and costs due to the potential scarcity of labour. Loss of freedom of movement, and changes to the way workers are paid and taxed, presents risk of delay in projects and increasing costs. For example, changes to EU worker's ability to reclaim tax may make UK less attractive to EU workers unless wages increase such that workers have same net position. If wages don't increase to this level, scarcity of labour will drive a labour cost increase regardless. <p>Movement of Goods</p> <ul style="list-style-type: none"> In some cases MRO parts physically located in the UK will be limited, with suppliers restocking from European warehouses when UK inventories reach a certain level. Lean stock management in these cases will have been enabled by efficient customs clearing. Potential delays at ports due to Brexit will result in longer lead times from Europe, requiring UK suppliers to increase local inventories to mitigate Failure to have the appropriate stock on hand for CoL may seriously impact its use of premises, in particular in relation to emergency and urgent repairs. <p>Tariffs & Forex</p> <ul style="list-style-type: none"> Material prices may increase due to increase in import/export duties and clearance work. Volatility in currency may have an impact on cost Decline in the value of GBP may result in a reduction in the attractiveness of working in the UK for both EU and non-EU nationals

Industry Cost Breakdown¹







Potential Mitigations

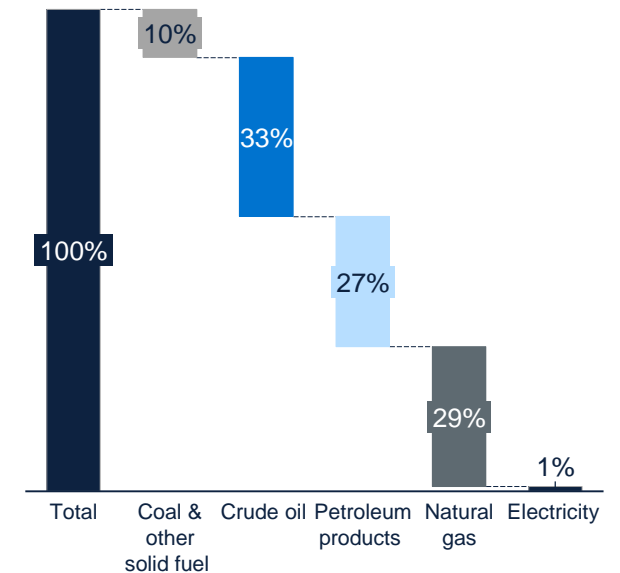
- Review CoL operations and customer contracts to understand critical assets/services and the critical MRO requirements associated with these.
- Engage with suppliers, prioritised according to the above review, to ensure they have appropriate safety stock of critical spare parts located in the UK and are taking action to manage inventories in the event of customs delays
- Ensure MRO requirements are up to date in case of a need to rapidly transition suppliers or retender

Commodities (Fuels) may see a price increase but supply is not expected to be interrupted

Risk	RAG
Supply	Green
Cost	Yellow

 Category Overview	<ul style="list-style-type: none"> In 2017 the UK had a net import energy dependency of 35.8%¹ Top countries where fuel is imported from¹: <ul style="list-style-type: none"> Crude Oil: Norway (57%), OPEC (24%), USA (8%)² Gas: Norway (75%), Qatar (12.6%), Belgium (5.6%)² Electricity: France and Netherlands² Coal: Russia (35%), USA (26%), Colombia (7.4%)² Petroleum products: Netherlands is the largest supplier of transport fuels but the US is the largest supplier of diesel 80% of the UK's 25M homes are powered by gas – and around 25% of the country's electricity is In 2017 39.7% of electricity was generated from gas, 29.4% from renewables, 20.9% from nuclear, 6.7% from coal.¹ At the same time, two thirds of domestic energy demand was met by gas³ generated by gas-fired power stations³ Labour working in this industry is typically highly-skilled
 Contracts	<ul style="list-style-type: none"> Contracts will continue being dictated by the market, with fuel and gas being sold and bought according to market prices
 City of London Context	<ul style="list-style-type: none"> The same applies to CoL as the wider market in regards to energy prices and how they may change. The market would continue selling at global price levels. CoL has a 100% renewable Electricity Policy. The solution to this is a renewable energy PPA, which brings price certainty by hedging the market.
 Brexit Risks	<p>Movement of People</p> <ul style="list-style-type: none"> Since the labour in this industry is highly-skilled, there should be minimal impact due to loss of freedom of movement. If workers do need a visa post Brexit, they would be eligible for applying for these since they are highly skilled
	<p>Movement of Goods</p> <ul style="list-style-type: none"> 44% of UK's gas comes through pipelines from Europe and 9% from LNG tankers³ Short term: potential for higher costs and longer lead times if port clearance is needed. Long term: Gas is expected to be increasingly sourced through supplies of LNG from other non-EU countries, such as the USA²
	<p>Tariffs & Forex “10-15% drop in currency” (Mitie: CoL energy broker)</p> <ul style="list-style-type: none"> Crude Oil and Gas price may increase if being imported from the EU due to increase in import/export duties and clearance work. Volatility in currency may have an impact on cost since oil and gas prices are tied to currency Decline in GBP value may reduce the attractiveness of working in the UK for skilled workers from both EU and non-EU nationals

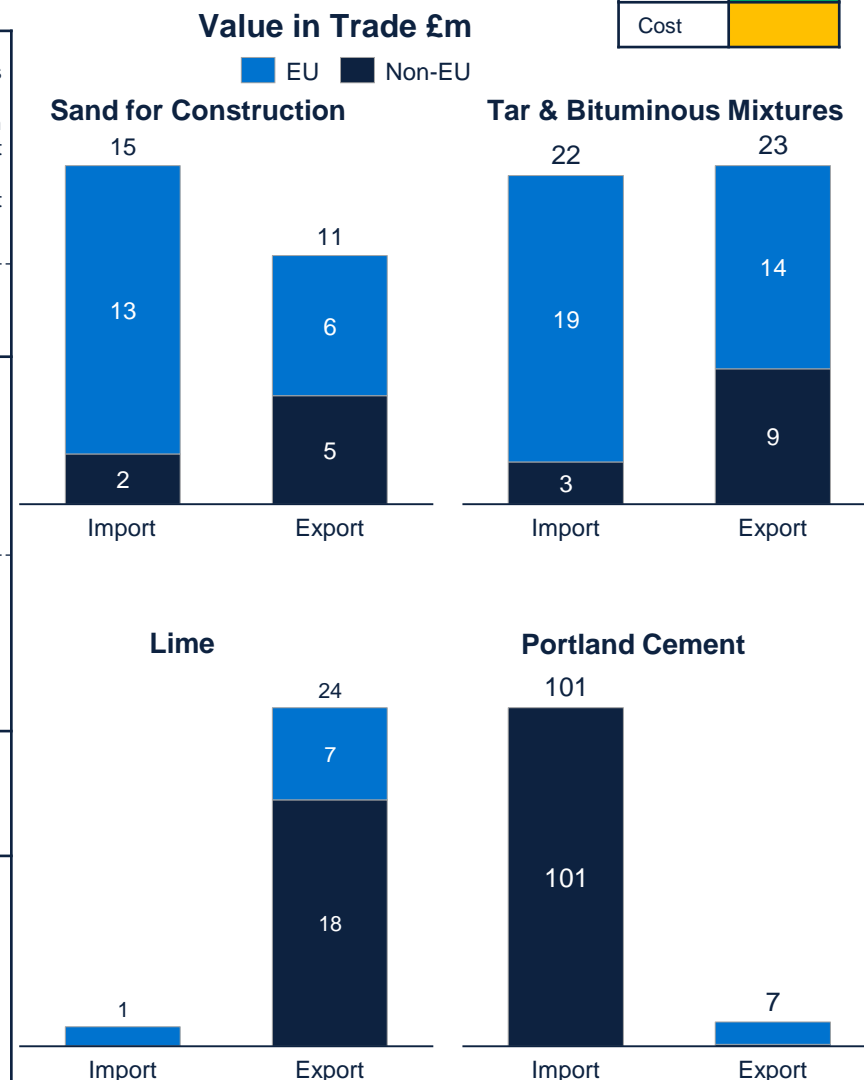
Energy imported into the UK by energy type, 2015⁴



Four key aggregates – Sand, Lime, Cement and Bituminous mixtures - and their value in trade is reviewed below





Risk	RAG
Supply	Green
Cost	Yellow

 Category Overview	<ul style="list-style-type: none"> Aggregates like sand, lime, tar & bituminous mixtures, and cement are some of the key materials used in construction of street pavements, buildings, bridges, monuments and in building interiors. The UK spends varying amounts in the export and import of these aggregates which can be seen in the graphs on the right – with the UK being net importers of Sand and Cement (note: this is at an aggregate level and does not account for the different material grades) Amongst these aggregates, over £100m is spent on import of Portland Cement (which is the most common type of cement used globally as a basic ingredient of concrete amongst other products)¹
 Contracts	<ul style="list-style-type: none"> Not Applicable
 City of London Context	<ul style="list-style-type: none"> CoL resurfaces about 15-20² roads each year and has committed significant amounts to construction over the coming years. While building construction spend is approx. £300m, highways spend is approx. £10m per annum Being an area that is heavily utilised by tourists and businesses, it is important for CoL to maintain the quality of its pavements and other installations to avoid loss of reputation. It is important supply of aggregates according to specifications is maintained to ensure no disruption or delays in any projects
 Brexit Risks	<p>Movement of Goods</p> <ul style="list-style-type: none"> The supply risks appear to be sand and cement where the UK is a net importer. It is important to understand where imported aggregates are entering the UK from as there can be potential delays at ports if clearance is required – leading to additional costs and longer lead times. This may have a knock-on effect on construction timelines, further increasing costs and potentially lost revenues <p>Tariffs & Forex</p> <ul style="list-style-type: none"> Aggregate prices may increase due to increase in import/export duties and clearance work from European and global imports. Volatility in currency may have an impact on prices of all aggregates, regardless of origin <p>Potential Mitigations</p> <ul style="list-style-type: none"> Review with suppliers where aggregates are being imported from to understand if there is potential for prices to increase Review lead-times and ask suppliers about safety stock as uncertainty exists regarding duties and port clearance Provide forecasted plans and requirements, where possible, to suppliers to allow them to secure supply at agreed prices ahead of Brexit Ensure material specifications and forecasts are up to date in case of a need to rapidly transition suppliers if they stop supplying to the UK

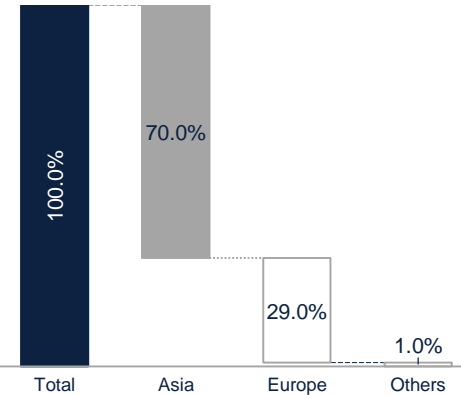


The majority of granite imports to the UK are Asia (70%) with 21% from Norway and 8% from other European countries

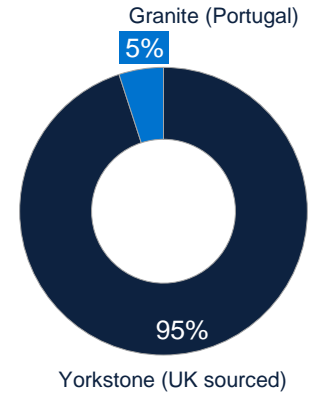
Risk	RAG
Supply	Yellow
Cost	Yellow

 Category Overview	<ul style="list-style-type: none"> Granite is used in construction of street pavements, buildings, bridges, monuments and in building interiors. Granite is available in a range of specifications. The granite market is growing rapidly by the “surging construction and renovation activities in developed countries, rapid industrialization and urbanization in developing countries, changing consumer preference for natural looking home décor, and the growing commercial value of granite products in the global market¹”. The majority of granite imports to the UK come from India (60%). 29% of granite coming into the UK is from Europe (21% Norway, 8% other European countries), and 10% from other Asian countries²
 Contracts	<ul style="list-style-type: none"> Not applicable
 City of London Context	<ul style="list-style-type: none"> CoL resurfaces about 15-20³ roads each year along with other construction projects. Many of the City’s public realm and roadworks make use of granite sets, along with other materials such as mastic asphalt and York stone Being an area that is heavily utilised by tourists and businesses, it is important for CoL to maintain the quality of its pavements and other installations to avoid loss of reputation. It is important supply of granite sets according to specifications is maintained to ensure no disruption or delays in any projects
 Brexit Risks	<p>Movement of People</p> <ul style="list-style-type: none"> Not applicable <p>Movement of Goods</p> <ul style="list-style-type: none"> It is important to understand where granite is entering the UK from as there can be potential delays at ports if clearance is required – leading to additional costs and longer lead times. This may have a knock-on effect on construction timelines, further increasing costs and potentially lost revenues Material supplies will be interrupted if suppliers stop serving UK markets altogether <p>Tariffs & Forex</p> <ul style="list-style-type: none"> Granite prices may increase due to increase in import/export duties and clearance work for European imports. Volatility in currency may have an impact on prices

Source of Granite import to UK²



Non-Asphalt hard surfaces used by CoL for surfacing



Potential Mitigations
<ul style="list-style-type: none"> Review with suppliers where Granite is being imported from to understand if there is potential for prices to increase Review lead-times and ask suppliers about safety stock as uncertainty exists regarding duties and port clearance Provide forecasted plans and requirements, where possible, to suppliers to allow them to secure supply at agreed prices ahead of Brexit Ensure material specifications and forecasts are up to date in case of a need to rapidly transition suppliers if they stop supplying to the UK

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Committee: Finance Committee	Date: 19 February 2019
Subject: Report of Action Taken - Public Decision taken under Urgency since the last meeting of the Committee	Public
Report of: Town Clerk	For Information
Report author: John Cater, Town Clerk's Department	

Summary

This report advises Members of urgent action taken by the Town Clerk since the last meeting of the Committee, in consultation with the Chairman and Deputy Chairman, in accordance with Standing Order No. 41(a) relative to approval of the Bridge House Estates Annual Report and Finance Statements 2017/18.

Recommendation

Members are asked to note the report.

Main report

SUBJECT: Bridge House Estates Annual Report and Financial Statements 2017/18

BACKGROUND

The Annual Report and Financial Statements for Bridge House Estates (BHE) for the year ended 31 March 2018 was presented to Audit & Risk Management and Finance Committees for approval behind the original planned schedule, due to the requirement to reconstitute the endowment fund within these accounts. The external auditor, Moore Stephens LLP, issued an unqualified audit opinion.

The key points to highlight are:

- The funds of the charity have been split between the permanent endowment fund (£831.6m) and unrestricted income funds (£564.2m), with total funds (net assets) held being £1,395.8m – an increase of £54.6m or 4.1% on the previous year;
- The net surplus for the year of £54.6m included gains on financial investments of £10.8m and on property investments of £53.6m;
- Subsequent to the year-end, the charity has sold one of the properties held within its investment portfolio (part of the endowment fund) for £97.1m.

Moore Stephens commenced its audit on 16 July. The financial statements provided for audit did not reflect the endowed nature of the charity, as the valuation of the endowed fund was not available at this time. Detailed research has been undertaken subsequently to confirm the valuation, hence the delay in concluding the audit and seeking approval of the financial statements.

The audit has now been completed. No significant issues have been raised and no material misstatements have been identified within the audit work undertaken. Representatives of the auditors attended the Audit and Risk Management Committee to present their report. The Audit Panel has reported to the Chamberlain that they do not have any concerns related to either the underlying accounting processes within the charity nor in relation to the revisions made regarding the permanent endowment fund.

ACTION TAKEN:

The Town Clerk in consultation with the Chairmen and Deputy Chairmen of Finance Committee

a) considered the contents of the Audit Management Report issued by Moore Stephens LLP; and

b) approved the BHE Annual Report and Financial Statements for the year ended 31 March 2018 taking account of any observations from the Audit and Risk Management Committee; and

agreed that the BHE Annual Report and Financial Statements are signed by the Chairman and Deputy Chairman of the Finance Committee on behalf of the Court of Common Council, being the Trustee of BHE.

REASON FOR URGENCY

Waiting until the FC meeting on 22/01 was a high risk action. Post that meeting there would remain a number of actions to take place prior to submission of the account to the Charity Commission by 31/01. Officers advised against leaving just 7 working days to cover matters such as:

- obtaining signatures and completing final authorisations & review checks with our auditors;
- providing signatures to our designers (not released by MS until they have signed) and undertaking final proof reading;
- online submission – Charity Commission warned charities not to file in the last few days of January due to the high volume of submissions that tend to happen at the point, with the expectation that their system will crash. Officers recommended avoiding leaving this until 30 – 31/01 as there was a high risk that we would not be able to successfully submit.

Due to the above, the recommendation was that Finance Committee approve the annual report under urgency, immediately after endorsement at ARM on 15/01.

Contact:

John Cater

Senior Committee and Member Services Manager, Town Clerk's Department

020 7332 1407

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