



## Finance Committee

**Date:** TUESDAY, 9 APRIL 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 1407  
[john.cater@cityoflondon.gov.uk](mailto: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 19<sup>th</sup> February 2019.  
  
*To Follow*  
  
**For Decision**
4. **FINANCE COMMITTEE'S FORWARD PLAN**  
Report of the Chamberlain.  
  
**For Information**  
(Pages 1 - 2)
5. **REPORT OF THE WORK OF THE SUB-COMMITTEES**  
Report of the Town Clerk.  
  
**For Information**  
(Pages 3 - 4)
6. **FINANCE COMMITTEE - RISK UPDATE**  
Report of the Chamberlain.  
  
**For Information**  
(Pages 5 - 24)
7. **CENTRAL CONTINGENCIES**  
Report of the Chamberlain.  
  
**For Decision**  
(Pages 25 - 34)
8. **FINANCIAL SERVICES DIVISION QUARTERLY UPDATE**  
Report of the Chamberlain  
  
**For Information**  
(Pages 35 - 40)
9. **DECISIONS TAKEN UNDER DELEGATED AUTHORITY AND URGENCY PROCEDURES**  
Report of the Town Clerk.  
  
**For Information**  
(Pages 41 - 44)
10. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
11. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**

12. **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**

13. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**  
To agree the non-public minutes of the meeting held on 19<sup>th</sup> February 2019.  
  
*To Follow.*
- For Decision**
14. **REPORT OF THE WORK OF THE SUB-COMMITTEES - NON-PUBLIC ISSUES**  
Report of the Town Clerk.
- For Information**  
(Pages 45 - 46)
15. **ASSET MANAGEMENT SERVICE BASED REVIEW - RECOMMENDATIONS**  
Report of the City Surveyor.
- For Decision**  
(Pages 47 - 68)
16. **CITY OF LONDON POLICE AND RAIL DELIVERY GROUP STAGE 2 CONTRACT AWARD**  
Report of the Commissioner of the City of London Police.
- For Decision**  
(Pages 69 - 74)
17. **CITY OF LONDON SCHOOL'S - APPLICATION TO THE CITY FOR A LOAN TO FUND THE SCHOOL'S MASTERPLAN**  
Report of the Headmaster of the City of London School.
- For Information**  
(Pages 75 - 90)
18. **LONDON GATEWAY - NEW OFFICE ACCOMMODATION**  
Report of the Interim Director of Consumer Protection and Markets Operations
- For Decision**  
(Pages 91 - 98)
19. **BRIDGE HOUSE ESTATES, ELECTRA HOUSE, 72-92 MOORGATE -SURRENDER OF LEASE AND NEW LETTING**  
Report of the City Surveyor.
- For Decision**  
(Pages 99 - 114)

20. **PAY AWARD AT THE MUSEUM OF LONDON**  
Report of the Director of the Museum of London
- For Decision**  
(Pages 115 - 116)
21. **NON-DOMESTIC RATES - REVIEW OF DISCRETIONARY RATE RELIEF**  
Report of the Chamberlain.
- For Decision**  
(Pages 117 - 124)
22. **NON-PUBLIC DECISIONS TAKEN UNDER DELEGATED AUTHORITY AND  
URGENCY PROCEDURES**  
Report of the Town Clerk.
- For Information**  
(Pages 125 - 130)
23. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE  
COMMITTEE**
24. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND  
WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE  
PUBLIC ARE EXCLUDED**

**Finance Committee – Work Programme 2019 and 2020**

Meeting:	April	May	June	July	August	September	October	November	December	January	Feb	March
<b>Budget setting process and Medium-Term Financial Planning</b>												
										Provisional Financial settlement for Local Government and Police	City Fund Budget Report and Medium-Term Financial Strategy	
<b>Effective Financial arrangements for the Corporation</b>												
				Provisional Outturn Report  Q1 Quarterly Monitoring Report		Capital Outturn Report		Q2 Quarterly Monitoring Report		Q3 Quarterly Budget monitoring		
<b>Financial statements</b>												
			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				
<b>Finance Committee as a service Cttee</b>												
	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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<b>Committee:</b> Finance Committee	<b>Date:</b> 9 April 2019
<b>Subject:</b> Public Report of the work of the Sub-Committees	<b>Public</b>
<b>Report of:</b> Town Clerk	<b>For Information</b>
<b>Report author:</b> 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 19<sup>th</sup> February 2019:

### **Procurement Sub Committee – 3 April 2019**

Verbal update

### **Corporate Asset Sub Committee – 4 April 2019**

Verbal update

### **Digital Services Sub Committee – 5 April 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](mailto:john.cater@cityoflondon.gov.uk)

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<b>Committee(s)</b>	<b>Dated:</b>
Finance Committee – For Information	09/04/2019
<b>Subject:</b> Chamberlain’s Department Risk Management – Quarterly Report	<b>Public</b>
<b>Report of:</b> Chamberlain	<b>For Information</b>
<b>Report author:</b> Hayley Hajduczek, Chamberlain’s Department	

## Summary

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

Risk is reviewed regularly by the departmental Senior Leadership Team as part of the ongoing management of the operations of the Chamberlain’s department.

The Chamberlain’s department currently has one corporate risk and eight departmental risks on its risk register. The most significant risks are:

- **CR23 – Police Funding** (Current Status: **RED**)
- **CHB IT 026 Failure to commence CoLP IT Modernisation** (Current Status: **RED**)
- **CHB IT 027 IP Telephony and Call recording – Cessation of dependency services** (Current Status: **RED**)
- **CHB IT 029 2020 – Contract Planning and Procurement** (Current Status: **RED**)

The Senior Leadership Team continues to monitor closely the progress being made to mitigate these risks.

## Recommendation(s)

Members are asked to note the report and the actions taken in the Chamberlain’s department to monitor and manage risks arising from our operations.

## 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 at the intervening Committee meetings.
2. Chamberlain’s risk management is reviewed on a monthly basis at Departmental Senior Leadership Team (SLT) meeting. Consideration is also given as to whether there are any emerging risks for inclusion in the risk register within Divisional updates

on key issues from each of the Directors, ensuring that adequate consideration is given to operational risk.

3. Risk and control owners are regularly consulted regarding the risks for which they are responsible, with updates captured accordingly. Significant changes to existing risks are escalated to SLT when identified.

### **Summary of Risks**

4. The Chamberlain's department currently has one corporate risk and eight departmental risks on its risk register, attached as Appendix 1 to this report, assessed as 4 RED risks, 4 AMBER, risks. These are:

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

5. Actions have been taken to address the forecast budget deficits in 2018/19 and 2019/20 but risks remain over the delivery of savings and service pressures. For medium-term finances beyond 2019/20, indicative Transform savings are currently insufficient to close the financial gaps. A strategic plan for balancing medium-term finances will be developed during 2019/20 covering efficiency, cost reduction, income generation and potentially growth bid measures, and taking account of the SR outcome expected late 2019.

#### **CHB FS005 – Brexit impact on City Corporation income streams (Current Risk: Amber– no change)**

6. Having reviewed the services in receipt of EU funding, the following areas affect us:
  - a. Agriculture: Funding is being guaranteed by the government or replacement funding planned; exposure is therefore limited to reductions over time.
  - b. Capital Projects have received one off grants in the past particularly at the markets, this would need to be covered until planned resourcing for asset replacement.
  - c. Only the Barbican looks to be affected by specific annual grants and at £70k this is small.
7. Our exposure to this aspect of the risk is therefore considered low.
8. The risk of a reduction to rental income from the property investment portfolio is low in the short term with tenants tied to rental values in long lease agreements.
9. Our non-property investments are mainly invested in pooled global securities and therefore very limited exposure to any potential deterioration or volatility in the FTSE index.

#### **CHB CP001 – Brexit risk to City Corporation procurement and supply chains (Current Risk: Amber – no change)**

10. City Procurement is receiving regular updates from the Cabinet Office and the London Procurement Network. Advice and actions are consistent with the team's approach to handling the supply chain risk at present.

**CR16 now CHB IT 030 – Information Security (Current Risk: Amber – reducing)**

11. Following approval from Summit Group this risk has now been reduced to an Amber rating. The risk has also been lowered to a Departmental Level Risk hence the change in risk number.

**CHB IT 004 – Business Continuity/Disaster Recovery - planning and management (Current Risk: Amber – no change)**

12. Work to assess and categorise IT applications and services is underway. Core finance applications, remote access and telephony services require testing following audit recommendations which will be carried out in due course. Disaster recovery testing is to be carried out 11<sup>th</sup> May.

**CHB IT 020 – Public Sector Network Compliance (Current Risk: Amber – no change)**

13. The Town Clerk has agreed and signed off the PSN submission and remediation actions. The PSN Compliance Application has been submitted to the Cabinet Office. The time frame for approval is not provided by the Cabinet Office so the team await response.

**CHB IT 026 Failure to commence CoLP IT Modernisation (Current Risk: Red – escalating)**

14. This risk has been escalated to departmental level as the decision on funding has been delayed and is now expected in April 2019. The force will be using Windows 7 devices after the date that Microsoft withdraw mainstream support. This will result in additional support cost of approximately £35k for 2019/20, £70k for 2020/21. The force is unable to progress with its Office 365 and IT modernisation programme until funding is agreed. The IT team await this decision in order to move forward.

**CHB IT 027 IP Telephony and Call recording – Cessation of dependency services (Current Risk: Red – escalating)**

15. The City of London Police has received cessation notices for key dependency services on which the Telephony and Call recording rely. Work has commenced on the migration project with a number of actions for the IT team to complete.

**CHB IT 029 2020 Contract Planning and Procurement – (Current Risk: Red – escalating)**

16. This risk has been escalated due to a lack of financial provision for the work required to plan and undertake the design, procurement and transition processes for migration from the Agilisys Managed Service Contract in August 2020. A decision on funding has been delayed and is due to be made in April the IT team await the outcome before moving forward.

### **Conclusion**

17. Members are asked to note the actions taken to manage these departmental and corporate risks in relation to the operations of the Chamberlain's Department.

### **Appendices**

- Appendix 1 Chamberlain's Department Detailed Risk Register

### **Background Papers**

Monthly Reports to Finance Committee: Finance Committee Risk

### **Hayley Hajduczek**

Chamberlain's Department

T: 020 7332 1033

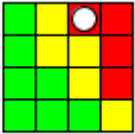
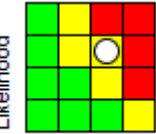

E: [Hayley.hajduczek@cityoflondon.gov.uk](mailto:Hayley.hajduczek@cityoflondon.gov.uk)

# CHB Detailed risk register by risk category


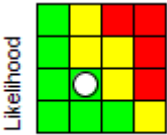

Report Author: Hayley Hajduczek

Generated on: 27 March 2019



Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator	Risk Level Description
<p>CR23 Police Funding</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 9</p> <p>21-Nov-2016 Ian Dyson; Peter Kane</p>	<p><b>Cause:</b> Reduction in government funding, workforce costs and growing demand in Policing services leading to pressures for the City Fund -Police. <b>Event:</b> Reduction in government funding. Failure to deliver VfM savings. Budget deficit forecast for next 5 years requiring action to balance the budget <b>Effect:</b> Potential impact on security and safety in the City as need to make savings, prioritise activity, review funding City of London Police will be unable to maintain a balanced budget and current service levels as reflected in their Medium Term Financial Plan.</p>	<p>Likelihood</p>  <p>Impact</p>	16	<p>Actions have been taken to address the forecast budget deficits in 2018/19 and 2019/20 but risks remain over the delivery of savings and service pressures.</p> <p>For medium-term finances beyond 2019/20, indicative Transform savings are currently insufficient to close the financial gaps. A strategic plan for balancing medium-term finances will be developed during 2019/20 covering efficiency, cost reduction, income generation and potentially growth bid measures, and taking account of the SR outcome expected late 2019.</p> <p><b>27 Mar 2019</b></p>	<p>Likelihood</p>  <p>Impact</p>	12	31-Mar-2020		Corporate

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CR23a	Deliver the savings programme for currently identified savings in 2018/19.	The CoLP savings plan to provide £3+m of mitigation, to partially offset the 2018/19 overspend, is subject to regular monitoring. £3m has now been logged as realised (from measures such as recruitment and non-pay freezes, and additional income generation measures) and is to be assured for the PA Board in May 2019. Other areas of forecast overspend are expected to be covered by the utilisation of c.£2m of POCA reserves as well as the allocation to CoLP of £1.9m additional BRP proceeds.	Ian Dyson	27-Mar-2019	31-Mar-2019
CR23b	Medium Term Financial Plan	A balanced budget has been set for 2019/20. However there are risks, in particular to managing workforce and overtime levels down, which will need to be closely monitored across the year.  For medium-term finances beyond 2019/20, indicative Transform savings are currently insufficient to close the financial gaps. A strategic plan for balancing medium-term finances will be developed during 2019/20 covering efficiency, cost reduction, income generation and potentially growth bid measures, and taking account of the SR outcome expected late 2019.	Alistair Cook	27-Mar-2019	31-Mar-2020


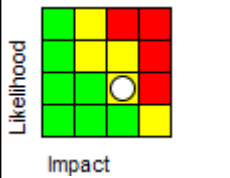

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator	Risk Level Description
<b>CHB FS005</b> <b>Brexit impact on City Corporation income streams</b>	<p><b>Cause:</b> The outcome of the Brexit negotiations disrupts funding streams in terms of both access to EU funding for UK-based organisations, and a potential downturn in investment in the City.</p> <p><b>Event:</b> The City Corporation fails to prepare adequately for the potential disruption to current income/funding streams.</p> <p><b>Effect:</b> Potential disruption in ability to deliver or commit to services/projects; increased demand on City Corporation services and grant giving owing to reductions in funding to UK-based charitable organisations.</p>		<p>8</p>	<p>Having reviewed the services in receipt of EU funding, the areas affect us:</p> <ul style="list-style-type: none"> <li>• Agriculture: Funding is being guaranteed by the government or replacement funding planned; so exposure is limited to reductions over time.</li> <li>• Capital Projects, have received one off grants in the past particularly at the markets, would need to be covered until planned resourcing for asset replacement</li> <li>• Only the Barbican looks to be affected by specific annual grants and at £70k this is small.</li> </ul> <p>Our exposure to this risk is therefore considered low.</p> <p>The risk of a reduction to rental income from the property investment portfolio is low in the short term with tenants tied to rental values in long lease</p>		<p>4</p>	<p>12-Apr-2019</p>		<p>Departmental</p>

<p style="text-align: center;">Page 12</p> <p>12-Nov-2018 Caroline Al-Beyerty</p>				<p>agreements.</p> <p>Our non-property investments are mainly invested in pooled global securities and therefore very limited exposure to any potential deterioration or volatility in the FTSE index.</p> <p>Funding streams are more exposed to a fall in office space occupation and consequent reduction in retained business rate income. However, there is no current indication of a fall in occupation levels or demand for City office and retail space; and the medium term financial plan only proposes spending business rate growth on one-off projects. There is a new risk that Brexit may be used to terminate leasing contracts; and we are following closely the decision in the Canary Wharf v European Medicines Agency case.</p> <p><b>27 Mar 2019</b></p>					
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Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB FS005b	A reduction in the demand for office and retail space in the City and West End leading to a reduction in market rental rates and a consequent reduction in rental income from the City's Property Portfolio.	The City Surveyor has identified no current fall in demand for office accommodation and the Central London market, in particular, has up to now been buoyant. Forecast rental income is regularly reviewed and any potential reduction will be factored into the medium-term financial plan.	Nicholas Gill	27-Mar-2019	31-Mar-2020
CHB FS005c	A reduction on the FTSE leading to: <ul style="list-style-type: none"> <li>• a reduction in the value of pooled investments- reducing the ability to draw down income streams to fund City's Cash and Bridge House Estates Activities</li> <li>• a reduction in the actuarial valuation of pension fund investments and failure to meet the timetable for pensions deficit recovery. In this event, a consequent potential need to make an employer's contribution into the scheme from revenue resources.</li> </ul>	The risk is very low as the City has a blend of strategies to manage investment risk across the investment cycle – currently only approximately 17% of funds are invested in UK mandates; with the bulk of the portfolio invested in global mandates. We are a long-term investor and over time the value of the pooled securities moves with market cycles. The Financial Investment Board (FIB) reviews the performance of the fund managers and consequently the overall performance of the Funds at each meeting and receives regular reports from the Investment Consultant on the state of the markets.	Kate Limna	27-Mar-2019	31-Mar-2020
CHB FS005d	A reduction in demand for office space in the square mile, leading to lower occupation and business rate income. As the Corporation is currently benefitting from growth in business rates retained income of c£40m.	There is no indication of a significant fall in demand for office or retail space in the City.  Our financial plans currently only permit the growth in Business Rates retained income to be spent on one-off projects.  There is a safety net in the Business Rates Retention scheme which limits our exposure should Business Rates fall below the amount set as our baseline funding amount. As part of the current London Business Rates Pool pilot scheme there is a no-detriment guarantee which limits our exposure to a fall in Business Rates.	Phil Black; Philip Gregory	27-Mar-2019	31-Mar-2020
CHB FS005e	Use of Brexit to terminate lease contracts via the doctrine of frustration.	The High Court has ruled in favour of Canary Wharf Group in its legal case with the European Medicines Agency.  The High Court ruled that Brexit does not frustrate EMA's rental obligations on circa 293,000 sq ft at 30 Churchill Place, which is owned by Canary Wharf Group. EMA's lease started in 2014 and expires in 2039, without a break clause.	Nicholas Gill	27-Mar-2019	12-Apr-2019

		<p>EMA had argued Britain's exit from the European Union was an unexpected event that 'frustrated' its 25 year lease.</p> <p>The doctrine of Frustration is a legal concept that occurs when an unforeseen event leads to a contract becoming physically or commercially impossible to fulfil.</p> <p>In summing up the judge said: 'I conclude that the lease will not be frustrated on the withdrawal of the UK from the EU. This is neither a case of frustration by supervening illegality nor one of frustration of common purpose.'</p> <p>This means the EMA will be obliged to perform its obligations, including paying its rent, etc under the lease.</p> <p>This judgement accordingly is good news for the UK property market and the UK economy as a whole, as it should minimise the amount of similar claims being made by tenants or indeed other contracting parties.</p> <p>The EMA has an extended period in which to appeal up to 29 March 2019.</p> <p>The case will continue to be monitored.</p>			
CHB FS005f	<p>In the event of a no-deal Brexit, events at the Barbican Centre not going ahead/ becoming more costly, due to: restrictions on:</p> <ul style="list-style-type: none"> <li>• movement of people- with delays in artists/ teams arriving, additional costs of visas and staff shortages in ancillary services;</li> <li>• movement of cultural goods and data- new costs, customs and freight disruption, supply chain disruption and ease of transfer of personal data;</li> <li>• potential tariffs; and</li> <li>• currency fluctuations</li> </ul> <p>ultimately reducing profitability of events and increasing the net cost of the Barbican to City Fund.</p>	<p>Movement of people:</p> <ul style="list-style-type: none"> <li>-Recent Home Office announcement that in a No Deal scenario, EEA citizens will be able to enter the UK to visit, work or study as they do now as long as they do not intend to stay for longer than 3 months mitigates risk around potential visa costs and administrative burden.</li> <li>-Ensuring contractors and suppliers of supporting areas of the business eg catering, have robust Brexit risk mitigation plans (low).</li> </ul> <p>Movement of goods and services- this remain a key risk and ties in with the overall supply chain risk for the organisation. The Barbican will continue to monitor Brexit-related developments and assess potential impact, particularly from freight delays. In addition, the Barbican will:</p> <ul style="list-style-type: none"> <li>-Review legal, insurance and contractual position in the case of event cancellation;</li> <li>-Prepare communications plan for companies/audiences in the case of event cancellation; and</li> <li>-Review exposure to EU data transfers by contacting suppliers.</li> </ul> <p>Potential tariffs- unknown at this stage. Monitor position regularly and assess potential impact.</p> <p>Currency fluctuations - where possible, contracts (and fees) will be agreed in sterling although it is not easy to but a % in it.</p> <p>The Barbican continues to closely monitor political developments and explore measures that can be implemented to try and mitigate against these risks. This work is being undertaken in collaboration with key City of London Corporation departments as part of the Corporation-wide planning for a No Deal Brexit.</p>	Sandeep Dwesar	27-Mar-2019	12-Apr-2019

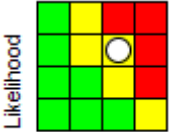
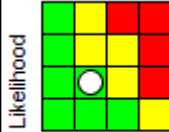

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator	Risk Level Description
CHB CP001 Brexit risk to City Corporation procurement and supply chains	<p><b>Cause:</b> The UK leaving the EU (Brexit) with no trading deals in place.</p> <p><b>Event:</b> The result of the Brexit negotiations could have a negative impact on the Corporation's supply chain, both with direct tier 1 suppliers and their sub-contractor network.</p> <p><b>Effect:</b> Brexit could effect changes to our direct suppliers and their supply chain, impacting negatively on the Corporation. A range of potential impacts are:</p> <ul style="list-style-type: none"> <li>• <b>Regulatory / Legal requirements</b> -existing supply contracts may be impacted by changes in regulation, or legal requirements.</li> <li>• <b>Assurance of Supply</b> - risk that a complete failure in supply of the goods / service (e.g. Carillion) from key suppliers could be felt.</li> <li>• <b>Quality</b>- quality of the goods / service impact due to changes in our Supply Chain.</li> <li>• <b>Service</b>- Service levels be impacted negatively by any changes in the Supply Chain or access to workers, particularly in low skilled categories.</li> <li>• <b>Financial risk</b> -Are any supply changes likely to drive up costs of the Goods / Services/Works in the</li> </ul>		12	<p>Crown Commercial Service issued a Procurement Policy Note on 7 March 2019 which was consistent with the advice given on 13 January 2019 by the Cabinet Office.</p> <p>1. 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 the 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 accredited to interface with this new portal including our eTendering provider</p>		8	12-Apr-2019		Departmental

<p><i>short/medium/long term.</i></p> <ul style="list-style-type: none"> <li>• <b>Sustainability</b>- <i>risk that will change the level of innovation or sustainability of the goods / service/work against expectations?</i></li> <li>• <b>Workload</b>- <i>Will changes in the Supply Chain cause significant workload to the Procurement/Commercial/Legal teams due to change controls/re-negotiation of terms?</i></li> </ul>		<p>Jaegger.</p> <p>2. Deal Secured - The regulations will stay as current and be phased to UK only legislation by 31 December 2020.</p> <p>3. Extension of Article 50 - The regulations will stay as current until details of a revised transition period are announced.</p> <p>The EU Exit risk assessment by category report developed in conjunction with Efficio Consulting has now been signed off by the Brexit Planning Group and went to Finance Committee 19/02/2019.</p> <p>An approach to key suppliers to request their mitigation plans in relation to Brexit will be conducted at the appropriate time [when we know what is happening on the 29th of March].</p> <p>Finally, the outcome of the Canary Wharf V European Medicines Agency (EMA); the EMA has lost its bid to cancel a lease on its office in London's Canary Wharf financial</p>					
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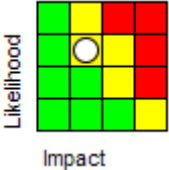
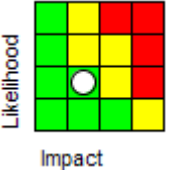

12-Nov-2018 Christopher Bell				district due to Brexit, in a landmark ruling that lawyers said could stave off similar such claims by other tenants. <b>27 Mar 2019</b>					
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Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB CP001a	Work with London Councils and London Procurement Network to assess key risks by spend category. Sharing information and findings to assist key risks to the Corporation.	City Procurement is receiving regular updates from the Cabinet Office and the London Procurement Network. Advice and actions are consistent with our approach to handling the supply chain risk at present.	Christopher Bell	27-Mar-2019	12-Apr-2019
CHB CP001d	Draft a communications plan based on the three likely Brexit scenarios - no deal, extended deal, and deal.	Given the outcome of the latest vote and no resolution on what the Brexit impact is of yet, no communications to our key suppliers is planned.	Christopher Bell	27-Mar-2019	12-Apr-2019

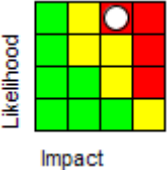
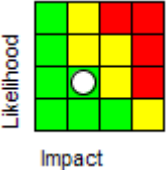

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Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator	Risk Level Description
<b>CHB IT 004 Business Continuity / Disaster Recovery - planning and management.</b>  Page 18 30-Mar-2017 Sean Green	<b>Cause:</b> A lack of clear understanding of Business need for Services and Applications. No procedure in place for regular reviews with business. <b>Event:</b> The IT Division cannot provide assurance of availability or timely restoration of core business services in the event of a DR incident or system failure. <b>Effect:</b> The disaster recovery response of the IT Division is unlikely to meet the needs of COL and COLP leading to significant business interruption and serious operational difficulties.	 Likelihood Impact	12	The overarching Business Impact Assessment by Town Clerks is incomplete.  Work to assess and categorise IT applications and services is underway.  Core finance applications, remote access and telephony services require testing following audit recommendations.  DR test delayed at request of the Oracle Team due to year end activities.  <b>27 Mar 2019</b>	 Likelihood Impact	4	17-May-2019		Departmental

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB IT 004a	Plans developed in accordance with BIAs	This is being reviewed internally with IT and the Town Clerk's Business Continuity Team. These are broadly complete, but require review.	Matt Gosden	27-Mar-2019	30-Apr-2019
CHB IT 004f	Review Critical Applications list for a view of applications to be updated	Applications Strategy being agreed by SRG and Summit in December. Application and Service criticality assessment criteria devised. Application review against these criteria underway.	Matt Gosden	27-Mar-2019	30-Apr-2019
CHB IT 004g	Plan and implement DR Test	DR test being planned between COL and Agilisys for critical financial, remote working and telephony services. Delay requested by Finance Team due to year end activities. New date for DR test is 11th May 2019	Matt Gosden	27-Mar-2019	11-May-2019

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator	Risk Level Description
<b>CHB IT 020 Public Service Network Compliance</b>  03-Nov-2017 Matt Gosden	<b>Cause:</b> PSN compliance is not achieved through non-submission or unsatisfactory submission. <b>Event:</b> The SIRO or Town Clerk do not accept the risks of un-remediated vulnerabilities from the IT Health Check. Or are not satisfied with the remediation measures implemented. The Cabinet Office PSN team do not certify the City of London's PSN compliance application. <b>Effect:</b> Reputational: The City of London receives adverse attention due to an IT infrastructure deemed as unsecure. Operational: The City of London are unable to connect to PSN services, including the DWP and other Government agencies and bodies.		6	The Town Clerk has agreed and signed off the PSN submission and remediation Actions.  The PSN Compliance Application has been submitted to the Cabinet Office. The time frame for approval is not provided by the Cabinet Office.  <b>26 Mar 2019</b>		4	30-Apr-2019		Departmental

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB IT 020f	Cabinet Office Approval	Awaiting response from cabinet office, the time frame has not been provided.	Matt Gosden	26-Mar-2019	30-Apr-2019

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator	Risk Level Description
<b>CHB IT 026 Failure to commence CoLP IT Modernisation</b>  CT-Mar-2019 Kevin Mulcahy	<p><b>Cause:</b> A lack of financial provision in budgets or contingency funding may cause a failure to commence CoLP IT Modernisation projects, as planned and on time. Decreased provision may require the work to be re-prioritised, reduced in scope or extended over a longer period, any of which would have a negative effect.</p> <p><b>Event:</b> A failure to begin essential projects in Jan 2019 and the planned programmes of IT Modernisation at the beginning of FY 2019/20 could at a minimum lead to the following:</p> <ul style="list-style-type: none"> <li>• A delay in adopting O365 based identity access management (IAM) and aligned applications in suitable time frames. This in turn could lead to reduced access to national databases such as PND and NLEDS products.</li> <li>• Insufficient time to update O/S to Windows 10 before Windows 7 becomes unsupported by MS. As well as a vulnerability, this will be a compliance issue / breach of policy. A support package would also need to be implemented for unsupported Win7 environment.</li> </ul>		<b>16</b>	<p>Decision on funding delayed. It is now expected in April 2019. Force will be using Windows 7 devices after date that Microsoft withdraw mainstream support. This will result in additional support cost of approx. £35k for 2019/20, £70k for 2020/21.</p> <p>The force is unable to progress with its O365 and IT modernisation programme.</p> <p><b>27 Mar 2019</b></p>		<b>4</b>	30-Apr-2019		Departmental



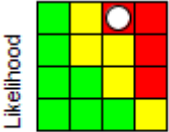
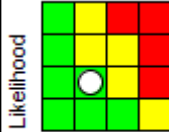
	<ul style="list-style-type: none"> <li>• Reputational Damage due to reduced ability to work with other forces and meet Home Office expectations, as well as not meeting the Corporate Plan and ability to complete other planned projects.</li> </ul> <p><b>Effect:</b>The effect of prolonging the life of the current technology or delaying in the adoption of nationally agreed police IT architecture could lead to a partial or total failure of CoLP systems and data loss/compromise, in turn leading to operational failure and possible physical, operational, reputational and financial damage. Failure to provide service to the public.</p>							
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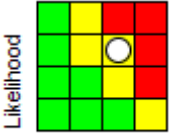
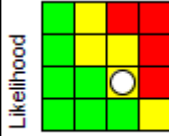
Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB IT 026a	Business Case and rationale for CoLP modernisation submitted as a Committee paper to Resources and Allocation Committee for prioritisation and agreement	IT Modernisation roadmap approved by Committees December 2018. Supporting Gateway papers 1-2 approved for urgent schemes. No financial provision currently in place. Decision of funding is delayed and expected in April 2019	Kevin Mulcahy	26-Mar-2019	30-Apr-2019
CHB IT 026b	Using available funds to start some initial design work	Work commissioned on early design for Office 365 Modernisation	Kevin Mulcahy	26-Mar-2019	30-Apr-2019
CHB IT 026c	Force advised to make financial provision for extended support for legacy Windows 7 estate.	Documented risk notified to force.	Andrew Bishop	25-Mar-2019	30-Apr-2019
CHB IT 026d	Decision on funds required.	IT Modernisation roadmap approved by Committees December 2018. Supporting Gateway papers 1-2 approved for urgent schemes. No financial provision currently in place. Decision of funding expected in March 2019. This has been delayed until April 2019.	Kevin Mulcahy	25-Mar-2019	30-Apr-2019

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator	Risk Level Description
<b>CHB IT 027 IP Telephony and Call recording – Cessation of dependency services</b> 01-Mar-2019 Matt Gosden	<b>Cause:</b> The Force receives cessation notices for key dependency services on which the Telephony and Call recording rely. <b>Event:</b> The Force does not have enough notice to remediate the risk of ceased or ceasing essential services on which Telephony and Call recording rely. <b>Effect:</b> Essential Telephony and Call recording services are not available, leading to severe reputational and operational risk to the Force and potential public safety and welfare risks to the wider public.	 Likelihood	16	Financial and Project Approval has been gained.  Work has commenced on migration project.  <b>26 Mar 2019</b>	 Likelihood	2	31-May-2019		Departmental

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB IT 027b	Trigger process with supplier to start DDI porting	PO in process	Matt Gosden	26-Mar-2019	03-Apr-2019
CHB IT 027c	Expand SIP Capacity with current provider	PO in process	Matt Gosden	26-Mar-2019	03-Apr-2019
CHB IT 027d	Build virtual Environment	Expand PoC virtual environment to form base new environment on which to deliver telephony services and ported DDI ranges.	Matt Gosden	11-Mar-2019	30-Apr-2019
CHB IT 027e	Configure New extensions in new Environment	Create internal configuration and migrated Mitel databases and user accounts from old estate to new across all Police sites.	Matt Gosden	11-Mar-2019	15-May-2019
CHB IT 027f	Implement Call Recording	Based on Business requirements and High and Low level designs, implement virtualised core call recording platform and on-premise recorder for Integrated Command and Control System.	Matt Gosden	11-Mar-2019	15-May-2019
CHB IT 027g	Completion of Porting	Ported DDI ranges land and deliver incoming call traffic over new SIP to new environment. Test.	Matt Gosden	11-Mar-2019	29-May-2019

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator	Risk Level Description
<b>CHB IT 029 2020 Contract Planning and Procurement</b> 01-Mar-2019 Kevin Mulcahy	<b>Cause:</b> A lack of financial provision for the work required to plan and undertake the design, procurement and transition processes for migration from the Agilisys Managed Service Contract in August 2020. <b>Event:</b> The Corporation will not have appropriate contracts in place to support the business when the current IT Managed Service Contract expires in August 2020. The IT Department will not have enough time or resources available to complete all required activities. <b>Effect:</b> The IT department will not be in a position to provide the appropriate and contractually sound service to the business.	 Likelihood Impact	16	Decision on funding delayed. It is now expected in April 2019  <b>26 Mar 2019</b>	 Likelihood Impact	4	30-Apr-2019	↑	Departmental

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB IT029a	Funding required to support service design and contract transition	Decision on funding delayed. It is now expected in April 2019	Kevin Mulchay	26-Mar-2019	30-Apr-2019

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator	Risk Level Description
<b>CHB IT 030 Information Security (formerly CR16)</b>  14-Mar-2019 Peter Kane  <b>Page 24</b>	<b>Cause:</b> Breach of IT Systems resulting in unauthorised access to data by internal or external sources. Officer/ Member mishandling of information. <b>Event:</b> Cybersecurity attack - unauthorised access to COL IT systems. Loss or mishandling of personal or commercial information. <b>Effect:</b> Failure of all or part of the IT Infrastructure, with associated business systems failures. Harm to individuals, a breach of legislation such as the Data Protection Act 2018. Incur a monetary penalty of up to €20M. Compliance enforcement action. Corruption of data. Reputational damage to Corporation as effective body.	 Likelihood Impact	12	Following approval from Summit the risk has been reduced to Amber. This will be reduced to a Departmental Level Risk <b>27 Mar 2019</b>	 Likelihood Impact	8	31-Jan-2019	↓	Departmental

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CR16k	Final stages of completing information security projects which will mean that we can assure Members that the City of London Corporation has implemented all the national government recommended security practices and technology achieving a maturity level of 4.	Information Security projects are being delivered as planned. The Information Security team recommended to the Audit and Risk Committee that this risk is reduced to Amber.  Move towards a continuous improvement model is being adopted to ensure the controls in place are embedded, mature and reflective of emergent threats and risks.	Gary Brailsford-Hart	25-Mar-2019	30-Apr-2019

<b>Committee:</b> Finance Committee	<b>Date:</b> 9 April 2019
<b>Subject:</b> Central Contingencies	<b>Public</b>
<b>Report of:</b> Chamberlain	<b>For Decision</b>
<b>Report author:</b> Philip Gregory, Financial Services Division	

## Summary

This report has been produced to provide Members with an anticipated year-end position for 2018/19 Contingencies and an update on the uncommitted balances for 2019/20 Contingencies.

Of the previous allocations agreed by Committee, sums of £25,000 from City's Cash Contingency and £15,000 from City Fund Contingency will be required in future years. Therefore, it is proposed that these sums are carried forward from 2018/19 to 2019/20 thereby ensuring that a full year's contingency provision is available during 2019/20.

## Recommendation(s)

Members are asked to agree to carry forward sufficient resources of £40,000 to meet existing allocations and thereby providing a full year's contingency for funding requirements that may arise during 2019/20.

## 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

### 2018/19 Contingency Balances

3. The anticipated year-end positions of the 2018/19 central contingencies and the national and international disasters contingency are set out in tables 1 and 2 respectively.

	City's Cash £'000	City Fund £'000	Bridge House Estates £'000	Total £'000
2018/19 Provision	950	800	50	1,800
2017/18 Provision brought forward to fund allocations agreed in previous financial years	109	60	0	169
<b>Total Provision</b>	<b>1,059</b>	<b>860</b>	<b>50</b>	<b>1,969</b>
Less Allocations				
2018/19 financial year	(870)	(718)	(4)	(1,592)
Agreed for future financial years- carry forward	(25)	(15)	0	(40)
<b>Uncommitted Balances</b>	<b>164</b>	<b>127</b>	<b>46</b>	<b>337</b>

	City's Cash £'000
2018/19 Provision	100
2017/18 unspent provision brought forward	0
Less Allocations	(100)
<b>Uncommitted Balances</b>	<b>0</b>

4. Of the previous allocations agreed by Committee, a sum of £40,000 as listed below will be required in future years. Therefore, it is proposed that these sums are carried forward from 2018/19 to 2019/20 thereby ensuring that a full year's contingency provision is available during 2019/20.
- £25,000 for Biography of Sir Thomas Gresham from City's Cash Contingency
  - £15,000 towards an ongoing appeal regarding Greater London Authority Roads from City Fund Contingency

5. In assessing the adequacy of contingency funds, the provision of funds for 2018/19 has been more than sufficient resulting in an uncommitted balance for each Central Contingency at year-end. On this basis the existing contingency provision will remain unchanged for 2019/20.
6. Appendix 1 provides the sums the Committee has previously allocated and anticipated year-end position for 2018/19 contingencies.

#### 2019/20 Contingency Balances

7. Assuming the proposal outlined in paragraph 4 is agreed, the uncommitted balances that are available for 2019/20 is set out in table 3. At the time of writing this report there are no requests for funding elsewhere on the agenda.

Table 3: Uncommitted Balances and requests against 2019/20 Contingencies at 27 March 2019				
	City's Cash £'000	City Fund £'000	Bridge House Estates £'000	Total £'000
General Contingencies	950	650	50	1,650
National and International Disasters	100	0	0	100
<b>Uncommitted Balances</b>	<b>1,050</b>	<b>650</b>	<b>50</b>	<b>1,750</b>
Requests for contingency allocations	0	0	0	0
<b>Balances pending approval</b>	<b>1,050</b>	<b>650</b>	<b>50</b>	<b>1,750</b>

8. Appendix 2 provides the sums which the Committee has previously allocated and the uncommitted balances for 2019/20 contingencies.

#### **Conclusion**

9. Members are asked to agree to carry forward sufficient resources of £40,000 to meet existing allocations and thereby providing a full year's contingency for funding requirements that may arise during 2019/20.

#### **Appendices**

- Appendix 1 – 2018/19 contingencies
- Appendix 2 – 2019/20 contingencies

#### **Philip Gregory**

Deputy Financial Services Director

T: 020 7332 1284

E: [Philip.Gregory@cityoflondon.gov.uk](mailto:Philip.Gregory@cityoflondon.gov.uk)

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**2018/19 General Contingency – City’s Cash**

Date	Description	Responsible Officer	Allocation £	Balance £
	2018/19 Provision			950,000
	2017/18 Provision brought forward to fund allocations agreed in previous years			109,000
	Total Provision			1,059,000
21 Oct 2014	Up to £98k in phased match funding (in partnership with the Mercers' Company) for a biography of Sir Thomas Gresham (transferred £29k in 2014/15, £9k in 2015/16 and £1k in 2017/18)	TC	59,000	
12 Mar 2018 (Urgency)	Funding towards the replacement of a servery counter for the Guildhall Club kitchen	CS	50,000	
8 May 2018	Joint funding towards 2.5 additional posts and IT related equipment at Gresham College	TC	50,000	
24 Jul 2018	Total funding of £150k towards the CoL IT strategy (split £38k City Fund, £18k City's Cash and £4k Bridge House Estates)	CHB	18,000	
19 Aug 2018 (Urgency)	Funding for site and limited company due diligence in relation to the Markets Consolidation Programme which will be reimbursed later in the year	CS/M&CP	115,000	
15 Oct 2018 (Urgency)	Funding to uplift current year Shrieval, Mayoral and Clothing Budgets	TC/CHB/MH&OB	236,000	
27 Nov 2018 and 22 Jan 2018 (Urgency)	Funding of £230k which comprises £130k towards securing a short-term bank loan facility (Rothschild £60k and Solicitors £70k) and £100k to Solicitors for the private placement of debt raising requirement.	CHB	230,000	
13 Feb 19 (Urgency)	Funding towards the cost of Hostile Vehicle Mitigation for the 2018 Lord Mayor's Show	CHB	74,000	
26 Mar 19 (Urgency)	Funding for bridging facility arrangement fees	CHB	63,000	
	Total allocations agreed to date			895,000
	Balance remaining prior to any requests that may be made to this meeting			164,000

**2018/19 General Contingency – City Fund**

Date	Description	Responsible Officer	Allocation £	Balance £
	2018/19 Provision			800,000
	2017/18 Provision brought forward to fund allocations agreed in previous years			60,000
	Total Provision			860,000
17 Feb 2015 and 19 Jan 2016	Funding of £142,000 and an additional sum of £80,000 towards an ongoing appeal regarding Greater London Authority Roads (transferred £84,000 in 2014/15, £20,000 in 2015/16, £23,000 in 2016/17 and £35,000 in 2017/18)	C&CS/CS	60,000	
6 Apr 2018	Funding of £80,000 towards a building fire survey and cost of interim Fire Safety Advisor at the Central Criminal Court	TC	80,000	
8 May 2018	Funding of £185,000 towards an item only for Members attention	TC	185,000	
8 May 2018	Joint funding of £18,477 towards the immediate work of restoring the priority works within the Gresham Music Collection	TC	19,000	
24 Jul 2018	Funding of £111,000 towards additional posts within Town Clerk's Committee and Member Services	TC	111,000	
24 Jul 2018	Total funding of £150,000 towards the CoL IT strategy (split £38,000 City Fund, £18,000 City's Cash and £4,000 Bridge House Estates)	CHB	38,000	
24 Jul 2018	Total funding of £90,000 towards the CoLP IT strategy	CHB	90,000	
19 February 2019	Funding of £300,000 towards an ongoing appeal regarding Greater London Authority Roads split equally split from the 2018/19 and 2019/20 contingencies	C&CS/CS	150,000	
	Total allocations agreed to date			733,000
	Balance remaining prior to any requests that may be made to this meeting			127,000

**2018/19 General Contingency – Bridge House Estates**

Date	Description	Responsible Officer	Allocation £	Balance £
24 Jul 2018	2018/19 Provision	CHB	4,000	50,000
	2017/18 Provision brought forward to fund allocations agreed in previous years			
	Total Provision			50,000
	Total funding of £150,000 towards the CoL IT strategy (split £38,000 City Fund, £18,000 City's Cash and £4,000 Bridge House Estates)			
	Total allocations agreed to date			4,000
Balance remaining prior to any requests that may be made to this meeting		46,000		

### 2018/19 National & International Disasters Contingency – City's Cash

Date	Description	Responsible Officer	Allocation £	Balance £	
04 Oct 2018	2018/19 Provision	TC	40,000	100,000	
	DEC Indonesia and Tsunami Appeal				
	04 Jan 2019			Save the Children UK – Indonesia Tsunami	30,000
	20 March 2019			DEC Cyclone Idai	30,000
	Total allocations agreed to date			100,000	
Balance remaining prior to any requests that may be made to this meeting		0			

#### Key to Responsible Officers:

CS – City Surveyor

TC – Town Clerk

C&CS – Comptroller and City Solicitor

OS – Director of Open Spaces

CHB – The Chamberlain

M&CP – Director of Markets and Consumer Protection

MH&OB – Executive Director Mansion House and Old Bailey

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**2019/20 General Contingency – City’s Cash**

Date	Description	Responsible Officer	Allocation £	Balance £
21 Oct 2014	2019/20 Provision	TC	25,000	950,000
	2019/20 Provision brought forward to fund allocations agreed in previous years			25,000
	Total Provision			975,000
	Up to £98,000 in phased match funding (in partnership with the Mercers' Company) for a biography of Sir Thomas Gresham (transferred £29,000 in 2014/15, £9,000 in 2015/16, £1,000 in 2017/18 and £34,000 in 2018/19)			
	Total allocations agreed to date			25,000
Balance remaining prior to any requests that may be made to this meeting		950,000		

**2019/20 General Contingency – City Fund**

Date	Description	Responsible Officer	Allocation £	Balance £
17 Feb 2015 and 19 Jan 2016	2019/20 Provision	C&CS/CS	15,000	800,000
	2018/19 Provision brought forward to fund allocations agreed in previous years			15,000
	Total Provision			815,000
19 Feb 2019	Funding of £142,000 and an additional sum of £80,000 towards an ongoing appeal regarding Greater London Authority Roads (transferred £84,000 in 2014/15, £20,000 in 2015/16, £23,000 in 2016/17, £35,000 in 2017/18 and £45,000 in 2018/19)	C&CS/CS	150,000	
	Funding of £300,000 towards an ongoing appeal regarding Greater London Authority Roads equally split from the 2018/19 and 2019/20 contingencies			
	Total allocations agreed to date			165,000
	Balance remaining prior to any requests that may be made to this meeting			650,000

**2019/20 General Contingency – Bridge House Estates**

Date	Description	Responsible Officer	Allocation £	Balance £
	2019/20 Provision			50,000
	2018/19 Provision brought forward to fund allocations agreed in previous years			0
	Total Provision			50,000
	Total allocations agreed to date			0
	Balance remaining prior to any requests that may be made to this meeting			50,000

**2019/20 National & International Disasters Contingency – City's Cash**

Date	Description	Responsible Officer	Allocation £	Balance £
	2019/20 Provision			100,000
	2018/19 Provision brought forward to fund allocations agreed in previous years			0
	Total Provision			100,000
	Total allocations agreed to date			0
	Balance remaining prior to any requests that may be made to this meeting			100,000

Key to Responsible Officers:

CS – City Surveyor

TC – Town Clerk

C&CS – Comptroller and City Solicitor

# Agenda Item 8

<b>Committee:</b>	<b>Date:</b>
Finance Committee	9 April 2019
<b>Subject:</b> Financial Services Division – Quarterly Update	<b>Public</b>
<b>Report of:</b> The Chamberlain	<b>For Information</b>
<b>Report author:</b> Caroline Al-Beyerty, Deputy Chamberlain	

## Summary

Over the last year, Financial Services Division has been delivering well on work plans. On the division's key performance indicators, progress is generally very good. There is one amber indicator, business rates collection, which at 88% is slightly behind target.

Key highlights from recent months have been:

- Medium term financial planning, in particular the review of the Police position and 10 year modelling for capital projects;
- Business rates devolution and the London pilot;
- Earlier production and audit of the draft City Fund accounts;
- Bridge House Estates strategic review; and
- Financial advice to the major projects.

## Recommendation

Members are asked to note the report.

## Main Report

1. The key performance indicators in the Chamberlain's business plan for the division for 2017/18 are shown in appendix 2. There is one Amber indicator, relating to business rates collection. The business rate collection is down against the quarter 3 target, but it is only down 0.3% in comparison with the same point last year. Quarter 3 has proved to be a challenging target to hit in previous years; and the collection rate has always picked up in quarter 4 and the year-end target achieved. The Revenues Team continue to monitor collection closely to ensure that the collection of Business Rates is maximised.
2. A few key areas to draw out from the division's work over the last few months:
3. **Medium Term Financial Plan** - the medium term financial plan is dominated by the emerging large projects and the potential requirement for the City to borrow sums to fund capital investment. A 10-year forecast has been developed to analyse the prudence of borrowing and any limitations on the sums borrowed. The challenging medium-term financial position has highlighted the need to undertake a fundamental review of the City Corporation's priorities and expenditure over the next year to ensure that budgets are fully aligned with and support our Corporate Plan objectives. Service Committee Chairman were invited to the joint meeting with Resource Allocation Sub Committee and Efficiency and Performance Sub Committee which supported this. The issues will be discussed with all

members at the Informal Court in February. There are three associated report on your Committee's agenda- relating to City Fund, City's Cash and Bridge House Estates and Capital Strategy.

4. **Police Finances** – the City Fund budget includes the Police budget, for which police reserves have now been fully utilised. We have over the last quarter strengthened the Police Authority finance function and worked on the medium-term financial plan. This work identified a significant increase in financial risk arising from this budget. Mitigations have been put in place that will help to address the budget deficits in 2018/19 and 2019/20. Further work is needed to balance the medium-term finances beyond 2019/20 in a comprehensive and strategic way. An interim Force Finance Director was appointed in January and is looking to improve Force financial capability to enable 'financial control' recovery and 'decision support' effectiveness.
5. **Business rates retention and the London pilot** - the Government, London Councils and the GLA have negotiated a pilot scheme for business rate devolution across London. The City of London Corporation is the lead authority – exercising administrative functions in connection with the pool. The scheme has a fiscally neutral starting base but enables any year-on-year growth to be retained in London. Some of this growth has been used to establish a Strategic Investment Pot (SIP) to focus on some major London-wide needs and activities, such as housing and infrastructure. Successful applications to the SIP have now been approved by London Government and funds are expected to be paid over shortly, once grant agreements are signed.
6. **Earlier accounts closedown** – 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. The 1<sup>st</sup> May deadline is proving very challenging, as it is becoming clear that more fundamental changes in processes are needed than we had capacity to implement this year, especially as project work and consequently capital entries have grown significantly in volume over recent months adding to the pressure. However, we continue to push for changes in approach that will meet or get close to that deadline; and have recently recruited two additional capital accountants to assist with the closedown and the new approach to capital. The experience and learning this year is informing plans on how to achieve the deadline for all funds next year.
7. The closure of the 2018/19 accounts also presents an opportunity to be more radical in the approach taken as we move to having one external auditor for all funds. We are working with our auditor, BDO, to move the audit work to earlier in the year. A key success has been the approach to valuations of investment property, the auditor will be involved much earlier in the process when the Surveyor's are quality assuring the work of our external valuers.
8. **Bridge House Estates (BHE) Governance Review** - over the past few months, our focus has been on establishing the valuation of the permanent endowment fund held by BHE, followed by the reconstitution of the 2017/18 financial statements to include this. The external audit timetable for the charity was extended to enable Moore Stephens and the Audit Panel to undertake their reviews of this piece of work. Our auditors provided us with a clean report, enabling both the Audit & Risk Committee and Finance Committee to recommend the Annual Report be approved. Filing with the Charity commission was achieved within the



regulatory deadline. Work now continues on the governance review of BHE, ensuring that the charity is taking advantage of the powers available to modern-day charities, where appropriate.

9. **Project support** – this is a substantial new growth area in demand for financial services. In particular, we have been fully engaged with the Markets Consolidation programme including arranging finance to purchase a potential site at Barking to meet an expectedly short lead in time to meet the seller's timetable. Work continues to support the programme team with financial modelling of the options and preparation of the business case for members decision later this year. In liaison with Town Clerks we are working on how best to resource the significantly increasing demand for more programme office and financial support for both the major and second tier capital projects; and are currently recruiting an additional project accountant.
10. Work continues on improving the quality and efficient production of financial **Management Information** for both management teams and committee reporting. A strategic dashboard has been developed in Oracle Business Intelligence (OBI) for reporting to Summit Group and is available on a self-service basis for Chief Officers to see their latest expenditure and income projections
11. The **number of Freedoms** for the year is ahead of target. The initiative by the female members of the Court of Common Council to nominate 100 Women to receive the Freedom to tie in with the 100th anniversary of the universal vote is progressing well.

## **Conclusion**

12. Progress has been good over the last quarter across the division's work programme. The focus for the next quarter will be earlier closedown of final accounts and on working with colleagues in Town Clerks to frame an approach for the fundamental review of service priorities and expenditure.

### **Contact:**

**Caroline Al-Beyerty**

Deputy Chamberlain T: 020 7332 1113

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## FSD KPI's Balanced Scorecard 2018/19

				Quarterly update			
	Measure	2017/18 performance	2018/19 target	Qtr 1	Qtr 2	Qtr 3	Qtr 4
Business Rates collection	% collected (cumulative)	100.00%	99.75%	32% (target 28%)	59% (target 58%)	88% (target 89.25%)	(target 99.75%)
Commercial Rent collection	% collected	98.61%	98%	98.76%	98.77%	98.6	
Implementation of 2018/19 FSD savings				<b>Status:</b>			On track
Publication of City Fund Accounts within Statutory Deadline of 31 <sup>st</sup> July				<b>Status:</b>			Complete
Effective financial management: expenditure against departmental local risk budgets +/- 5% at year end				<b>Status:</b>			On track
Delivery of a balanced budget and Medium Term Financial Plan for City Fund, approved by Court of Common Council by 31 March				<b>Status:</b>			On track
Income from Chamberlains Court Freedoms	Number of freedoms/period compared to same period in previous years (cumulative)	1,628	1,650	429 (target 400)	778 (target 825)	1,258 (target 1,250)	(target 1,650)
Professionally qualified accountancy staff as a % of total finance staff undertaking reporting, controls and decision support processes (measured annually)	CIPFA Indicator FS1	23.5%	24%				Annually
Provide a high quality service to our customers (measured annually)	Annual customer survey	"Good to Very Good"	"Good to Very Good"				Annually
Increased staff engagement (measured annually)	Percentage of positive responses to Staff Survey Question: "I recognise that if I am successful in my role it contributes to successful delivery of the Departments Business Plan objective"	90.1%	92%				Annually

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<b>Committee:</b> Finance Committee	<b>Date:</b> 9 April 2019
<b>Subject:</b> Report of Action Taken - Public Decisions taken under Delegated Authority/Urgency procedures since the last meeting of the Committee	<b>Public</b>
<b>Report of:</b> Town Clerk	<b>For Information</b>
<b>Report author:</b> John Cater, Town Clerk's Department	

## Summary

This report advises Members of urgent and/or delegated 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) and 41(b).

## Recommendation

Members are asked to note the report.

## Main report

**1. Subject:** Annual Budget Submission: Amendment to recommendations to incorporate Capital Budgets (Urgency)

### Background

At its 19 February 2019 meeting, the Finance Committee considered the annual reports in respect of the City Fund, City Cash and Bridge House Estates budgets and approved them for submission to the Court.

However, whilst the various capital budgets were presented through the budget book, it has become apparent that there was no specific recommendation concerning their approval. The explicit approval of the Committee is necessary in order to facilitate these recommendations being put to the Court and the Capital Budgets approved for the forthcoming year.

The following three paragraphs should have been included at the appropriate points within the two budget reports, along with recommendations for the Capital Budgets to be approved:

### **CITY FUND CAPITAL & SRP PROJECT BUDGETS**

1. The latest City Fund capital and supplementary revenue projects budgets total £109.9m for 2018/19 and £38.7m for 2019/20. The budgets include schemes relating to affordable housing construction, HRA stock improvements, police accommodation, the Museum of London re-location, the Combined Courts project, a property acquisition and highways improvement schemes. These budgets are set out in detail at from page 105 of the summary budget book and Members are asked to approve their submission to the Court.

### **CITY'S CASH CAPITAL & SRP PROJECT BUDGETS**

2. The latest City's Cash capital and supplementary revenue projects budgets total £205.6m for 2018/19 and £35.3m for 2019/20. The budgets include Markets Consolidation Programme costs, purchase of 20/21 Aldermanbury, property investments and works at the

CoL Freeman's School. These budgets are set out in detail at page 166 of the summary budget book and Members are asked to approve their submission to the Court.

### **BRIDGE HOUSE ESTATES CAPITAL & SRP PROJECT BUDGETS**

3. The latest Bridge House Estates capital and supplementary revenue projects budgets total £2.4m for 2018/19 and £0.5m for 2019/20. The budgets relate mainly to property investments. These budgets are set out in detail from page 208 of the summary budget book and Members are asked to approve their submission to the Court.

Whilst tacit approval could be inferred from the Committee's discussion and approval of the overall budget reports, the explicit approval of the Finance Committee was necessary ahead of submission to the Court. The Town Clerk, in consultation with the Chairman and Deputy Chairman were therefore asked to approve the Capital Budgets and authorise their inclusion in the Court report accordingly.

#### **Reason for Urgency**

With the Court meeting on 7 March 2019 and no meeting of the Finance Committee before that date, urgent approval was required to ensure the recommendations were presented to the Court as part of the annual budget submissions.

#### **Action Taken**

The Capital Budgets for City Fund, City's Cash and Bridge House Estates was approved as set out in the Summary Budget Book, for onwards submission to the Court. (26<sup>th</sup> February)

**2. Subject:** International Disasters Fund - Recommendation from the Central Grants Unit in respect of Cyclone Idai (Delegated Authority)

#### **Background**

The City of London holds a contingency fund of £100,000 in its City's Cash budget, allocated to the International Disasters Fund (IDF) administered by the Finance Committee.

A report on use of this fund was presented to Finance Committee on 31 January 2017 where it was noted:

- a) The strong criteria applied by the Disaster Emergency Committee (DEC) for the selection and monitoring of UK aid charities;
- b) The ability of the Central Grants Unit (CGU) to provide recommendations of appropriate charities to support, including due diligence reviews;
- c) That donations given as restricted to a specific appeal or purpose are required under charity law to be spent directly on that purpose.

When a DEC appeal is not launched, a donation could be made to an individual charity carrying out humanitarian relief in the area. It is acknowledged that the transparent governance controls applied by the DEC means that Finance Committee can be confident in giving direct to the individual charities that are members of the DEC, should they believe this to be the most appropriate use of the Corporations' emergency donations budget. The CGU is in place to provide advice and recommendations on how donations would be best placed in the instance that a DEC appeal is not launched.

**Update**

Cyclone Idai swept through Mozambique, Malawi and Zimbabwe in March, destroying almost everything in its path, causing devastating floods, killing and injuring thousands of people and ruining crops. More than 2.6 million people could be affected across the three countries, and the port city of Beira, which was hit on 15<sup>th</sup> March and is home to 500,000 people, is now an “island in the ocean”, almost completely cut off. Thousands of families are in desperate need of food, water, shelter and medical treatment. The DEC launched an appeal to coordinate the humanitarian response to this crisis.

**Action Taken**

The Finance Committee agreed a donation of £30,000 from the International Disasters Fund be provided to support the Disaster Emergency Committee in providing humanitarian support to communities affected by Cyclone Idai. (20th March)

**Contact:**

John Cater

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

020 7332 1407

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