

### Finance Committee – Main Agenda Pack

Date: TUESDAY, 10 NOVEMBER 2020

Time: 1.45 pm

Venue: VIRTUAL PUBLIC MEETING (ACCESSIBLE REMOTELY)

Members: Jeremy Mayhew (Chairman) Oliver Lodge

Deputy Jamie Ingham Clark Alderman Nicholas Lyons

(Deputy Chairman)Paul MartinelliMunsur AliAndrew McMurtrieRehana AmeerDeputy Robert Merrett

Randall Anderson Hugh Morris
Nicholas Bensted-Smith Benjamin Murphy

Deputy Roger Chadwick Susan Pearson, Cripplegate Dominic Christian William Pimlott, Cripplegate Graeme Doshi-Smith James de Sausmarez

Alderman Sir Peter Estlin John Scott Alderman Prem Goyal Ian Seaton

Caroline Haines Sir Michael Snyder
Michael Hudson Deputy James Thomson

Deputy Wendy Hyde Mark Wheatley

Deputy Clare James Deputy Philip Woodhouse

Alderman Gregory Jones QC Deputy Catherine McGuinness, Policy Angus Knowles-Cutler and Resources Committee (Ex-Officio

Gregory Lawrence Member)

Tim Levene Sheriff Christopher Hayward, Policy and

Resources Committee (Ex-Officio

Member)

Deputy Tom Sleigh, Investment Committee (Ex-Officio Member)

**Enquiries:** John Cater

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Accessing the virtual public meeting

Members of the public can observe this virtual public meeting at the below link:

https://youtu.be/2lrwquq0vY4

This meeting will be a virtual meeting and therefore will not take place in a physical location following regulations made under Section 78 of the Coronavirus Act 2020. A recording of the public meeting will be available via the above link following the end of the public meeting for up to one municipal year. Please note: Online meeting recordings do not constitute the formal minutes of the meeting; minutes are written and are available on the City of London Corporation's website. Recordings may be edited, at the discretion of the proper officer, to remove any inappropriate material.

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 13<sup>th</sup> October 2020.

For Decision (Pages 1 - 12)

#### 4. FORWARD WORKPLAN

Joint Report of the Town Clerk and the Chamberlain.

For Information (Pages 13 - 14)

#### 5. APPOINTMENT TO DIGITAL SERVICES SUB-COMMITTEE

Report of the Town Clerk.

For Decision (Pages 15 - 16)

### 6. REPORT OF THE WORK OF THE SUB-COMMITTEES

Report of the Town Clerk.

For Information (Pages 17 - 18)

### 7. RISK MANAGEMENT - TOP RISKS

Report of the Chamberlain.

For Information (Pages 19 - 34)

### 8. 2019-20 CITY FUND AND PENSION FUND FINANCIAL STATEMENT

Report of the Chamberlain.

For Decision (Pages 35 - 42)

### 9. CITY'S CASH FINANCIAL STATEMENTS 2019/20

Report of the Chamberlain.

For Decision

(Pages 43 - 50)

### 10. CITY'S CASH TRUST FUNDS AND SUNDRY TRUST FUNDS ANNUAL REPORTS AND FINANCIAL STATEMENTS 2019/20

Report of the Chamberlain.

For Decision

(Pages 51 - 56)

### 11. KEY WORKSTREAMS AND BUSINESS PLAN UPDATE

Report of the Chaamberlain.

For Information

(Pages 57 - 64)

### 12. DONATIONS - INTERNATIONAL DISASTER FUND

Report of the Chief Grants Officer and Director of City Bridge Trust.

For Information

(Pages 65 - 70)

### 13. CITY PROCUREMENT QUARTERLY PROGRESS REPORT (NOVEMBER 2020)

Report of the Chamberlain.

For Information

(Pages 71 - 76)

### 14. CENTRAL CONTINGENCIES

Report of the Chamberlain.

For Information

(Pages 77 - 78)

### 15. QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE

### 16. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT

### 17. 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

#### 18. NON-PUBLIC MINUTES OF THE PREVIOUS MEETING

To agree the non-public minutes of the meeting held on 13<sup>th</sup> October 2020.

For Decision (Pages 79 - 82)

### 19. REPORT OF THE WORK OF THE SUB-COMMITTEES - NON-PUBLIC ISSUES

Report of the Town Clerk.

For Information (Pages 83 - 84)

#### 20. CIVIL PARKING & TRAFFIC ENFORCEMENT

Joint Report of the Chamberlain and the Director of the Department of the Built Environment.

For Decision (Pages 85 - 94)

# 21. SEMI-INDEPENDENT / SUPPORTED ACCOMMODATION PLACEMENTS (16-25YRS)

Joint Report of the Chamberlain and the Director of Community & Children's Services.

For Decision (Pages 95 - 106)

### 22. NON-PUBLIC DECISIONS TAKEN UNDER DELEGATED AUTHORITY AND URGENCY PROCEDURES

Report of the Town Clerk.

For Information (Pages 107 - 108)

### 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

### Tuesday, 13 October 2020

Draft Minutes of the meeting of the Finance Committee held virtually on Tuesday, 13
October 2020 at 1.45 pm

#### **Present**

#### Members:

Jeremy Mayhew (Chairman) Alderman Nicholas Lyons

Deputy Jamie Ingham Clark (Deputy
Chairman)

Munsur Ali

Rehana Ameer

Paul Martinelli
Andrew McMurtrie
Deputy Robert Merrett
Susan Pearson

Rehana Ameer Susan Pearson
Randall Anderson John Scott
Circle Michael Conditions

Deputy Roger Chadwick Sir Michael Snyder
Alderman Sir Peter Estlin Deputy James Thomson
Alderman Prem Goyal Deputy Philip Woodhouse

Alderman Gregory Jones QC Deputy Catherine McGuinness (Ex-Officio

Member)

Sheriff Christopher Hayward (Ex-Officio

Member)

#### Officers:

Oliver Lodge

Angus Knowles-Cutler

John Cater - Committee Clerk
Peter Kane - Chamberlain

Caroline Al-Beyerty - Chamberlain's Department
Christopher Bell - Chamberlain's Department
Michael Cogher - Comptroller and City Solicitor

Paul Wilkinson - City Surveyor

Karen Atkinson
 Sean Green
 Chamberlain's Department
 Chamberlain's Department
 Remembrancer's Department
 Kate Limna
 Chamberlain's Department
 Chamberlain's Department
 Communications Team
 Julie Mayer
 Committee Services Team

Antoinette Duhaney - Committee Services Team

#### 1. APOLOGIES

Apologies for absence were received from Nicholas Bensted-Smith, Dominic Christian, Michael Hudson, Wendy Hyde, Clare James, Hugh Morris, Benjamin Murphy, Ian Seaton and Mark Wheatley.

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

The Chairman declared a non-pecuniary interest in respect of item 11 (City Re Limited – Performance Monitoring) by virtue of being a Director of City Re (appointed due to his role as Chairman of Finance Committee).

### 3. MINUTES OF THE PREVIOUS MEETING

**RESOLVED** – That the public minutes of the meeting held on 21<sup>st</sup> July 2020 be approved as an accurate record, subject to the following amendment:

John Scott clarified that he attended the meeting and asked the Committee Clerk to amend the records.

### 4. FINANCE COMMITTEE'S FORWARD PLAN

The Committee received a joint Report of the Town Clerk and the Chamberlain concerning the Committee's workplan for the next ten months.

The Chairman confirmed that whilst, in the past, we have tended to cancel the March meeting of the Committee, it is anticipated that, given the current circumstances, next year's meeting will go ahead.

**RESOLVED** – that the Committee noted the Report.

### 5. APPOINTMENT OF A FINANCE COMMITTEE MEMBER TO THE PERFORMANCE AND RESOURCE MANAGEMENT (POLICE) COMMITTEE

The Committee considered a Report of the Town Clerk concerning the appointment of a Finance Committee representative to the Performance and Resource Management (Police) Committee.

The Chairman of the Police Authority Board (PAB), who is also a Member of Finance Committee (FC), emphasised that the proposal to recruit a representative from FC presented an opportunity to strengthen scrutiny around governance and financial discipline. He emphasised that ongoing foci for PAB was to ensure that the Force had both a balanced Medium-Term-Financial-Plan, and that maximum benefits and efficiencies are accrued from the Transform Programme.

The Chairman of FC thanked the Member for his comments and welcomed the steps that he had taken, since becoming the Chairman of PAB, to improve both the mood music and substance of the discussion; it was important to build upon this progress over the upcoming months. Both agreed that, whilst some of the issues were not easy to overcome, it was important to maintain a good and transparent dialogue.

**RESOLVED** – that Members endorsed Jamie Ingham Clark as FC's appointment to serve on the Performance and Resource Management (Police) Committee for the remainder of the 2020/21 civic year.

#### 6. REPORT OF THE WORK OF THE SUB-COMMITTEES

The Committee received a report of the Town Clerk which advised Members of the key discussions which had taken place during recent meetings of the Committee's Sub-Committees.

The respective Chairmen of the Sub-Committees updated Members as follows:

### Corporate Asset Sub-Committee (CASC)

The Chairman of CASC, informed Members that the Sub had instructed officers to examine the timelines of the Cyclical Works Programme (CWP); the current cycle of three years was too long as it didn't properly reflect the urgency of the repairs and maintenance work — Members were of the view that the CWP should be more focused, where possible, on an annual basis.

### Digital Services Sub-Committee (DSSC)

The Chairman of DSSC informed Members that discussions were ongoing concerning the City Corporation's website and this would form a key workstream over the coming months.

### Efficiency & Performance Sub-Committee (E&P)

Given the Prime Minister's recent announcement of further restrictive measures, the Chairman noted that the mood of the discussion at the recent meeting of E&P was now, regrettably, somewhat out-of-date. He, however, stressed that, despite the unlikely prospect of welcoming back Members and officers to Guildhall in larger numbers in the immediate term, he was keen that the Corporation should continue to endeavour, where it could, to lead by example, namely, by carrying out as much business as was both safe and practicable in Guildhall.

#### Finance Grants Oversight & Performance Sub-Committee

The Chairman of the Sub informed Members that there had been a considerable increase in grants funding over recent months, reflecting the extraordinary times.

The Chairman of the Finance Committee informed Members that a Report would be submitted to the November meeting of the Committee concerning the status of FC's International Disaster Fund. He asked the Committee clerk to circulate this paper to the Chairman and Deputy Chairman of the Sub-Committee for their information, in good time before the Committee meeting.

**RESOLVED** – that the Committee noted the report.

### 7. RESETTING OF DEPARTMENTAL BUDGETS 2020/21

The Committee considered a Report of the Chamberlain concerning the resetting of departmental budgets.

The Chairman opened the discussion by emphasising the significant challenges ahead. He stressed that, whilst service Committees are being informed, they would not be invited to debate the size of the revised budget envelope; they

were being asked to consider how they are going to hit the new budget. Additionally, the Chairman stated that he would be sceptical of any departments proposing to raise significant income projections as a way to plug the gap; it was evident that the primary driver to hit the new budget would have to be through cutting expenditure. We operated with a high-cost base and there was significant scope to do things more efficiently and effectively.

The Chairman highlighted that, whilst all areas of the Corporation faced a challenging period, some institutions, particularly, the Barbican Centre, were in a difficult position, given the huge impact the crisis has had on ticketing and commercial income. Whilst commending the Barbican Centre's significant efforts to reduce spending, clearly, its prospects were tethered to whether a) restrictions endure further into 2021 and b) more draconian restrictions are imposed in the coming weeks/months.

The Chairman concluded by remarking that, whilst we all wanted to maintain our ambitions and emerge from the crisis on the front-foot, it was incumbent on everyone to ensure that sound finances were at the heart of our decisions and, crucially we cut our cloth accordingly. He cautioned Members that if we do not start that heavy lifting now, then next year's budgets will be much more difficult. He urged Members to go back to their various Service Committees and ensure this message was conveyed unambiguously and push back on any attempt to resist the revised budgets.

The Chamberlain remarked that both the in-year and next year's forecasts were still uncertain; they were subject, in large part, to how the crisis unfolded over the coming months, in parallel with the potential short-term implications of Brexit; so, in short, the numbers had to be caveated. The Chamberlain and the Surveyor's department were beginning to see the emerging impact the crisis had taken on our rental income; this would become clearer by the end of this quarter and would be reported to Members in more depth.

He added that officers were doing all they could to mitigate the risk to the City's financial position and he stressed that the Corporation was still in a strong position compared to other local authorities in London. The medium-term outlook was still relatively sustainable if we took action now and in 2021.

In response to a query concerning the Barbican Centre's costs and savings, the Chamberlain confirmed the Centre had forecast a 21% reduction in overall spending; this was a considerably higher percentage compared to what other departments and institutions had proposed. The Chairman added that, whilst the 21% was a step in the right direction, given the unfolding crisis, the short to medium term prospect of increasing ticket and commercial income was remote; so, more would need to be done. He emphasised that the Corporation should honour its commitments and stand behind the Barbican, but the Centre must continue to bear down on costs.

The Chamberlain added that the spend at the Barbican is now forecast at £11.2m, the figure on p18 of the Report outlined a figure of £12.45m.

The Chamberlain also explained that, whilst the Barbican (following the lead of the Corporation) chose not to furlough staff back in the spring, it had subsequently reversed this policy. The Chamberlain confirmed that the furlough support was backdated to 19<sup>th</sup> March, so, in effect, this support was not missed out on. In response to a separate Member query concerning the total amount spent on "topping up" the furlough, the Chamberlain would come back to the Member after the meeting with the figure.

A Member asked the Chamberlain to speculate as to the likely prospects for the Corporation's finances in 2021. The Chamberlain responded that the potential upside would be around the slower pace at filling vacancies. The downside risk came principally from the deteriorating rental income position (a clearer picture of which should emerge in the next couple of months as the concerns of tenants become clearer and the furlough scheme is wound down). An additional concern was around the potential outcomes of the Government's Spending Review in late November – at this stage, this was unlikely to be good news.

The Chamberlain added that, whilst the challenges were formidable, Members had an opportunity to set the Corporation on a sustainable footing with the successful implementation of the re-budgeting for 2020/21 and a positive approach to the 2021/22 budget. Furthermore, it should be highlighted that shortfalls may well ultimately be felt on the reserve funds for the major projects, so, a frank discussion around rephasing the projects would be something that Members may need to consider.

In response to a query, the Chairman, the Chamberlain, and the City Surveyor confirmed that no money or officer time was currently being spent on the Centre for Music project; the project was paused.

In response to a query concerning GSMD, the Chairman, whilst agreeing that a healthy buffer of reserves was desirable, stressed that reserves are there for a rainy day and accessing those reserves now was a logical step in the face of once-in-a-generation crisis. He reiterated that the core proposition was to bear down on expenditure but using a healthy proportion of its reserves was a legitimate component in GSMD's arsenal.

It should also be kept in mind that GSMD had a co-funder, namely, the Office for Students (OfS), and that ongoing discussions around further financial support were not straightforward. The Chamberlain responded that the utilisation of reserves was a justified part of a robust response to get back on to a sustainable footing. It should be highlighted that GSMD's position is worsening and this ultimately posed a risk to City's Cash as the City is the banker of last resort. He added that further work was needed from GSMD and others to ensure that expenditure had been fully "pressed down upon".

Finally, a Member asked officers to ensure that robust risk assessments were carried out when Members were presented with choices to stop doing things, or indeed not to start things. Officers needed to set out clearly what and why a project/item was being proposed for postponement/cancellation and understand

the potential risk(s) of that cancellation. The Chairman, whilst sympathetic to the spirit of the Member's concerns, stressed that, whilst he viewed the Finance Committee as the focal point when it came to setting the overall envelope, he was in favour of devolution when it came to how money was then spent; it was the job of Service Committees to prioritise by making choices, and to be demanding with officers when it came to how they planned to meet departmental budgets. He added that the exceptions would be if Services Committee's came back "shroud waving" or were clearly proposing things in contravention of corporate priorities.

### **RESOLVED** – that the Committee approved the following:

- Note the steps already taken by officers to reduce the financial impact of the COVID-19 pandemic.
- Recommend to the Court of Common the adjusted departmental budgets totalling £15.2m outlined in this report, including a reduction of £400K to the original proposal to Resource Allocation Sub Committee for Open Spaces explained at paragraph 9 and the downward revision of circa £1m as outlined above for the Barbican Centre.
- Approve proposals to continue working with departments to identify further savings where possible.
- Approve continuation of recruitment controls aligned to the TOM which may give further savings in the year.
- As Service Committee, note the increase in budget of £1,084K for the Remembrancer

### 8. DRAFT BHE ANNUAL REPORT & FINANCIAL STATEMENTS

The Committee considered a Report of the Chamberlain concerning the draft BHE Annual Report and Financial Statements.

The Chamberlain confirmed that the Audit & Risk Management Committee had considered the Report at its meeting on 1 October, whilst A&RM Members recommended Finance Committee approve the Report, it noted an "emphasis of matter" concerning the valuation of the property portfolio; this was in light of the impact of Covid. More details have been included in the final report and this issue is considered uncontentious.

The Chamberlain briefly touched on some of the highlights for BHE across 2019/20, namely:

- The transfer of £200m from the unrestricted income fund to the grant making designated fund
- A revised reserves policy specifying £35m in reserves
- A record breaking 11 months for visitor numbers at Tower Bridge
- Grant making record high of £33.7m

Alongside the discussion around the "emphasis of matter", A&RM noted some other non-material issues – these were highlighted to Finance Committee Members before today's meeting and the paper had been updated to include these revisions.

In response to a Member raising concerns around whether our giving is as pacey as it could be, the Chairman and the Chamberlain assured Members that the CBT and Central Grants Teams were processing a record number of grant applications and were not facing impediments in relation to giving more in response to the crisis; in short, "we were doing all we could".

The Chairman added that the total allocation was now set over a 5-year period – this had brought extra flexibility as we could front-load our grant giving into the first and second years in response to Covid, although this would clearly have implications for years 4 and 5.

### **RESOLVED** – that the Committee approved the following:

- Approve the BHE Annual Report and Financial Statements for the year ended 31 March 2020, taking into account any observations from the Audit and Risk Committee; and
- Agree that the BHE Annual Report and Financial Statements for the year ended 31 March 2020 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.

### 9. **Q2 BUDGET MONITORING**

The Committee received a Report of the Chamberlain concerning the financial position and the impacts of COVID-19 on budgets up to the end of September.

**RESOLVED** – that the Committee noted the Report.

## 10. REVENUE OUTTURN 2019/20 - FINANCE COMMITTEE OPERATIONAL SERVICES

The Committee received a Report of the Chamberlain concerning the revenue outturn for 2019/20.

The Chamberlain apologised for the delay in submitting this paper; future iterations would be brought to the July meeting. She added that carry-forwards are much lower this year; this reflected the steer from the Chairman of Finance and the Chair of Policy & Resources to impose a much tougher line on carry-forwards.

In response to a query concerning a carry-forward for the MS extended Support line (appendix 2) – the Chamberlain would revert to the Member after the meeting to clarify the situation.

In response to a query concerning the impact of the £1m underspend in the Chamberlain's department, the Chamberlain assured Members that the department's previous levels of productivity and output had been maintained.

The Chamberlain added that the £347,000 carry-forward highlighted in the Report was for IT projects which had slipped into the current financial year.

**RESOLVED** – that the Committee noted the Report.

### 11. CITY RE LIMITED - PERFORMANCE MONITORING

The Committee received a Report of the Chamberlain concerning City Re Ltd.

A Member raised a query as to why the Corporation had not sought to place this business in London, given our role as a champion of the UK's Financial Services sector. The Chamberlain responded that captive insurance is not offered in London which is why we have placed our business within the market leader, namely, Guernsey. The Deputy Chairman added that Guernsey is a centre for this market and the Corporation derives value for money from placing our business there. It should also be recognised that much of the captive insurance business is initially brokered through London, so we are not completely locked out of this area.

The Member responded that this was unfortunate, given our role and asked whether we could make representations to HMT about examining how this market could be developed in London. The Chair of Policy & Resources responded that she would reach out to officers in the Department for Innovation and Growth and come back to the Member in the next few days with more details. She added that it would be important to understand whether this issue was something which the industry in London wanted to explore, as a change in regulation would need a broad cross-sector consensus.

The Chairman welcomed these comments and pointed out that, particularly post-Brexit, potential changes to regulation should be viewed from the perspective of challenger businesses not just the incumbents.

**RESOLVED** – that the Committee noted the Report.

#### 12. FINANCIAL SERVICES DIVISION QUARTERLY UPDATE

The Committee received a Report of the Chamberlain concerning the Financial Services Division (FSD).

The Chairman commended the team for their hard work during these challenging times.

A Member raised two queries:

a) He asked if the Chamberlain could say a little more about the better communications workstream.

The Chamberlain responded that communicating effectively was a vital part of FSD's role, it was important to set out figures and data in a way which was more widely accessible; for instance, the team was moving away from using tables in favour of more up-to-date visually distinct features, such as dashboards.

b) What emphasis was the Division giving to diversity and inclusion within the workstreams?

The Chamberlain responded that all the workstreams aimed to enhance and meet the Corporation's aims around diversity and inclusion. In particular, the Division was currently focused on improving coaching and other learning opportunities across the team.

**RESOLVED** – that the Committee noted the Report.

### 13. CHAMBERLAIN'S DEPARTMENT RISK MANAGEMENT - MONTHLY REPORT

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

The Chamberlain confirmed that Audit & Risk Management Committee had decided that the Risk concerning Police Funding (CR23) should remain a separate risk.

The Chamberlain stressed that, whilst there was still much work to do, he was confident that the Police's finances would be restored to a sustainable footing over the next four years.

The Chairman of the Police Authority Board (who is also a Member of FC) echoed these sentiments and separately suggested that, given their deteriorating financial outlooks, both GSMD and the Barbican should be highlighted as risks in future iterations of this Report.

The Chairman asked that, given the serious financial climate we now face, the Risk Report item should be raised higher up future agendas.

**RESOLVED** – that the Committee noted the report.

### 14. **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.

The Chairman signalled an upcoming Report of the Central Grants Unit (due at the November meeting of FC) concerning the future of the International Disasters Fund, he added that he would not be surprised, given the events of this year, if the Fund was, for the first time since its inception, exhausted before year end.

### 15. **DECISIONS TAKEN UNDER DELEGATED AUTHORITY AND URGENCY PROCEDURES**

The Committee received 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 decisions related to two donations to a) the DEC coronavirus appeal (£20,000) and b) the British Red Cross' Beirut emergency appeal (£20,000).

**RESOLVED** – that the Committee noted the report.

### 16. QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE

There were no questions.

### 17. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT There were no urgent items.

#### 18. **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.

### 19. NON-PUBLIC MINUTES OF THE PREVIOUS MEETING

The non-public minutes of the meeting held on 21<sup>st</sup> July 2020 were approved as an accurate record.

### 20. 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 sessions at recent meetings of the Committee's Sub-Committees.

### 21. MAJOR WORKS PROJECT MANAGEMENT FRAMEWORKS - STAGE 2 AWARD

The Committee considered a Report of the Chamberlain concerning the Major Works Project Management Frameworks.

### 22. CENTRAL CONTINGENCIES - NON-PUBLIC APPENDIX

Members noted the non-public appendix for the Central Contingencies Report.

### 23. STAGES 1 (STRATEGY) & 2 (CONTRACT AWARD) COMBINED REPORT FOR PROVISION OF ELECTRICITY AND GAS SUPPLIES

The Committee considered a Report of the Chamberlain concerning the award of contracts for the supply of electricity and gas.

### 24. NON-PUBLIC DECISIONS TAKEN UNDER DELEGATED AUTHORITY AND URGENCY PROCEDURES

The Committee noted a report of the Town Clerk detailing non-public decisions taken under delegated authority and urgency procedures since the last meeting.

### 25. 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.

26. 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 e	nded at 3.52 pr	n
Chairman		

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Finance Committee Forward Plan - changes marked in yellow									
Meeting:	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21
BUDGET SETTING PROCESS & MEDIUM- TERM FINANCIAL PLANNING		Chamberlain's Estimate Report	Q3 Budget monitoring	Budget Report and Medium- Term Financial Strategy  Revenue and Capital Budgets  Business Rates Update		Update of Finance Regulations	Interest Rates on Internal Loan Requests - Update and		Capital Outturn Report
EFFECTIVE FINANCIAL MANAGEMENT ARRANGEMENTS FOR THE CITY CORPORATION				Irrecoverable Non-Domestic Rates		rtogalationo	Review		Q1 Budget monitoring  Operational services outturn report 2020/21  Provisional outturn report
FINANCIAL STATEMENTS	City Fund and Pension fund financial statements – Audit completion  City's Cash Financial Statements  City's Cash trust funds and sundry trust funds annual reports and financial statements		2020/21 Annual Capital Bids	Pension Fund – Actuarial Valuation as at March 31 2020					Draft city fund and pension fund statement of accounts  Draft BHE Annual Report & Financial Statements
FINANCE COMMITTEE AS A SERVICE COMMITTEE	Central Contingencies  Risk Management – Quarterly Report  City Procurement Q Update  Business plan update  Semi-independent / supported accommodation placements (16-25yrs) Procurement Strategy Report  Civil Parking & Traffic Enforcement	Central Contingencies Risk Management - Monthly Report IT Division Q Update	Central Contingencies Risk Management Monthly Report FSD Quarterly Update Business plan update	Central Contingencies Risk Management – Quarterly Report City Procurement Q Update	Central Contingencies Risk Management - Monthly Report IT Division Q Update	Central Contingencies Risk Management Monthly Report FSD Quarterly Update Business plan update	Central Contingencies Risk Management – Quarterly Report City Procurement Q Update	Central Contingencies Risk Management - Monthly Report IT Division Q Update	Central Contingencies Risk Management Monthly Report FSD Quarterly Update Business plan update

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### Agenda Item 5

Committee(s)	Dated:
Finance Committee	10 November 2020
Subject: Appointment to Digital Services Sub-Committee	Public
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	n/a
Does this proposal require extra revenue and/or capital spending?	N
If so, how much?	n/a
What is the source of Funding?	n/a
Has this Funding Source been agreed with the Chamberlain's Department?	n/a
Report of: The Town Clerk	For Decision
Report author: John Cater	

### Summary

As per the composition allocation rules for the Digital Services Sub-Committee, appointments can be made from the Finance Committee and from the wider Court of Common Council.

After last month's FC meeting, the Chairman of the Sub-Committee informed the Town Clerk of Dawn Wright's interest in serving on the Digital Services Sub-Committee for the remainder of the 2020/21 civic year. Approval is now sought from the Finance Committee to confirm this appointment.

Digital Services Sub Committee is currently running with one vacancy.

#### Recommendations

Members are asked to agree that **Dawn Wright is** appointed to the Digital Services Sub Committee for the remainder of the 2020/21 civic year.

#### John Cater

Town Clerk's Department

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### Agenda Item 6

Committee:	Date:
Finance Committee	10 November 2020
Subject:	Public
Public Report of the work of the Sub-Committees	
Report of:	For Information
Town Clerk	
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 13 October 2020:

### Procurement Sub-Committee - 6th November 2020

FC agenda published before the Procurement Sub-Committee meeting on 6<sup>th</sup> November. An update will be provided before the FC meeting on 10<sup>th</sup> November.

#### 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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Committee(s)	Dated:
Finance Committee	10 <sup>th</sup> November 2020
Subject: Chamberlain's Department Risk Management – Quarterly Report	Public
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	7
Does this proposal require extra revenue and/or capital spending?	N
If so, how much?	n/a
What is the source of Funding?	n/a
Has this Funding Source been agreed with the Chamberlain's Department?	n/a
Report of: Chamberlain	For Decision
Report author: Leah Woodlock	

### Summary

This report has been produced to update Finance Committee on the risks and their management by the Chamberlain's department. The Senior Leadership Team regularly review the risks as a part of the management of the Chamberlain's department. The Chamberlain's department currently has two corporate risks and five departmental risks on its risk register. There are two risks with red statuses:

- CR35 Unsustainable Medium-Term Finances
- CR23 Police Funding

There are four Amber rated risks that relate to IT and one to Procurement. The Senior Leadership Team continues to closely monitor the progress being made to mitigate these risks.

### Recommendation(s)

Members are asked to note the report.

### **Main Report**

### **Background**

- 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.

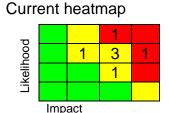
3. Risk and control owners are regularly consulted regarding the risks for which they are responsible, with updates captured accordingly. Significant changes to existing risks are escalated to SLT when identified.

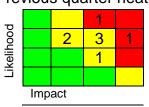
### **Summary of Risks**

4. The heatmap for all Chamberlain's corporate and departmental risks is as below:

Current heatmap

Previous quarter heatmap





5. The Chamberlain's department currently has three corporate risks and four departmental risks on its risk register, attached as Appendix 1 to this report, assessed as 2 RED risks and 5 AMBER risks. These are:

### **CR35 Unsustainable Medium-Term Finances (Current Risk: Red** – no change)

- 6. The Financial Health risk was added to the Chamberlain's risk register in July in response to the impact of the COVID-19 Pandemic. A number of mitigations have been put in place to protect the medium-term financial plan. A re-budgeting exercise for each department was undertaken over the summer, with a focus on a reduction of expenditure. At the end of month 6 expenditure savings of £22.6m identified partially offsetting income losses predicted at £39.4M.
- 7. Business rates collection at the end of September was 6.8% lower than 2019. The Government has recognised the cashflow impacts of business rates and has deferred its share for April-June, which has been re-profiled over the reminder of the year. The Govt is also allowing authorities to spread the impact of business rate deficits over 3 years.
- 8. The implementation of the Target Operating Model and Fundamental Review savings proposals are being presented to Members in both the Policy and Resources and Establishment Committees for sign off in October. Once the comprehensive TOM Business Case and associated timeline are signed off, these impacts will be applied to the MTFP.

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

9. An in-depth budgeting exercise is being undertaken this autumn. The Commissioner has made the commitment to have a balanced budget over the medium-term. The Police MTFP is being prepared for the November Performance and Resource Management Committee of the City of London Police Authority Board and the December Police Authority Board.

### CHB IT 001 Resilience - Power and infrastructure (Current Risk: Amber - reduced)

10. There are two workstreams that have been undertaken to significantly reduce the risk of unavailability of applications and services. The first being the migration of COL servers and data from the Agilisys datacentres to Microsoft Azure (cloud) and the second, moving the critical spatial application suite from the Guildhall datacentre to Microsoft Azure (cloud). These two workstreams have now in the most part been completed. The remaining applications (including telephony) are now being scoped for removal with an anticipated completion date of January 2021. A reduced capital bid has also been submitted for funding to replace the Uninterruptible Power Supply protection in the Guildhall.

# CHB IT 004 Business Continuity / Disaster Recovery Management (Current Risk: Amber – reducing)

- 11. Following the migration of the spatial suite to the Azure cloud, the Azure server and services will be reviewed and optimised for efficiency and criticality (where beneficial). The IT team anticipate that these new capabilities will exceed the current requirements, but these will be confirmed with the business owner for each critical application and adjustments will be made where required.
- 12. Due to the recent migration activities to the Azure public cloud, our business continuity and our disaster recovery response is significantly improved. A biproduct of the move of services to Azure and an increase in remote working has meant that COL relies on the Guildhall power supplier increasingly less. Therefore, it is proposed that these two risks (CHB IT 001 and CHB IT 004) are downgraded and replaced with a single risk (IT Business Continuity) which encompasses both causes, events and effects.

### CHB IT 030 2020 - Managed Service Contract (Current Risk: Amber - no change)

13. The new Agilisys contract negotiations and transition of services are continuing and the contract is due to be signed prior to the 30<sup>th</sup> November. The team are working through delivery disputes with the supplier, these activities have been assigned to a senior sponsor level. The Go Live date for new Service Management and Service Delivery tools is also November 30<sup>th</sup>.

### CR16 Information Security (formerly CHB IT 030) (Current Risk: Amber - no change)

14. The staff training and awareness of IT security continues during 20/21 under the oversight of the Information Management Board. There is a review being undertaken of the National Cyber Security Training with the view to provide training to all staff. Regular security updates have been provided throughout the COVID period.

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

15. The Commercial contract management team have prepared a report for the Brexit Planning Group. The report advises that there have been no significant risks raised via the supplier survey.

### **Appendices**

Appendix 1 Chamberlain's Department Detailed Risk Register

### **Background Papers**

Monthly Reports to Finance Committee: Finance Committee Risk

#### **Leah Woodlock**

Chamberlain's Department

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# CHB Corporate and departmental risks - detailed report EXCLUDING COMPLETED ACTIONS

Report Author: Leah Woodlock Generated on: 28 October 2020



Rows are sorted by Risk Score

Risk no, title, creation date, wher	Risk Description (Cause, Event, Impact)	Current Risk Rating	& Score	Risk Update and date of update	Target Risk Rating & S	Score	Target Date	Current Risk score change indicator
© Sustainable Medium Term Finances	Causes: Anticipated decline in public sector funding (local government and Police), increasing demands (revenue and capital) and an ambitious programme of major project delivery threaten our ability to continue to deliver a vibrant and thriving Square Mile Normal course of business unable to function due to COVID 19 restrictions BREXIT compounding market uncertainty and exacerbating the economic downturn. Major contraction in key income streams and increase in bad debts.In particular that lower occupancy levels in city properties reduce investment property income over the medium term. Police Transform programme fails to realise the budget mitigations anticipated Reduction in the value of investments- property and securities- reduces available capital for major project financing.	Likelihood	24	Current annual estimated impact is an overspend of £28.4m across the three funds; £16.8m of which is City Fund. Driven mainly by income loss in the following areas: Barbican, GSMD, Tower Bridge, Animal Reception Centre and Events. Mitigations include spend reduction, furloughing of casual staff and permanent staff not able to work (£1.3m recovered from government to date) and recovery of lost CF income from the governments compensation scheme anticipated to be £13.6m  Property income: In the short term, the City is protected by tenancy arrangements, but that the medium term is more concerning. The make-	Impact	12	31-Mar- 2021	

19-Jun-2020 Caroline Al- Beyerty	Event: Inability to contain financial pressures within year (2020/21) and compensatory savings and/or income generation to meet the Corporation's forecast medium term financial deficit will not be realised.  Effects:  Additional savings over and above those identified through the Fundamental Review to meet this challenge are required and/or closure in some areas reserves are utilised and/or services stopped.  The City Corporation's reputation is damaged due to failure to meet financial objectives or the need to reduce services / service levels to business and community.  Being unable to set a balanced budget which is a statutory requirement for City Fund.  Spend is not aligned to Corporate Plan outcomes resulting in suboptimal use of resources and/or poor performance.  Capital projects stalled due to COVID restrictions.  Stakeholders experiencing reduced services and service closures.		up of current portfolio is underrated for retail which offers some protection.  Cash flow position is holding up well.  Balance Sheet- it is too early to assess any permanent re-valuation.  Securities portfolio- after an initial drop has largely recovered the Dec 2019 valuation.  02 Sep 2020			Constant
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Pa							
tion no	Action description	Latest Note				Latest Note Date	Due Date
35a	A reduction in key income streams and increase in bad debt	end of Month 6 expenditure spredicted at £39.4M  Key Impact areas:  Property investment income - Currently estimating £14.2m This will be reviewed again in available.  Impact on cash balances inve  For Chief Officer cash limited anticipated in May to £16.8M mitigation the areas most afferes & Charges in DBE £3.1.	thly, with action being taken to reduce spends avings of £22.6m identified partially offsett — initially deferred, likely to crystallise high adverse variance across all 3 funds at the enn January when impacts from 3rd quarter be ested in money market funds—forecasting reduction defends by the forecasting reduction and budgets: estimated adverse variance has in a facross the three funds—largely due to loss forected are: Barbican £11.2m, Tower Bridge £ m Markets & Consumer protection £816K are across Mansion House and Remembrance	% bad debt. ad of the September. illing will be duction of £1.5m. mproved from £30m of income. After 3.1m, GSMD £3.0m, and Event income	Julie Smith	28-Oct- 2020	31-Mar- 2021

		Resetting of in-year local risk budgets totalling some £15.2m has been agreed by Finance Committee and is subject to Court approval on 3rd December.			
CR 35b	To reduce strain on cash flow.	The Corporation remains very liquid and the outlook for near term cash flows is robust.  Review major commitments, including options for re-profiling.	James Graham; Julie Smith	28-Oct- 2020	31-Mar- 2021
CR 35c	Increased expenditure related to COVID measures-maximise recovery from government	In the short-term, high % of additional expenditure recoverable from government, and recruitment controls putting downward pressure on budgets. But a significant proportion of Fundamental Review savings, especially from the target operating model work, are deferred. Police year end forecast is an underspend of £4.0m, primarily due to delay in recruiting. CoLP are also able to claim losses as a result of COVID-19 from the Home Office.  Possible mitigations:  • Maximising recovery from government- spend is being coded and monitored. Estimated claim of up to £13.6m for loss of fees & charges on City Fund. Claim submitted for ist quarter of £1.5m  • Furloughing workers where appropriate has been done recovering £2.2m to end of August	Julie Smith	28-Oct- 2020	31-Mar- 2021
ပြ ရှာ (C): 35d	Inability of occupiers to pay rates as their income falls an	Maintaining tight financial disciplines.  Monthly monitoring in place. The immediate impact of COVID-19 has been to lower the	Phil Black;	28-Oct-	31-Mar-
Page 35d <b>25</b>	business models are damaged.  A reduction in demand for office space in the square mile, leading to lower occupation and business rate income.  The Corporation is currently benefitting from growth in business rates retained income of c£40m.  Non-payment of rates across London leading to difficulties in meeting cash flow payments as host of the pool.	collection rate for business rates. Collection to the end of September is 6.8% below the	Neilesh Kakad	2020	2021
CR 35e	Impact on investments: securities/property	The values of the three main financial investment portfolios have continued to grow steadily, participating in a broad-based rally across financial markets over the summer. The Pension Fund, City's Cash and BHE portfolios have increased by 17%, 21% and 14%, respectively since 31 March 2020 and are now ahead of their previous highs in December/January 2020. Until there is more certainty over the ultimate economic impact of C-19, it is always possible	Nicholas Gill; James Graham	28-Oct- 2020	31-Mar- 2021

		that volatility will return. COL's Pension Fund contributions are fixed until 2023, providing some protection, whilst the diversified asset allocation strategies and use of active management across all three funds should continue to deliver some stability if general market moves become extreme again.  Too early to assess impact, but actions on deferral and rent free is aimed at retaining tenants.  If tenants default - there is a high risk of long lead in periods (of up to 24 months) to find new tenants. Some tenants are in administration since 19th June 2020.			
CR 35f	Impact on the MTFP	FR proposals affecting staff put into abeyance during CoLC's response to Covid-19.  CHB currently reviewing achievability of savings built into the MTFP	Caroline Al- Beyerty; Alistair Cook	30-Sep- 2020	31-Mar- 2021
CR 35h Page 26	To implement the Fundamental Review project plan-TOM	FR proposals affecting staff put into abeyance during CoLC's response to Covid-19. The Flexible Retirement Scheme for those aged 60+ is currently being implemented and a review is currently being undertaken to assess the feasibility of extending the scheme to those aged 55-59. Other savings relating to organisation design and an associated reduction in headcount are expected to begin from the new financial year with a final paper signing off implementation of the Target Operating Model and associated OD Principles going to Policy and Resources Committee and the Establishment Committee in October 2020.  CHB currently reviewing achievability of savings built into the MTFP.  Members in both the Policy and Resources and Establishment Committees are being presented with the comprehensive TOM Business Case and associated timeline for sign off in October. RASC and P&R Committees throughout June and July 2020 have endorsed the TOM proposals, which will result in Tier 1 consultation starting in the autumn.	Chrissie Morgan	28-Oct- 2020	31-Mar- 2021

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Scor	e Risk Update and date of update	Target Risk Rating & Score	Target Date	Current Risk score change indicator
Page 27  21-Nov-2016 Ian Dyson; Peter Kane	Cause: Reduction in government funding, workforce costs and growing demand in Policing services leading to pressures for the City Fund -Police.  Event: Reduction in government funding. Failure to deliver VfM savings. Budget deficit forecast for next 5 years requiring action to balance the budget  Effect: 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.	Impact	<ul> <li>Updated MTFP was prepared for consideration by the January 2020 committee cycle, incorporating both growth and savings assumptions.</li> <li>Balanced budget was set for 20/21 based on £5.4m funding of 67 growth roles and CoLP savings plans. Additional Home Office funding has been provided for uplift of 44 officers</li> <li>After 20/21 there are deficits of about £3m pa, for which further mitigation action is required, including through the implementation of new shared services opportunities.</li> <li>Commitment has been given to at least balancing the budget over the medium term.</li> <li>COVID 19 impacts to date have been assessed. Further work will be required to understand and model impact on the MTFP.</li> <li>28 Oct 2020</li> </ul>		31-Dec- 2020	Constant

Action no	Action description			Latest Note Date	Due Date
CR23g	•	Police MTFP presented to January Committee cycle, incorporating the costs of and additional funding for 67 growth roles and all current Police savings plans. Government settlement provided for further uplift of 44 officers. Balanced budget set for 20/21. In subsequent years deficits of c.£3m pa exist due to addition of loan repayment assumptions for Action Fraud and Police capital priorities. Update of MTFP in autumn 2020 will include C19 impacts, forecast	Cook		31-Dec- 2020

	20/21 underspend, updated AF loan repayment plan, additional savings requirements, and reserves policy.		
	reserves poney.		1

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
CHB IT 001 Resilience - Power and infrastructure.  Page  © Somar-2017 Sean Green	Cause: There is a lack of resilient or reliable Power services or Uninterruptable Power Supply (UPS) provision in multiple Comms rooms and datacentres in COL and COLP buildings.  Event: There will be intermittent power outages of varying durations affecting these areas/buildings.  Effect:  • Essential/critical Systems or information services are unavailable for an unacceptable amount of time  • Recovery of failed services takes longer than planned  • Adverse user/member comments/feedback  • Adverse impact on the reputation of the IT division/Chamberlain's Department	Impact		The migration of COL servers and data from Agilisys' datacentres into Microsoft Azure has completed,  The work to move the critical Spatial application suite from the Guildhall datacentre into Azure has also now been successfully migrated  These two workstreams will significantly reduce the risk of unavailability of applications and services.  As such, a reduced capital bid has been submitted to fund the provision of replacement UPS protection in the Guildhall.  26 Oct 2020	Impact	4	28-Feb- 2021	Constant

Action no	Action description		Latest Note Date	Due Date
CHB IT 001n		The Spatial Application has been migrated, the remaining application including telephony will now be scoped for removal		31-Jan- 2021
CHB IT 001p		8.11	 	28-Feb- 2021

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
CHB IT 030 2020 - Managed Service Contract  Di-Oct-2019 Coan Green	Cause: New IT Services contract being implemented to replace the current contract we have with Agilisys Event: The transition and implementation has delays beyond the end of the contract on the 31st August 2020 Effect: Additional costs/dual running costs incurred and potential reputational impact of any failures or service disruption during the Transition and Implementation	Likelihood	12	Contract negotiations and transition of services are ongoing, contract signature expected by end of November 2020. There is a dispute across some of the delivery strands which are being worked through with the Supplier with Go Live on new Service Management and Service Delivery tools due by 30th November. Areas that are not migrating to the new Managed Service Contract have now been addressed. Scope of TUPE implications have been agreed with consultations with impacted staff having been carried out.  26 Oct 2020	Impact	4	30-Nov- 2020	Constant

Action no	Action description			Latest Note Date	Due Date
CHB IT 030e	Cloud and Service Now Migration	8	Kevin Mulcahy		30-Nov- 2020
CHB IT 030f	Service and Commercial Disputed Items under review an discussion, could impact scope and some key milestones	Negotiations continuing around security provisions and separate Service Management system for CoL and CoLP vs being integrated into the nulti- tenancy version being proposed by Agilisys.	Sean Green		30-Nov- 2020

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Scot	Risk Update and date of update	Target Risk Rating & Score	Target Date	Current Risk score change indicator
CR16 Information Security (formerly CHB IT 030)	Cause: Breach of IT Systems resulting in unauthorised access to data by internal or external sources. Officer/ Member mishandling of information.  Event: The City Corporation does not adequately prepare, maintain robust (and where appropriate improve) effective IT security systems and procedures.  Effect: 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.	Impact	Regular security updates have been provided to relevant people throughout COVID. A Gateway paper is currently being drafted. Reviewing the National Cyber Security Training with the view to provide training to all staff. PSN remediation activities are complete and have been submitted to the Cabinet Office.  26 Oct 2020	E E	30-Apr- 2021	Constant

Coction no	Action description			Latest Note Date	Due Date
<b>4</b> 16j	CR16j An update IT Security Roadmap has been developed which has informed work activity for 20/21 and a capital bid for new security tools.	the Information Management Board led by our SIRO Michael Cogher. Security campaign to	Gary Brailsford- Hart		31-Dec- 2020
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.	New Security Projects being planned to fit the funding of £250K that was allocated. Gateway paper has been submitted			30-Jan- 2021

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
Continuity / Disaster Recovery	Cause: A lack of robust infrastructure and restore procedures are not in place on aging infrastructure.  Event: 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.  Effect: The disaster recovery response of the IT Division is unlikely to meet the needs of COL leading to significant business interruption and serious operational difficulties.	Likelihood		Most of COL's servers and applications have been migrated away from local datacentres and into Microsoft's public cloud, Azure.  The migration of the Spatial suite of applications has also been migrated to Azure from the Guildhall datacentre. Following this work, the Azure server and services will be reviewed and where suitable, optimised for efficiency and criticality.  26 Oct 2020	Likelihood page damenta and a second page da	4	31-Mar- 2021	Constant
<u>8</u>								

Action no	Action description		Latest Note Date	Due Date
CHB IT 004k		8 8		31-Mar- 2021

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
CHB CP001 Brexit risk to City Corporation procurement and supply chains  12-Nov-2018 Christopher Bell  Christopher Bell  CO	Cause: The UK leaving the EU (Brexit) with no trading deals in place.  Event: 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.  Effect: Brexit could effect changes to our direct suppliers and their supply chain, impacting negatively on the Corporation. A range of potential impacts are:  • Regulatory / Legal requirements -existing supply contracts may be impacted by changes in regulation, or legal requirements.  • Assurance of Supply - risk that a complete failure in supply of the goods / service (e.g. Carillion) from key suppliers could be felt.  • Quality- quality of the goods / service impact due to changes in our Supply Chain.  • Service- Service levels be impacted negatively by any changes in the Supply Chain or access to workers, particularly in low skilled categories.  • Financial risk -Are any supply changes likely to drive up costs of the Goods / Services/Works in the short/medium/long term.  • Sustainability- risk that will change the level of innovation or sustainability of the goods / service/work against expectations?  • Workload- Will changes in the Supply Chain cause significant workload to the Procurement/Commercial/Legal teams due to change controls/re-negotiation of terms?	Impact 6	Commercial Contract Management have drafted a report for Brexit Planning Group on the minimal risk identified as part of supplier survey. No significant risks have been identified. Final approval to send is being sought from the AD Commercial Contract Management and the Commercial Director.  30 Sep 2020	Impact 4	31-Dec- 2020	Constant

Action no	Action description		Latest Note Date	Due Date
CHB CP001e		Christophe r Bell		31-Dec- 2020

Committee(s):	Date(s):
Audit and Risk Management – For decision Finance Committee – For decision	03-11-2020 10-11-2020
Subject: 2019-20 City Fund and Pension Fund Financial Statement	Public
Report of:	For Decision
The Chamberlain	
Report author:	
Neilesh Kakad, Group Accountant, Chamberlin's	
Department	

#### Summary

The audited City Fund and Pension Fund Statement of Accounts 2019-20 are presented in appendix 1 for approval. This reflects all changes agreed with the auditors at the time of submitting this report. The statutory deadline for approval and publication of these accounts have been revised due to the impact of COVID-19, with 30 November 2020 being the date by which this should now take place.

The audit work is substantially complete, with the findings of this work set out in the audit completion reports in appendix 2 and 3. Our auditors, BDO LLP, are intending to issue an unqualified opinion on both statements, albeit with an "emphasis of matter" paragraph in the City Fund opinion relating to the uncertainty in property valuations at the balance sheet date due to COVID-19. This is uncontentious as it reflects our own views on investment and operational property valuations.

The key points to highlight from the statement of accounts are:

- There have been no significant changes in accounting standards from the previous year.
- The surplus on the provision of services for the year is £85.7m. This reflects the revenue surplus for the year (£42.3m) and the net gains from the disposal of assets (£42.4m), which have been planned as part of the financing strategy for the major projects being delivered by City Fund.
- Unrealised gains on investment property valuations (£30.4m) have also added to the surplus position but have been offset by the IAS19 assessment of pension liabilities accounted for the in provision of services (£28.7m).
- The net assets position for City Fund increased by £195.8m. The primary drivers of this increase are:
  - a) An increase in investment properties values (£30.4m) reflecting the assessment of our external valuers.

- b) An increase in the value of short term investments (£127.6m) reflecting the cash proceeds from the disposal of Police premises (£69.8m) and the revenue underspend for the year (£42.3m), which have been accumulated as part of the financing strategy for major projects being delivered through City Fund. The City Corporation is also holding £74.2m of cash balances on behalf of the London Business Rates Pool in our role as Lead Authority. This balance will be distributed in due course to Strategic Investment Project (SIP) lead authorities, in line with their spend on these projects, and on finalisation of 2019-20 business rates audits across London as part of the redistribution mechanism of the pool.
- c) a reduction in pension liabilities (£59.1m).
- The pension liability has reduced by £59.1m to £1,258.6m, reflecting small changes in the financial assumptions used by the actuary to determine the value of the liability, which these calculations are sensitive to.
- Usable reserves have increase by £108.6m reflecting the increase in cash balances highlighted above, which will be utilised as part of the financing of the Combined Courts and Museum of London major projects being managed under City Fund.

#### Recommendations

The Audit and Risk Management Committee are asked to:

- Consider the content of BDO's audit progress report;
- Recommend approval of the 2019-20 City Fund and Pension Fund Statement of Accounts to Finance Committee; and
- Delegate authority to the Chamberlain, in consultation with the Chairman and Deputy Chairman of the Audit and Risk Management Committee, approval of any material change to the financial statement required before the signing of the audit opinion by BDO, which is expected by the end of November.

#### Finance Committee are asked to:

- Consider the resolution from the Audit and Risk Management Committee and, if appropriate, approve the 2019-20 City Fund and Pension Fund Statement of Accounts: and
- Delegate to the Chamberlain, in consultation with the Chairman and Deputy Chairman of Finance Committee, approval of any material changes to the statement of accounts required before the signing of the audit opinion by BDO

   which is expected by the end of November.

#### Main Report

## Background

- 1. The 2019-20 City Fund and Pension Funds Statement of Accounts are set out in appendix 1.
- 2. Due to the impact of COVID-19, the statutory deadline for approval and publication of the City Fund and Pension Fund accounts have been extended via The Accounts and Audit (Coronavirus)(Amendment) Regulations 2020, which has set 30 November 2020 as the new deadline.
- 3. Approval of each year's statement of accounts has been delegated by the Court of Common Council to Finance Committee.
- 4. The statements are prepared in accordance with proper accounting practice as set out in the Code of Practice on Local Authority Accounting 2019-20 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), supported by International Financial Reporting Standards (IFRS).

# **Summary of 2019-20 City Fund Accounts**

#### Revenue

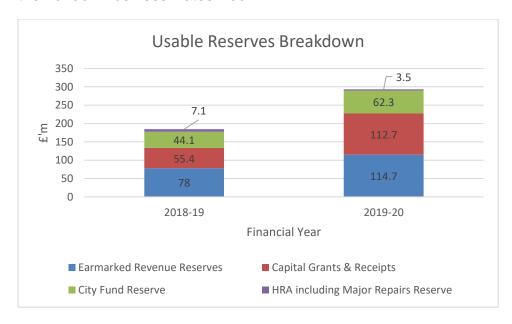
- 5. The provisional net expenditure for spend against Committee budgets is £6.0m better than budget. More detailed analysis of the outturn compared to budget has been submitted to spending committees. Bringing in funding from taxation and grants, the City Fund was £42.3m better than budget. This is an improved position from the £16.7m budgeted transfer to reserves due additional grant funding to offset the award of business rate reliefs (£6.8m), in-year budget reductions agreed as part of the revised estimate process (£6m) and additional business rate and business rate premium income (£5.6m), the later element reflecting the agreed increase of £0.001p.
- 6. In accordance with the City's budget management arrangements, requests for the carry forward of City Fund resources totalling £0.9m have been approved by the Chamberlain, in consultation with the Chairman and Deputy Chairman of the Resource Allocation Sub-Committee. This will increase the call on the City Fund General Reserve in 2020-21.

#### **Balance Sheet**

- 7. The Balance Sheet net assets have increased by £195.8m from £1,395.1m to £1,590.9m. This increase is primarily due to an increase in investment properties values (£35.2m), short term investments (£127.6m) and a reduction in pension liabilities (£59.1m). Note 17 and notes 23-26 provide details of the changes in investment property and pension liability values.
- 8. The increase in short term investments is reflective of the cash balances retained at year end, which include the cash proceeds from the disposal of Police

premises (£69.8m) and the revenue underspend for the year (£42.3m), which have been accumulated as part of the capital financial strategy for major projects being delivered through City Fund. The City Corporation is also holding £74.2m of cash balances on behalf of the London Business Rates Pool in our role as Lead Authority. This balance will be distributed in due course to Strategic Investment Project (SIP) lead authorities, in line with their spend on these projects, and on finalisation of 2019-20 business rates audits across London as part of the redistribution of pool funds London.

- 9. The increase in net assets is also reflected in the reserves position where both usable and unusable reserves have increased by £108.6m and £87.2m respectively.
- 10. Usable reserves are those relatively liquid reserves that can be applied to fund expenditure or reduce local taxation. They are required over the medium term for the funding of the capital programme and includes sums earmarked, either by statute or as agreed by Members, for specific purposes such as spend on Highways, the Housing Revenue Account and the Police.
- 11. Unusable reserves hold unrealised gains and losses and differences between the accounting basis and statutory basis for preparing local authority statement of accounts.
- 12. The £108.6m increase in usable reserves reflects the City Fund underspend for the year as well as a net increase in the capital receipts reserves (£52.1m) following disposal of Police sites. Both elements are part of the financing strategy for the major projects programme over the medium term. In addition, earmarked reserves have also risen largely due to an increase in the Strategic Investment Project (SIP) funds (£21.3m) which the City Corporation administers on behalf of the London Business Rates Pool.



13. The £87.2m year on year increase in unusable reserves from £1,210.5m to £1,297.7m is analysed further in note 31 to the City Fund accounts. The most

significant items contributing to this increase is the increase in investment property valuations (£30.4m) and a reduction of £59.1m in the negative pension reserve to match the reduction in estimated pension liabilities.

# **Pension Liability**

14. The City Fund's total net assets of £1,590.9m are after having deducted net pension liabilities totalling £1,258.6m. The comparator for 31 March 2019 is £1,317.7m. The liabilities arise from applying the requirements of International Accounting Standard (IAS) 19. This accounting standard is complex but is based on the principle that an organisation should recognise liabilities for pension benefits as they are earned, even if the payment of such benefits will be many years into the future. The estimated net liabilities are calculated by independent actuaries, Barnett Waddingham. A breakdown of the liability between the 3 pension schemes operating under City Fund is shown below.

Net Pension Liability breakdown by scheme	31 March 2019	31 March 2020
City of London Pension Scheme - City Fund 51% share	(316.7)	(324.1)
Police Pension Schemes	(998.1)	(931.7)
Judges' Pension Scheme	(2.9)	(2.7)
Total	(1,317.7)	(1,258.6)

- 15. The Police and Judges' schemes are wholly accounted for by the City Fund but the Local Government Pension Scheme (LGPS), which is open to all other staff who don't qualify for the other schemes, is apportioned on employer's contributions between the City Corporations 3 funds (City Fund, City's Cash and Bridge House Estates) so to present a fairer view of the funds' financial positions than if the deficit were excluded.
- 16. Pension fund deficits (or surpluses) are relatively sensitive to movements in the underlying assumptions. Details of these assumptions can be found in note 23 of the accounts.
- 17. It should be noted that the employer's pension contribution rate is a separate issue from the IAS19 calculations. It is considered and determined by Finance Committee following each triennial valuation (updated by any subsequent interim valuations). The triennial valuation considers the period over which the pension deficit should be recovered through employer's contributions and the City Corporation is consulted on the assumptions used by the actuary for these valuations. Following the triennial valuation as at 31 March 2019, Finance Committee agreed to maintain the City of London Corporation's employer's contribution rate at 21% for the years 2020-21 to 2022-23 in order to recover the pension fund deficit over a period of 14 years from 2020-21.

#### **Pension Fund Accounts**

- 18. The Pension Fund Account audit is largely complete and appendix 2 presents the Pension Fund audit finding report. The draft accounts were amended to reflect updated valuations for private equity holdings which were received after draft publication. This reduced the value of pension fund assets by £3.1m.
- 19. Pension fund liabilities were also updated and increased by £6m following an error in the data provided to the actuary in assessing the liability of the fund.
- 20. An unqualified opinion is proposed for these accounts.

#### COVID-19

- 21. Whilst the impacts of COVID-19 will be largely felt in 2020-21 and beyond, its presence in March 2020 and subsequent "lockdown" initiated by Government in this period has had an impact on the statement of accounts. These have primarily been focused on property valuations, the recovery of outstanding debt and the assessment of going concern.
- 22. Due to the lack of property transactions and uncertainty in the market, the valuation of investment and operational properties have been caveated with a material valuation uncertainty clause by the valuers. This highlights that whilst valuations were able to be produced as at the balance sheet date, there was a higher level of uncertainty in these valuations due to the circumstances surrounding COVID-19. This clause was included in line with guidance issued by the Royal Institute of Chartered Surveyors (RICS).
- 23. Whilst circumstance have developed since the valuations were issued, the valuers maintain the need for this material valuation clause and therefore, this has been reflected in the emphasis of matter included in the audit report.
- 24. Judgements on the recovery of outstanding debts and the going concern assessment have been deemed adequate, albeit with the recommendation that further analysis be carried out when assessing the likelihood of debt recovery in some areas.

#### **Audit Progress**

- 25. BDO commenced its audit on 29 June 2020. At the time of writing the City Fund audit was still underway. Appendix 3 sets out the City Fund audit findings and outstanding areas of work at the time of writing. Any subsequent updates to the City Fund accounts to the version published with this report will be highlighted to the Committee.
- 26. Representatives from BDO will be in attendance at the Audit and Risk Management Committee to present their progress reports and to clarify any points and provide an update on the outstanding areas of work. It is anticipated that the audit will be concluded satisfactorily to enable BDO to issue an unqualified opinions, albeit with an "emphasis of matter" statement in relation to

the uncertainty in investment and operational property valuations undertaken at the 31 March 2020, linked to circumstance surrounding COVID-19. This is uncontentious and is in line the with assessments made by our internal and external valuers that material uncertainty still exists. Enhanced disclosures setting out the impact of this material uncertainty will be included in note 2 of the City Fund accounts.

#### Conclusion

- 27.BDO is expecting to sign its audit opinion by the end of November. Should any material adjustments to the statement of accounts be required before that position is reached, it is recommended that authority to approve such amendments should be delegated to the Chamberlain in consultation with the Chairmen and Deputy Chairmen of the Audit and Risk Management and Finance Committees.
- 28. As soon as reasonably possible after the conclusion of the audit, and in any event by 30 November 2020, the City is required to publish the 2019-20 City Fund and Pension Fund Statement of Accounts including the Audit Opinion on its website. The final management letters from BDO on its audit will be presented to the Court of Common Council for information.

#### **Appendices**

Appendix 1 – 2019-20 Statement of Accounts for the City Fund and Pension Fund

Appendix 2 - BDO's Pension Fund Audit Completion Report

Appendix 3 - BDO's City Fund Audit Completion Report

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Committee(s): Audit and Risk Management Committee – For decision	Date(s): 3 November 2020
Finance Committee – For decision	10 November 2020
Subject: City's Cash Financial Statements 2019/20	Public
Report of:	For Decision
The Chamberlain	
Report author:	
Steven Reynolds, Group Accountant	

#### **Summary**

The Annual Report and Financial Statements for City's Cash for the year ended 31 March 2020 are attached at Annex 2 for approval.

The external auditor, BDO LLP is intending to issue an unqualified audit opinion with the inclusion of an 'emphasis of matter' paragraph on the uncertainty relating to property valuations as a result of Covid-19. This is uncontentious and matches judgements we have made on the valuations ourselves. Their report, including recommendations, is attached at Annex 3.

The key points in the financial statements are:

- a net deficit of £2.6m which includes gains in fair value on property investments of £86.9m and a loss on non-property investments of £29.4m due to the impact of the Covid-19 on the financial markets (these figures can be seen in the Consolidated Statement of Comprehensive Income on page 18);
- total net assets of £2,675.5m, an increase of £5.7m (0.2%) since last year. The
  net asset position is after deducting the total pensions liability of £311.1m. This
  level of assets is necessary to generate the required level of income to fund City
  Cash services and to support the City's ambitious major projects programme (the
  £5.7m is shown in the Consolidated Statement of Changes in Equity on page 20);
- to support the City's capital programme a £125m bridging loan facility was acquired during 2018/19. This was repaid on 16 September 2019 and replaced by a long-term loan of £450m, of which £250m was received in September 2019 with City's Cash contractually committed to receive the balance of £200m in July 2021 (page 41 and para 6);
- financial commitments relating to City's Cash are disclosed in the notes to the financial statements and are summarised as follows:
  - 1. the potential contribution of £50m from City's Cash towards the Crossrail Project (page 48, para 8); and
  - 2. £2.50m relating to a works contract for the refurbishment of an investment property and £0.5m for tunnel lids at Smithfield Market (page 48, para 9); and
- Covid-19 arrived late in the year being reported and the financial impact was largely confined to the fair value loss on non-property investments as noted above.

However, whilst the value of investment properties increased, the valuer has recognised the impact of Covid-19 and reported valuations on the basis of 'material valuation uncertainty' (accounting policy note g on tangible fixed assets, page 22).

#### Recommendations

The Audit and Risk Management Committee is requested to:

- note that the external auditor BDO LLP intends to give an unqualified audit opinion;
- consider the contents of the Audit Management Report issued by BDO LLP; and
- recommend approval of the City's Cash Financial Statements for the year ended
   31 March 2020 to the Finance Committee.

The Finance Committee is requested to:

- note that the external auditor BDO LLP intends to give an unqualified audit opinion;
- consider the contents of the Audit Management Report issued by BDO LLP; and
- approve delegated authority for the Chairman and Deputy Chairman of the Finance Committee to approve and sign the City's Cash Financial Statements on behalf of the Court of Common Council, taking account of any observations from the Audit and Risk Management Committee on 3 November.

#### **Main Report**

#### **Current Position**

- 1. The 2019/20 Annual Report and Financial Statements for City's Cash are attached at Annex 2 for approval.
- 2. The external auditor BDO LLP intends to give an unqualified opinion with the inclusion of an 'emphasis of matter' paragraph on the uncertainty relating to property valuations as a result of Covid-19. This is uncontentious and matches judgements we have made on the valuations ourselves. Their report, including recommendations, is attached at Annex 3. We are pleased to report that no material accounting changes were required to the financial statements of either City's Cash or its consolidated subsidiaries and that no material misstatements were identified as reported on page 34. Whilst not material, there were three adjusted items which are listed on page 25, of which two were identified by BDO LLP and one by the City after the draft accounts were submitted. The report notes on pages 28 to 30 that there are some immaterial unadjusted items relating to the consolidated trusts. Ordinarily, even though immaterial, these would be adjusted in their individual financial statements and those of City's Cash but were not due to the late timing of these being identified.
- 3. The report from BDO LLP notes on page 33 that no significant deficiencies in internal control have been identified. However, the auditor has noted one control observation concerning related party transactions and the City has confirmed that it will review the process for requesting and reporting declarations during 2020/21.

- 4. The Audit Management Report will be distributed to all Members of the Court of Common Council for information. Representatives from BDO LLP will attend the Audit and Risk Management Committee to present their report and to clarify any points or issues.
- 5. The Audit Review Panel of the Chamberlain's and Bridgemasters' Accounts met on 23 October 2020 to review the processes adopted by BDO LLP and the Panel intends to certify that those processes were in accordance with the prescribed auditing standards.

#### New significant items in City's Cash Financial Statements for 2019/20

#### Loans (page 41)

6. In 2018/19 City's Cash entered into an unsecured bridging loan of £125m as part of an overall borrowing strategy designed to support a sustainable and affordable capital programme (disclosure note 16 on page 39 refers). In August 2019, the City issued debt totally £450m via private placement of which £250m was received in September 2019 and the City is contractually committed to receive the remaining £200m in July 2021. The bridging loan of £125m was repaid in full on 16 September 2019.

# Other significant items in City's Cash disclosure notes (pages 21 to 55)

# **Impact of Covid-19**

7. With Covid-19 arriving late in the year being reported, the financial impact is largely confined to a fair value loss of £29.4m on non-property investments. However, whilst the fair value of property investments increased by £86.9m, the valuer has recognised the impact of Covid-19 and reported valuations on the basis of 'material valuation uncertainty' (accounting policy note g on tangible fixed assets, page 22).

# Financial Commitments (page 48)

- 8. Contribution to Crossrail the potential contribution of £50m from City's Cash towards the Crossrail Project has been disclosed as a financial commitment in both the annual report and the notes to the financial statements. The reason for this treatment, rather than the inclusion of a long-term liability on the balance sheet, is that the arrangement with Crossrail is considered to be an executory contract (i.e. a contract made by two parties in which the terms are set to be fulfilled at a later date both sides still have duties to perform before it becomes fully executed). The payment is subject to completion of the works and, due to these being delayed, the timing of the payment has yet to be agreed.
- Contract commitments there are contract commitments of £2.5m relating to a
  works for the refurbishment of an investment property and £0.5m for tunnel lids at
  Smithfield Market.

# Subsequent Events (disclosure note 23 on page 54)

10. Vote to leave the European Union - there are risks to City's Cash from the vote to leave the EU. In particular, the future levels of demand for office accommodation in the City and surrounding areas and the consequential impacts on rent incomes.

- A close watching brief continues to be kept on this and other implications as events unfold with financial forecasts being refreshed when the picture becomes clearer.
- 11. Covid-19 The City of London Corporation has considered the potential impact of the Covid-19 pandemic on the value of investment assets held, future income levels and liquidity and reports that it remains a going concern (accounting policy note b, going concern, on page 21). The City considers that it has sufficient resources to meet its needs and will continue to monitor the impact as the pandemic continues. Further details as to how the effects of the pandemic have been managed are provided in the subsequent events note on page 54.

# **Highlights from the Consolidated Statement of Comprehensive Income**

# Comparison with Previous Year

12. The Consolidated Statement of Comprehensive Income for the year ending 31 March 2020 shows a net deficit of £3.7m, £63.4m lower than in the previous year, as summarised in the following table. The operating deficit, before gains and losses in the fair value of investments, is £13.0m higher as shown:

	31/3/20 £m	31/3/19 £m	Variance £m
Operating deficit before gains in fair value of investments	(60.1)	(47.1)	(13.0)
Gain in fair value of property investments	86.9	50.1	36.8
(Loss)/Gain in fair value of non-property investments	(29.4)	53.5	(82.9)
Operating (deficit) /surplus	(2.6)	56.5	(59.1)
Profit on sale of fixed assets	2.6	3.4	(8.0)
Loan financing costs	(3.7)	(0.2)	(3.5)
(Deficit)/Surplus for the year	(3.7)	59.7	(63.4)

- 13. The unfavourable movement in the operating deficit (before gains in fair value of investments) for the year of £13.0m (from £47.1m in the prior year to £60.1m) is largely due to:
  - net income relating to property investments reducing by £7.5m, from £47.2m in 2018/19 to £39.7m in 2019/20. This was mainly due to the commencement of amortisation of goodwill held on the purchase of Barking Power Ltd with £3.9m charged in 2019/20, along with the increased cost of works in 2019/20 to facilitate the Markets Consolidation Programme;
  - net expenditure on Markets increasing by £5.4m largely due to the cost of works to facilitate the Markets Consolidation Programme;

- net expenditure on education increasing by £5.3m due to spend of £2.0m relating to the business case for the Centre for Music, an increase of £1.9m at GSMD, mostly due to filling various staff vacancies and new appointments to undertake fundraising and marketing, and a Culture Mile Learning Grant of £0.3m; partly offset by
- net expenditure on grants and other activities reducing by £4.3m, due to nonrecurrent landlord works for the Museum of London Relocation Programme that were undertaken in 2018/19; and
- net pension scheme costs reducing by £3.4m, from £20.5m in 2018/19 to £17.1m in 2019/20. In 2018/19 there was a non-recurrent increase in losses on settlements and curtailments of £5.8m following the ruling of the Court of Appeal in December 2018 that transitional protections put in place under reforms to both the Judges' and Firefighters' Pension Schemes discriminated against a group of members on the grounds of age. The ruling was applicable to all public sector pension schemes in which the City's Cash employees participate including the LGPS and the Teachers' Pension Scheme and resulted in an increase in the City's Cash pensions liability of £5.8m being recognised in 2018/19. The reduction is partly offset by an increase in pension service costs, which have increased by £2.9m from £20.9m in 2018/19 to £23.8m in 2019/20.

### Movements in fair value of investments

- 14. As shown in the table, the gain in fair value from property investments increased by £36.8m, from a gain of £50.1m in 2018/19 to £86.9m, largely due to the inclusion of two new developments in 2019/20 totalling £36.9m. These developments were the Grafton Street Hotel Scheme (£36m) and Crowndean House (£0.9m).
- 15. The table also shows a loss in the fair value of non-property investments of £29.4m, a movement of £82.9m compared to the gain of £53.5m in 2018/19. This arose as January to March 2020 was a period of exceptional volatility for financial markets as the emergence of the Coronavirus (COVID-19) pandemic led to widespread economic and social disruption. In particular, financial markets undertook a large fall over this time which impacted on the fair value of non-property investments held by City's Cash. These investments have recovered significantly in value since the reporting date as financial markets have rallied. As at 30 September 2020, non-property investments are estimated to be valued at £889.1m, an increase of £131.6m compared to the value of £757.6m as at 31 March 2020.
- 16. After the operating deficit of £2.6m (2018/19: surplus of £56.5m) it can be seen in the table that there was a profit on disposal of fixed assets of £2.6m (2018/19: profit of £3.4m) and loan financing costs of £3.7m (2018/19: £0.2m). This increase is due to loan interest being payable for the whole of 2019/20, whereas it was only payable for part of the prior year from when the bridging loan finance was taken out in March 2019.

#### **Comparison with Budget**

17. The financial statements and the budget are not directly comparable due to differences in the way in which the two documents are constructed\*. However, compared to a budgeted net deficit of £43.0m as detailed in Annex 1, the outturn on a like for like basis is a net deficit of £44.7m, an unfavourable movement of £1.7m.

- 18. The budget and outturn are also analysed on a Committee basis in Annex 1.
- 19. The net £1.7m worse than budget position is largely due to additional costs on major project SRP's of £13.6m partly offset by several other smaller items including central contingences not being fully required (£5.0m), repairs and maintenance programmes slippage (£3.7m) and higher investment income (£2.0m).
- 20. In accordance with the City's budget management arrangements, requests for the carry forward of City's Cash local risk resources totalling £349k have been agreed by the Chamberlain in consultation with the Chairman and Deputy Chairman of the Resource Allocation Sub-Committee. In addition, £3.7m of projects and works programmes have slipped and/or been re-phased to 2020/21. These carry forwards and re-phased projects will increase the call on reserves in 2020/21.

#### **Consolidated Statement of Financial Position**

21. City's Cash net assets total £2,675.5m at 31 March 2020 compared to £2,669.8m a year earlier reflecting the £5.7m total gain recognised for the year as set out in the following table. This level of assets is necessary to generate the required level of income to fund City Cash services and to support the City's ambitious major projects programme.

Changes in Equity	31/3/20 £m	31/3/19 £m	Variance £m
(Deficit)/Surplus for the financial year	(3.7)	59.7	(63.4)
Unrealised gains/(losses):			
Loss on revaluation of non-property investments	(9.3)	(0.2)	(9.1)
Actuarial gain/(loss) on defined benefit pension schemes	18.7	(1.2)	19.9
Net increase in funds	5.7	58.3	(52.6)

<sup>\*</sup> the budget includes the draw-down from non-property investments, whereas the Consolidated Statement of Comprehensive Income (CSoCI) does not as this is a transfer between investments and cash, however, the CSoCI includes the movements in fair value of investments but the budget does not account for such movements in the market value of assets. The budget also does not include accounting adjustments for holiday pay accruals and pension scheme actuarial gains or losses.

# **Approval of the Financial Statements**

22. It is recommended that the Finance Committee approve delegated authority for the Chairman and Deputy Chairman of the Finance Committee to approve and sign the financial statements on behalf of the Court of Common Council, taking account of any observations from the Audit and Risk Management Committee on 3 November.

#### **Annexes**

- Annex 1 City's Cash comparison of outturn with budget
- Annex 2 Annual Report and Financial Statements of City's Cash
- Annex 3 BDO LLP Audit Management Report (includes the audit of the City's trusts)

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Annex 1 - City's Cash comparison of outturn with budget

	City's Cash Outturn 2019/20					
		Budget	Outturn	Variation Better/ (Worse)		
		£m	£m	£m		
1.	Net expenditure on services	(102.0)	(91.7)	10.3		
2.	Supplementary revenue projects	(3.7)	(16.4)	(12.7)		
3.	Estate rent income	61.2	61.3	0.1		
4.	Non-property investment income (net)	1.2	2.0	0.8		
5.	Interest on balances	0.3	0.1	(0.2)		
8.	(Deficit) Surplus (from) to reserves	(43.0)	(44.7)	(1.7)		

City's Cash - Comparison with Budget on a Committee Basis

2019/20 Budget v Outturn – City's Cash Summary by Committee					
			Variation Better / (Worse		
	Budget Net	Outturn	Total	Local Risk	Central Risk/ Support Services
Committee	£m	£m	£m	£m	£m
Culture, Heritage & Libraries	(0.7)	(0.7)	-	-	-
Education Board	(3.0)	(2.9)	0.1	0.1	-
Finance	(27.6)	(22.2)	5.4	0.3	5.1
G.P Committee of Aldermen	(4.4)	(4.5)	(0.1)	(0.2)	0.1
Guildhall School of Music and Drama	(13.5)	(12.2)	1.3	1.3	-
Markets	(1.0)	(8.0)	0.2	0.4	(0.2)
Open Spaces :- Open Spaces Directorate	_	-	-	0.1	(0.1)
Epping Forest and Commons	(9.5)	(8.3)	1.2	0.9	0.3
Hampstead, Queen's Park and Highgate	(8.8)	(7.7)	1.1	1.0	0.1
Bunhill Fields	(0.3)	(0.3)	-	-	-
West Ham Park	(1.5)	(1.3)	0.2	0.1	0.1
Policy and Resources	(21.6)	(31.1)	(9.5)	(0.2)	(9.3)
Property Investment Board	53.2	51.7	(1.5)	-	(1.5)
Schools:-					
City of London School	(1.8)	(1.8)	-	-	-
City of London Freemen's School	(1.7)	(1.8)	(0.1)	(0.1)	-
City of London School for Girls	(0.8)	(8.0)	-	-	-
(Deficit) Surplus (from) to reserves	(43.0)	(44.7)	(1.7)	3.7	(5.4)

Committee(s): Audit and Risk Management Committee	Date(s): 3 November 2020
Finance Committee	10 November 2020
Subject: City's Cash Trust Funds and Sundry Trust Funds Annual Reports and Financial Statements 2019/20	Public
Report of: The Chamberlain	For Decision
Report author: Steven Reynolds, Group Accountant	

# **Summary**

This report seeks approval for:

- the Annual Reports and Financial Statements for the City's Cash Trust Funds (not City's Cash itself which will be covered under a separate report) for the year ended 31 March 2020, these are listed at Annex 1; and
- the Annual Reports and Financial Statements for the Sundry Trust Funds for the year ended 31 March 2020, these are listed at Annex 2.

The external auditor, BDO LLP is intending to issue an unqualified audit opinion and their report, including recommendations, is attached at Annex 3. The City of London Education Trust is due to be wound up and accordingly the financial statements have not been prepared on a going concern basis. To recognise this position the audit opinion includes an "emphasis of matter", although it should be noted that the opinion remains unqualified.

The financial statements of City's Cash Trust Funds and the Sundry Trusts for the year ended 31 March 2020 have been prepared in accordance with the Charities Statement of Recommended Practice (SORP) in accordance with the Financial Reporting Standard 102 (FRS 102).

The City's Cash Trust Funds held total funds of £54.4m as at 31 March 2020, which is £7.1m (11.5%) less than a year earlier (paragraphs 7 to 10).

The Sundry Trust Funds held total funds of £23.0m as at 31 March 2020, which is £3.5m (13.2%) less than a year earlier (paragraph 11).

The reduction in funds noted above, amounting to £10.6m, is largely due to the fall in the value of investments as a result of the impact of the Covid-19 on the financial markets during February and March 2020.

#### Recommendations

The Audit and Risk Management Committee is requested to:

• note that the external auditor BDO LLP intends to give an unqualified audit opinion;

- consider the contents of the Audit Management Report issued by BDO LLP; and
- recommend approval of the Annual Reports and Financial Statements for the City's Cash Trust Funds and the Annual Reports and Financial Statements for the Sundry Trust Funds for the year ended 31 March 2020 to the Finance Committee.

The Finance Committee is requested to:

- note that the external auditor BDO LLP intends to give an unqualified audit opinion;
- consider the contents of the Audit Management Report issued by BDO LLP; and
- delegate approval of the Annual Reports and Financial Statements for the City's Cash Trust Funds and the Annual Reports and Financial Statements for the Sundry Trust Funds for the year ended 31 March 2020 to the Chairman and Deputy Chairman, taking account of any observations from the Audit and Risk Management Committee on 3 November.

#### **Main Report**

#### **Current Position**

- 1. The 2019/20 Annual Report and Financial Statements for City's Cash Trust Funds (not City's Cash itself which will be covered under a separate report) and the Sundry Trust Funds are listed at Annexes 1 and 2 respectively.
- 2. The external auditor BDO LLP intends to give an unqualified opinion on the Annual Reports and Financial Statements of the City's Cash Trust Funds and the Sundry Trust Funds and has issued the draft Audit Management Report set out in Annex 3. We are pleased to report that no accounting changes were required to the financial statements of the Sundry Trusts. However, some immaterial unadjusted items relating to the consolidated City's Cash Trust Funds were identified and set out on page 25 and pages 28-30. Ordinarily, even though immaterial, these would be adjusted in their individual financial statements and those of City's Cash but were not due to the late timing of these being identified.
- 3. Regarding the City of London Education Trust, this charity is due to be wound up and accordingly the financial statements have not been prepared on a going concern basis. To recognise this position and the enhanced disclosures within the financial statements, the audit opinion includes an "emphasis of matter", although it should be noted that the opinion remains unqualified.
- 4. The report from BDO LLP notes on page 34 that no significant or other deficiencies in internal control have been identified.
- 5. The Audit Management Report will be distributed to all Members of the Court of Common Council for information. Representatives from BDO LLP will attend the Audit and Risk Management Committee to present their report and to clarify any points or issues.
- 6. The Audit Review Panel of the Chamberlain's and Bridgemasters' Accounts met on 23 October 2020 to review the processes adopted by BDO LLP and the Panel

intends to certify that those processes were in accordance with the prescribed auditing standards.

### **City's Cash Trust Funds**

- 7. The City's Cash Trust Funds comprise eight open space charitable funds, the Sir Thomas Gresham Trust Fund and Keats House as listed in Annex 1.
- 8. These Trusts ended the year with net outgoing resources of £0.8m (2018/19: net outgoing resources of £0.1m) which comprised the following:
  - Incoming resources of £23.2m:
    - funding from the City of London totalling £17.4m (2018/19: £16.5m) and;
    - income of £5.8m (2018/19: £6.7m) from investments and charitable and voluntary sources;
  - Resources expended of £24.0m:
    - charitable expenditure of £23.8m (2018/19: £23.1m) on the running of the open spaces, Gresham Almshouses and Keats House; and
    - support services costs of £0.2m (2018/19: £0.2m).
- 9. Managed investments, held mainly by Hampstead Heath, suffered an unrealised net loss in market value of £6.3m (19.5%) (2018/19: net loss of £0.2m (0.4%)), reducing them to £26.1m. The valuations are linked to the UK stock market, which experienced a significant fall during February and March 2020 as a result of the Coronavirus (COVID-19) pandemic.
- 10. At 31 March 2020, City's Cash Trust Funds held total reserves of £54.4m (2018/19: £61.5m) which represents a decrease of £7.1m compared to a year earlier. Again, this fall reflects the reduction in value of invested funds due to the impact of Covid-19 in February and March 2020.

## **Sundry Trust Funds**

- 11. The Sundry Trust Funds comprise the separate charitable funds listed at Annex 2. Excluding the Charities Pool (which is an investment vehicle for the other charities), the remaining 15 Trusts:
  - received income of £2.4m (2018/19: £2.4m) of which £0.9m was from investments (2018/19: £0.9m);
  - incurred charitable expenditure of £1.6m (2018/19: £1.7m) including:
    - £1.3m (2018/19: £1.3m) comprising 315 grants and 65 bursaries paid to individuals or organisations (2018/19: 295 grants and 62 bursaries); and
    - £0.3m towards the running costs of the City of London Almshouses (2018/19: £0.4m);

- incurred governance and administration costs of £0.1m mainly due to fund manager costs (2018/19: £0m);
- had unrealised losses of £4.2m (19.5%) from managed investments (2018/19: £0.3m losses (0.2%)) reducing them to £18.4m; The valuations are linked to the UK stock market, which experienced a significant fall during February and March 2020 as a result of the Coronavirus (COVID-19) pandemic; and
- held total funds of £23.0m as at 31 March 2020 (2018/19: £26.5m), a
  decrease of £3.5m (13.2%) from a year earlier. Again, this fall reflects the
  reduction in value of invested funds due to the impact of Covid-19 in February
  and March 2020.

#### **Approval of the Financial Statements**

12. It is recommended that the Finance Committee approve delegated authority for the Chairman and Deputy Chairman of the Finance Committee to approve and sign the financial statements on behalf of the Court of Common Council, taking account of any observations from the Audit and Risk Management Committee on 3 November.

#### **Annexes**

- Annex 1 List of City's Cash Trust Funds
- Annex 2 List of Sundry Trusts
- Annex 3 BDO Audit Management Report

#### **Steven Reynolds**

Group Accountant Chamberlain's Department

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## **CITY'S CASH TRUST FUNDS**

Open Spaces
Ashtead Common
Burnham Beeches
Epping Forest
Hampstead Heath
Hampstead Heath Trust (subsidiary of above)
Highgate wood and Queen's Park Kilburn
West Ham Park
West Wickham Common and Spring Park Wood, Coulsdon and Other Commons
Other
Sir Thomas Gresham Charity
Keats House

#### **SUNDRY TRUSTS**

Investments
Corporation of London Charities Pool

Open Spaces King George's Field

Books and Libraries
Guildhall Library Centenary Fund

#### Education

City Educational Trust Fund
The City of London Corporation Combined Relief of Poverty Charity
City of London School Education Trust
Charities Administered ICW The City of London Freemen's School
City of London School Bursary Fund
City of London School for Girls Bursary Fund
City of London Freemen's School Bursary Fund
The City of London Corporation Combined Education Charity

Other trusts and funds
Emanuel Hospital
Sir William Coxen Trust Fund
Wilson's Loan Trust
Vickers Dunfee Memorial Benevolent Fund
City of London Almshouses

# Agenda Item 11

Committee(s)	Dated:
Finance Committee	10 November 2020
Subject: Key workstreams and business plan update	Public
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	Outcome 5: Businesses are trusted and socially and environmentally responsible Outcome 8: We have access to the skills and talent we need Outcome 9: We are digitally and physically well-connected and responsive
Does this proposal require extra revenue and/or capital spending?	N
If so, how much?	n/a
What is the source of Funding?	n/a
Has this Funding Source been agreed with the Chamberlain's Department?	n/a
Report of: The Chamberlain	For Information
Report author: Grace Rawnsley	

# **Summary**

This report provides Members with a brief update on key areas of work underway in the Chamberlain's department and assurance that the department is making good progress in delivering the 2020/21 Departmental Business Plan to the agreed timescale and budget. The report also provides Members with an overview of the additional work resulting from COVID-19 and the way the department has responded to meet this challenge within existing resources.

#### Recommendation(s)

Members are asked to note the report.

# **Main Report**

# **Background**

 The Chamberlain's Departmental Business Plan for 2020-21 was approved by Finance Committee on 21 January 2020. This report has been produced to provide Members with a summary of key work streams, progress against key deliverables, and additional workloads resulting from COVID-19 in the first half of the financial year.

# **Progress on Key Priorities in 20/21 business plan**

Supporting the fundamental review and new operating model for the organisation through providing strategic financial and commercial advice.

- 2. Significant work has gone into supporting the organisation with financial and commercial advice. The impact of COVID-19 has widened the planned work on securing savings in-year. Several mitigations were put in place to address the adverse effects of COVID-19 and to ensure the Corporation's finances in the 2020/21 financial year. 2020/21 departmental budgets were reviewed to secure resource reductions and mitigate against income loss; and to ensure all departments had realistic budgets to move forward. Budget adjustments were approved by Finance Committee for onward recommendation to Court of Common Council.
- 3. The Chamberlain's Finance, Commercial and Procurement services have been working closely with departments to review opportunities to derive efficiencies, savings or income that will assist the services operate within their new budget envelope.
- 4. Preparation work to support the role out of the new target operating model has been conducted to ensure that structural changes lead to savings; and delivery of the £14.3m forecast savings can be tracked.

Delivering an ambitious programme of departmental change to ensure fit for the future, responsive and value for money.

- 5. The central work on a new organisational target operating model (TOM) has delayed aspects of the departmental change programme. As a result, the IT and procurement divisions are currently awaiting the principles of the TOM to finalise their proposed future working practices in line with their respective strategies. However, there is an ongoing need to transform the financial services division. A Finance Transformation programme has been developed which will be progressed in tandem with the TOM.
- 6. Six workstreams have been identified to achieve savings and transformation in FSD including: improved ways of working, processes and procedures; improved strategic financial modelling capability; cultural and structural improvements; staff development; and better communication. The programme will see members of FSD at all levels work together to deliver projects over the next 18 months. Outcomes of the workstreams include the replacement of the current finance system, developing a 10-year strategic finance and cashflow model for each of the Corporation's funds and a review of the financial regulations with a specific focus on thresholds.

Delivering and embedding the 2020 IT services contract to secure further service improvements and value for money.

- 7. Considerable preparation for the new IT services contract has been conducted over the past 6 months to ensure that the correct resources and teams are in place to support a smooth transition.
- 8. Part of the contract has gone live with the migration of Agilisys data centres used by the City of London. The migration of City of London Police data centres is due to be completed in the new year. The transition has been delayed due to IT security concerns about the new Service Management tool. IT are working to resolve all outstanding issues with Agilisys to enable the contract signing in December 2020.

# Delivering an annual audit plan that is aligned to the Corporate Plan and provides assurance to key stakeholders.

9. The Internal Audit Plan is designed to provide assurance as to the adequacy of the City of London Corporation's systems of internal control and governance. The team is on track to deliver their target of 95% of the audit plan to draft report stage by year end.

# Embedding the organisation's approach to Responsible Business including responsible investment and procurement.

- 10. Chamberlain's department takes the corporate role in leading on responsible business, investment and procurement. Over the past six months, the team have led on the delivery of the Responsible Business Strategy action plans, refining the reporting framework and developing the annual report. Some key achievements in this area include; developing the organisational approach to delivering the UN Sustainable Development Goals agreed at September Policy and Resources Committee, and successfully delivering the Power Purchase Agreement (PPA) which will result in £3m saving on corporate energy expenditure.
- 11. Additionally, over the past 6 months the team led on a variety of elements of the recently adopted Climate Action Strategy. In particular: package 1 of the strategy development programme aiming to address how CoL systems can embed climate action; carbon foot printing of our financial investments; carbon foot printing of our supply chain; and the strategy development and drafting.

#### **Additional COVID-19 priorities**

- 12. The Business Rates team has processed 862 Small Business Rate Grants totalling £8,620,000; and 508 Retail and Leisure Grants totalling £11,920,000. The team had also paid out a further 100 Discretionary grants totalling £728,600. This is a combined total of £21,268,000 in grant payments processed between April-September 2020.
- 13. The team have also awarded approximately £130.5m in Retail and Leisure Business Rate Relief. This provides 100% relief from business rates to qualifying businesses.

- 14. Considerable work was undertaken at the beginning of the pandemic to develop and administer a Supplier Relief Programme. This needed to provide assurance for the integrity of the supply chain during the emergency response phase, and assurance that the supply chain would remain largely intact for return to business as usual.
- 15. The Charities Finance Team and Accounts Payable supported the London Community Response Team (a restricted trust established within BHE as a result of the Coronavirus pandemic to provide support to London's communities) whom between April and June awarded £13.1m in community grants to 951 organisations across London.
- 16. The IT team supported the London Strategic Response Group by working with City of London Police to develop an application to manage COVID-19 mortality data. The team also provided an IT service from scratch including support and equipment to approximately 30 seconded staff.
- 17. Rapid mobilisation of resources to support working from home from the IT team allowed the organisation to respond effectively to the pandemic. This included accelerating the Police IT transformation programme. Over 4 weeks the legacy remote working infrastructure was upgraded with staff working weekends and late evenings to enable remote working of CoLP back office staff.
- 18. The IT team was also instrumental in supporting the successful move to virtual committee meetings. Since the August recess, the team has supported 78 virtual committee meetings providing IT support to the Committee Clerks and Chairs and ensuring that the meetings are streamed live on youtube.

## **Key Data**

19. The departmental scorecard can be found in Appendix 1 and details progress against key performance indicators.

#### **Corporate & Strategic Implications**

#### Strategic implications

- 20. The Chamberlain's Business plan supports the following outcomes in the Corporate Plan:
  - Outcome 5: Businesses are trusted and socially and environmentally responsible
  - Outcome 8: We have access to the skills and talent we need
  - Outcome 9: We are digitally and physically well-connected and responsive
- 21. The Department leads corporately and supports a variety of strategies which are represented in the business plan:
  - Responsible Business Strategy
  - Climate Action Strategy

- Digital Skills Strategy
- Information Management Strategy
- Procurement and Commercial Strategy

## Financial implications

22. The department is currently achieving a £184k underspend on our year to date position and forecasting a £124k overspend at year end. This is within a 1% variation on the budget which has been achieved through careful management despite increasing workloads due to COVID-19. The overspend can be explained through; increases in IT and equipment expenditure to support working from home, the underperformance of the Chamberlain's Court as a result of COVID-19, and the inability to achieve FR savings impacted by COVID-19 and the TOM.

# Equalities implications

23. The department's ED&I working group has recently updated the Equalities, Diversity and Inclusion plan centred around 4 themes (support, education, insight and structure). The plan has been agreed by senior leadership and is now being implemented.

#### Conclusion

24. 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. In particular, the Chamberlain's department has taken on a significant increase in responsibilities related to COVID-19 without a major impact on the budget. This has been done through careful management of resources across the department.

#### Report author

Grace Rawnsley, Head of Chamberlain's Fundamental Review, Chamberlain's Department

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# Chamberlain's

20/21 Scorecard

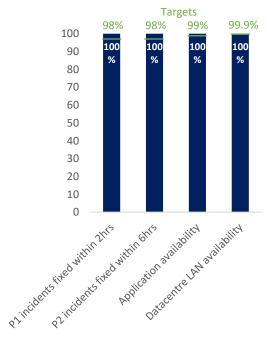
# Departmental performance at mid-year

At mid-year, the Departmental performance is on track for most indicators. Below target performance can be explained by the impact of CV19 in all cases and is documented in divisional quarterly updates to the relevant Sub-Committees.

# On track or exceeding target



# **IT** performance



# CHB Budget performance (£'000s)

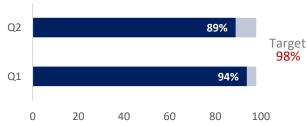


■ Budget ■ Actual/Forecast

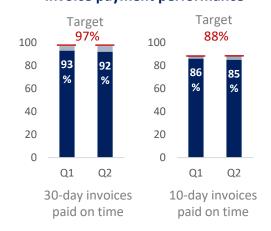
# **Below target**



#### **Commercial rent collected**



## Invoice payment performance



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Committee(s): Finance Committee Finance Committee – For Information	<b>Dated:</b> 10/11/2020
Subject: Donations – International Disaster Fund	Public
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	1,2,3,4,9
Does this proposal require extra revenue and/or capital spending?	N
If so, how much?	£0
What is the source of Funding?	City's Cash
Has this Funding Source been agreed with the Chamberlain's Department?	Υ
Report of: Chief Grants Officer and Director of City Bridge Trust	For Information
Report author: Jack Joslin, Head of the Central Grants Unit	

#### Summary

This report addresses a request from Finance Committee to review the policy for the International Disaster Fund (IDF) when making donations in emergency appeal situations.

#### Recommendations

Members are asked to note the outlined enhanced criteria for dealing with donations from the International Disaster Fund:

- 1. The IDF should continue to use the strong criteria applied by DEC for the selection and monitoring of UK aid charities. The IDF, should remain where possible a fund to support International Disasters. An incident in the UK can be considered in exceptional circumstances.
- 2. The CGU will continue to provide recommendations on Appeals and will deepen its relationship with the DEC and its partners.
- 3. 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.
- 4. Charities that do not fall under the DEC can be considered in exceptional circumstances if no DEC partner organisation is working on the ground in an area

- of need. These will be looked at on a case by case basis with full due diligence provided by the CGU.
- 5. Recommendations on where donations should be made will be guided by international aid experts in contact with the CGU.
- 6. The Finance Committee should consider increasing the size of individual donations made to make greater impact when supporting an Appeal, this would limit the number of Appeals supported in a year.
- 7. The CGU will closely monitor the relationship with the DEC and will conduct annual due diligence on the Charity to ensure they are maintaining a high level of transparency and are financially viable.

#### Main Report

# Background

- 8. In 2016 the Finance Committee requested information regarding the financial activities of charities involved in emergency appeals, to guide future decisions concerning donations to be made by the City of London.
- 9. At its meeting in January 2017 the Finance Committee noted that it would apply the strong criteria of the Disaster Emergency Committee (DEC) for the selection and monitoring of UK aid charities when responding to an international disaster.
- 10. 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.
- 11. 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.

#### **Current Position**

- 12. Since adopting this new framework for the IDF in January 2017 the Finance Committee has made £465,000 in donations to DEC or DEC partner Appeals, with funding coming from the City's Cash Grants budget. A list of all the donations made by the IDF can be found at **Appendix 1**.
- 13. The CGU maintains relationships with the DEC and its partners to ensure it has advance notice of any appeals. The DEC will inform the CGU in advance of the launch of an appeal to ensure the City of London can be seen to be an early responder to any appeal launched and use its influence to get our partners to do the same. The CGU also maintains good relationships with DEC Partner agencies.
- 14. Since March 2020, the Coronavirus Pandemic has had a significant impact on life in the UK. Initial donations were made through the IDF to respond to this need.
- 15. At the start of the lockdown it was agreed that the IDF explore options to support

- organisations working in the UK in response to the Coronavirus Pandemic. As a DEC appeal had not been launched specifically for work in the UK it was decided to look at organisations responding on a National and Local level. The scope of the work had to fall outside the eligibility of CBT and be focused on emergency relief in line with the IDF agreed policy.
- 16. In April 2020 the Finance Committee agreed a donation of £20,000 to The British Red Cross to support its work nationally and £20,000 to Team Rubicon to assist in its aid efforts tackling the Coronavirus outbreak in London. A further donation of £20,000 was made in May 2020 to St John Ambulance in response to the Coronavirus Pandemic.
- 17. In May 2020 Members requested the CGU advise on other causes that could be supported at this time and within the context of the wider funding environment that the City of London is involved in. The report outlined the expansive work that CoLC officers have already done in response to Covid-19 and how there were other mechanisms within the organisation better placed to support new and emerging need in London in particular. The London Community Response Fund set up by CBT, London Funders and a coalition of other foundations is a good example of this. It was agreed the IDF should reserve its budget for International Appeals where possible.
- 18. In July 2020 the Finance Committee donated £20,000 to the DEC International Coronavirus Appeal and in August 2020 a further donation was made to the British Red Cross to support the Disaster Appeal in Beirut after the dreadful explosion in the City.
- 19. The total IDF budget for 2020/21 is £125,000, due to inclusion of a carry-forward from the previous years of £25,000, of which £100,000 has been spent across 6 donations in response to the Coronavirus Pandemic and the Appeal in Beirut. This leaves us with a total budget of £25,000 remaining until the end of the financial year.
- 20. It should be noted that a significant amount of CGU officer time, including that from the Charities Finance Team, is put into the assessment of International Appeals and recommendations made to the Chairman and Deputy Chairman of the Finance Committee.

#### **Future Position**

- 21. The IDF should continue to use the strong criteria applied by DEC for the selection and monitoring of UK aid charities. The IDF, should remain where possible a fund to support International Disasters. An incident in the UK can be considered in exceptional circumstances.
- 22. The CGU will continue to provide recommendations on Appeals and will deepen its relationship with the DEC and its partners.
- 23. 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.

- 24. Charities that do not fall under the DEC can be considered in exceptional circumstances if no DEC partner organisation is working on the ground in an area. These will be looked at on a case by case basis with full due diligence provided by the CGU.
- 25. Recommendations on where donations should be made will be guided by international aid experts in contact with the CGU.
- 26. The Finance Committee may wish to consider increasing the size of donations to make a larger impact when supporting an Appeal.
- 27. The CGU will closely monitor the relationship with the DEC and will conduct annual due diligence on the Charity to ensure they are maintaining a high level of transparency and are financially viable.

#### Conclusion

- 28. The IDF has made significant donations to support International Humanitarian Disasters since its inception. By utilising the expertise of International Aid organisations, the donations have always been directed at the areas that need it most.
- 29. The Coronavirus Pandemic has demonstrated that there is always a need to be able to respond to disasters at home as well as abroad.
- 30. This paper outlines how the IDF can be more impactful in how it donates to support International Disasters ensuring a close alliance with International Aid organisations like the DEC and its partners.
- 31. Due to the transparent governance controls applied by the DEC, it is suggested that members could confidently give direct to the individual charities that are members of this umbrella organisation, should they believe this to be the most appropriate use of the Corporations' emergency donations budget.

## **Appendices**

Appendix 1 - Record of donations from the International Disaster Fund 2010 – 2020

#### **Background Papers**

Finance Committee - Donations in emergency appeal situations – 31 January 2017

Jack Joslin
Head of the Central Grants Unit
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### Summary of Charitable Donations 2010/11 to 2020/21

British Red Cross - £480,000

Disaster Emergency Committee - £325,000

Save the Children - £50,000

UK Community Foundation - £50,000

Date	Donation To	Reason for Donation	Amount
August 2010	British Red Cross	Pakistan Flood Relief Appeal	£20,000
August 2010	RedR UK	Pakistan Flood Relief Appeal	£10,000
December 2010	Friends of Colombia for Social Aid	Colombia Flood Relief Appeal	£5,000
March 2011	British Red Cross	Libya and Region Appeal (violent unrest)	£25,000
March 2011	British Red Cross	Japan Flood Relief Appeal	£50,000
April 2011	British Red Cross	Ivory Coast Conflict Relief Appeal	£15,000
July 2011	British Red Cross	East Africa Famine Crisis	£25,000
November 2011	British Red Cross	Turkey Earthquake Emergency Appeal	£25,000
January 2012	British Red Cross	Philippines Typhoon Botha Appeal	£20,000
March 2013	Disaster Emergency Committee	Syrian Refugee Appeal	£50,000
October 2013	British Red Cross	India Cyclone Phailin Appeal	£25,000
November 2013	Disaster Emergency Committee	Philippines Typhoon Haiyan Appeal	£50,000
September 2014	British Red Cross	West Africa Ebola Outbreak Appeal	£20,000
September 2014	British Red Cross	South Sudan Refugee Appeal	£20,000
October 2014	Disaster Emergency Committee	West Africa Ebola Outbreak Appeal	£30,000
March 2015	British Red Cross	Nepal Earthquake Appeal	£25,000
April 2015	Disaster Emergency Committee	Nepal Earthquake Appeal	£25,000
April 2016	UK Community Foundations	Child Refugees/Asylum Seekers	£50,000

Date	Donation To	Reason for Donation	Amount
October 2016	British Red Cross	Haiti Hurricane Matthew Appeal	£30,000
Jan 2017	Disaster Emergency Committee	Yemen Crisis Emergency Appeal	£25,000
Jan 2017	Save The Children	Nigeria Food Crisis Appeal	£20,000
March 2017	Disaster Emergency Committee	East Africa Famine Relief Appeal	£55,000
May 2017	Red Cross & Manchester City Councils 'We Love Manchester Appeal'	Manchester Arena terrorist attack	£25,000
Sep 2017	British Red Cross	South Asia Floods Emergency Appeal	£25,000
Sep 2017	British Red Cross	Hurricane Irma Emergency Appeal	£25,000
Sep 2017	British Red Cross	Myanmar Rohingya Crisis Appeal	£25,000
Oct 2018	Disaster Emergency Committee	Indonesia Earthquake and Tsunami Appeal	£40,000
Jan 2019	Save the Children	Indonesia Tsunami Appeal	£30,000
Mar 2019	Disaster Emergency Committee	Cyclone Idai Appeal	£30,000
Sep 2019	Team Rubicon UK	Hurricane Dorian Appeal	£25,000
Dec 2019	British Red Cross	Myanmar Rohingya Crisis Appeal	£25,000
Jan 2020	British Red Cross	Australian Bush Fire Appeal	£15,000
April 2020	British Red Cross	UK Coronavirus Appeal	£20,000
April 2020	Team Rubicon	London Coronavirus Response	£20,000
May 2020	St John Ambulance	London Coronavirus Response	£20,000
July 2020	Disaster Emergency Committee	DEC Coronavirus Appeal	£20,000
August 2020	British Red Cross	Beirut Disaster Fund	£20,000

Committee(s)	Dated:
Procurement Sub Committee	6 November 2020
Finance Committee	10 November 2020
Subject:	Public
City Procurement Quarterly Progress Report (November	
2020)	
Report of:	For Information
The Chamberlain	
Report author:	
Chris Bell, Commercial Director	

### **Summary**

The report updates Members on the work of City Procurement, key performance indicators and areas of progress.

Performance for Q1 – Q2 of 2020/21 financial year is summarised below:

- Procurement savings at end of September 2020 of £3.3m, made up of £1.2m
   Commercial Contract Management savings and £2.1m Sourcing & Category Management savings.
- Purchase order compliance of 98% (target of 97%).
- 92% of all supplier invoices were paid within 30 days (target of 97%)
- 85% of SME invoices were paid within 10 working days (target of 88%).
- Non-compliant Waiver over £50k:
  - o 5 Non-compliant waivers recorded for FY 20/21 so far.
  - A total of 3 Procurement Breach waivers have been recorded in FY 20/21 with a total value of £248k.

### Recommendations

Members are asked to note the report.

### **Main Report**

### **Background**

 City Procurement has four main functions: Category Management/Sourcing, Commercial Contract Management, Accounts Payable, and Policy & Compliance. This report provides an update on the progress and current performance against the service KPIs set out in the Chamberlain's Business Plan in April 2020.

### **Efficiency and Savings**

2. City Procurement is set an annual savings target at the start of each year based on the contracts to be let during the financial year that have the potential to make efficiency or cost savings and contracts let in previous years that are generating guaranteed savings in the current year. Each contract is reviewed by the relevant Category Board to set the targets and each contract target considers historic spend, scope changes, complexity, risk and industry benchmarks. The 2020/21 City Procurement savings target is £6.1m.

### 2020/21 Efficiencies and savings as at 30 September 2020

 Sourcing & Category Management achieved procurement savings of £2.1m at the end of Q2 FY 20/21. Additionally, Commercial Contract Management has achieved efficiencies and savings to the value of £1.2m, giving total savings for Q1 – Q2 of £3.3m.

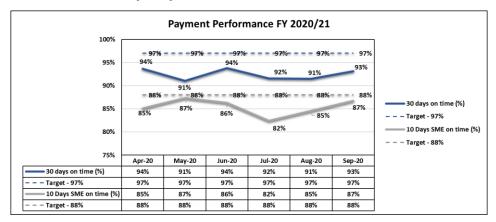
### Accounts Payable Performance - Compliance with No PO No Pay Policy

4. We continue to achieve high levels of compliance with 98% PO compliance for Period Q1 - Q2 FY 20/21, therefore exceeding our target of 97%.

### **Payment Performance**

- 5. The Corporation's 30-day invoices paid-on-time performance for Q1 Q2 FY 20/21 is 92%, below the target of 97%. Our 10-day SME invoice payment performance for Q1 FY 20/21 is 85%, falling just short of the 88% target. There have been a number of factors impacting results this year including carrying vacancies to balance budget, increased work for Accounts Payable assisting other parts of the organisation (including all Covid-19 relief payments) and some periods of downtime in IT access to the payments systems.
- 6. At the September 2020 Procurement Sub committee, Members requested that we report back on how the City of London is performing in this area compared with other London Boroughs Appendix A provides a table showing the comparison. In summary the City of London is performing at a good level compared with other London Boroughs. However, if we were hitting our target of 97%, we would be at the top of the table.
- 7. All local authorities are obliged to publish 30-day payment performance figures in accordance with Regulation 113(7) of the Public Contracts Regulations Act 2015. Unfortunately, we were unable to find the figures for the majority of London Boroughs, either due to them not being published or we could not locate them on the website. We have contacted these boroughs to request their payment performance statistics and hope that responses will soon be forthcoming so that we can have a better picture of how we are faring.

Figure A – 30- and 10-Day Payment Performance trend charts



### **Electronic Invoices Received**

- 8. Of all the invoices received from suppliers in Q1 Q2 FY 20/21, 95% were in the desired True PDF format, exceeding our target of 75%.
- 9. All Accounts Payable staff continue to work from home due to the COVID-19 pandemic, so the necessity for invoices to be submitted electronically remains.

### **Non-compliant Waivers**

- 10. Use of non-compliant waivers continues to be minimal. From July to September no additional Procurement Code Breaches were issued.
- 11. In total for FY 20/21 so far, we have recorded five non-compliant waivers (four have been approved/noted) as per the table breakdown below.

Waiver Reason	Total Number	Total Value (£)
Poor Operational Planning	2	175,000
Procurement Code Breach*	3	248,670
Grand Total	5	423,670

<sup>\*</sup>One Procurement Code Breach report finalised in Q2 but going to committee in November 2020 (£65,261)

12. Of the five waivers, the three Procurement Code Breaches were issued in the previous financial year. The breach values will be noted in this financial year as the reports go to the relevant spend committee, but effectively no new breaches have occurred.

### Freedom of Information (FOI) Requests

13. City Procurement has responded to 10 FOI requests between July and September 2020, amounting to 25 hours of officer time. Analysing the make-up of FOIs for this period gives the following categorisation:

Nature of FOI Query	Instances
Contract Specific	4
Policy queries	3
Understanding our expenditure	2
Seeking sales opportunities	1
Grand Total	10

14. City Procurement has responded to 18 FOI requests for Q1 – Q2 FY 2020/21, amounting to 43 hours of officer time.

#### Conclusion

15. City Procurement continues to achieve a high level of performance during an extremely challenging period. The savings target for FY 20/21 has now been set at £6.1m, with £3.3m being achieved at the halfway point. The payment performance figures are falling short of their respective targets, but a few adverse factors have been identified and further investigation will be carried out with the aim of introducing measures to counteract these. We continue to achieve high levels of PO compliance and we have seen a significant increase in True PDF invoices, which made up 95% of all invoices received in the first half of the year, well above the 75% target. Throughout this period, the impact of Covid-19 has created significant new additional work in terms of responding to the situation and new government policy notices.

### **Report Author**

Chris Bell, Commercial Director, Chamberlain's Department

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Appendix A - Payment Performance Comparison of London Boroughs FY 2019/20.

Inner/Outer London Borough	London Boroughs	FY 2019/20	Published on Website
Inner	City of London	93%	Yes
Inner	Camden		No
Inner	Greenwich	93%	Yes
Inner	Hackney		No
Inner	Hammersmith & Fulham		No
Inner	Islington	96%	Yes
Inner	Royal Borough of Kensington & Chelsea		No
Inner	Lambeth		No
Inner	Lewisham	82%	Yes
Inner	Southwark	62%	Yes
Inner	Tower Hamlets		No
Inner	Wandsworth	83%	Yes
Inner	Westminster		No
Outer	Barking & Dagenham	95%	Yes
Outer	Barnet		No
Outer	Bexley	92%	No
Outer	Brent		No
Outer	Bromley		No
Outer	Croydon		No
Outer	Ealing		No
Outer	Enfield	97%	Yes
Outer	Haringey		No
Outer	Harrow		No
Outer	Havering		No
Outer	Hillingdon	95%	Yes
Outer	Hounslow		No
Outer	Kingston Upon Thames		No
Outer	Merton		No
Outer	Newham		No
Outer	Redbridge		No
Outer	Richmond Upon Thames	77%	Yes
Outer	Sutton		No
Outer	Waltham Forest		No

Note – Where the percentage field is blank, unfortunately we were not able to retrieve this information from the relevant London Borough's website, however we have contacted the relevant London Boroughs requesting this information.

**END** 

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Committee: Finance Committee	Date: 10 November 2020
Subject:	Public
Central Contingencies 2020/21	
Day and of	Farlafamatian
Report of:	For Information
Chamberlain	
Report author:	
Laura Yeo, Senior Accountant, Financial Services	

### **Summary**

This report has been produced to provide Members with an update on the Central Contingencies 2020/21 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 for 2020/21 are set out in the table below. At the time of writing this report there are no requests for funding on the agenda.

2020/21 Contingencies – Uncommitted Balances 28 Oct 2020				
	City's Cash	City Fund	Bridge House	Total
	£'000	£'000	Estates £'000	£'000
General Contingencies				
Total Provision	974	1,393	50	2,417
Previous allocations	(24)	(593)	0	617
Uncommitted Balances	950	800	50	1,800
National and International				
Disasters				
Total Provision	125	0	0	125
Previous allocations	(100)	0	0	(100)
Uncommitted Balance	25	0	0	25

### Conclusion

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

### Laura Yeo

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



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



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



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



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

