



## Audit and Risk Management Committee

**Date:** TUESDAY, 30 NOVEMBER 2021

**Time:** 2.00 pm

**Venue:** COMMITTEE ROOMS, 2ND FLOOR, WEST WING, GUILDHALL

**Members:**

Alexander Barr (Chairman)	Deputy Jamie Ingham Clark (Ex-Officio Member)
Hilary Daniels (Deputy Chairman)	Gail Le Coz (External Member)
Alderman Prem Goyal (Deputy Chairman)	Paul Martinelli
Rehana Ameer	Jeremy Mayhew (Ex-Officio Member)
Randall Anderson	Deputy Andrien Meyers
Christopher Boden	John Petrie
Anne Fairweather	Ruby Sayed
Marianne Fredericks (Ex-Officio Member)	Dan Worsley (External Member)

**Enquiries:** Ben Dunleavy  
[ben.dunleavy@cityoflondon.gov.uk](mailto:ben.dunleavy@cityoflondon.gov.uk)

Lunch will be served in Guildhall Club at 1pm

The meeting will be live streamed at: <https://youtu.be/UmKHTKDww08>

**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 and non-public summary of the previous meeting held on 5 October 2021.

**For Decision**  
(Pages 7 - 10)

4. **OUTSTANDING ACTIONS OF THE COMMITTEE**

Member are asked to note the Committee's Outstanding Actions List.

**For Information**  
(Pages 11 - 12)

5. **COMMITTEE WORK PROGRAMME**

Member are asked to note the Committee's Work Programme.

**For Information**  
(Pages 13 - 14)

### Governance

6. **ANNUAL GOVERNANCE STATEMENT 2020/21**

Joint Report of the Town Clerk and Chief Executive and the Chamberlain.

**For Decision**  
(Pages 15 - 28)

### Anti Fraud and Corruption

7. **ANTI-FRAUD & INVESTIGATIONS - 2021/22 MID-YEAR UPDATE REPORT**

Report of the Head of Audit and Risk Management.

**For Decision**

**External Audit**

8. **CITY'S CASH FINANCIAL STATEMENTS 2020-21**

Report of the Chamberlain.

**For Decision**  
(Pages 45 - 52)

9. **CITY FUND AND PENSION FUND STATEMENT OF ACCOUNTS 2020-2021**

Report of the Chamberlain.

**For Decision**  
(Pages 53 - 58)

10. **BRIDGE HOUSE ESTATES ANNUAL REPORT AND FINANCIAL STATEMENTS 2020/21**

Joint report of the Managing Director of Bridge House Estates and the Chamberlain.

**For Decision**  
(Pages 59 - 64)

11. **SUNDRY TRUSTS ANNUAL REPORT AND FINANCIAL STATEMENTS 2020-21**

Report of the Chamberlain.

**For Decision**  
(Pages 65 - 68)

**Risk Management**

12. **DEEP DIVE RISK REVIEWS**

**For Information**

- a) Deep Dive: CR02 Loss of Business Support (Pages 69 - 74)  
Report of the Director of External Relations, Innovation and Growth.
- b) Deep Dive: CR29 Information Management (Pages 75 - 84)  
Report of the Chief Operating Officer.

**External Inspections**

13. **HMICFRS REPORT**

Report of the Commissioner of Police.

**For Information**  
(Pages 85 - 90)

14. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**

15. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**

16. **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 the Schedule 12A of the Local Government Act.

**For Decision**

**Part 2 - Non-Public Agenda**

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

To agree the non-public minutes of the previous meeting held on 5 October 2021.

**For Decision**  
(Pages 91 - 92)

18. **NON-PUBLIC OUTSTANDING ACTIONS OF THE COMMITTEE**

Members are asked to note the Committee's Non-Public Outstanding Actions List.

**For Information**  
(Pages 93 - 94)

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

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

### **Part 3 - Confidential Agenda**

21. **CONFIDENTIAL MINUTES OF THE LAST MEETING**

To agree the confidential minutes of the previous meeting held on 5 October 2021.

**For Decision**

22. **EXTERNAL AUDITOR APPOINTMENT**

Joint report of the Independent Auditor Appointment Panel and the Chamberlain.

**For Decision**

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## AUDIT AND RISK MANAGEMENT COMMITTEE

Tuesday, 5 October 2021

Minutes of the meeting of the Audit and Risk Management Committee held at Guildhall, EC2 on Tuesday, 5 October 2021 at 2.00 pm

### Present

#### Members:

Alexander Barr (Chairman)  
Hilary Daniels (Deputy Chairman)  
Alderman Prem Goyal (Deputy Chairman)  
Rehana Ameer  
Randall Anderson  
Christopher Boden  
Marianne Fredericks (Ex-Officio Member)  
Deputy Jamie Ingham Clark (Ex-Officio Member)  
Gail Le Coz (External Member)  
Paul Martinelli  
John Petrie  
Ruby Sayed  
Dan Worsley (External Member)

#### Officers:

Ben Dunleavy	- Town Clerk's Department
Caroline Al-Beyerty	- Chamberlain's Department
Michael Cogher	- Comptroller and City Solicitor
Paul Dudley	- Chamberlain's Department
Elisabeth Hannah	- Department of the Built Environment
Ian Hughes	- Department of the Built Environment
Rhiannon Leary	- Town Clerk's Department
Peter Lisley	- Assistant Town Clerk (Culture Mile Director)
Matthew Lock	- Chamberlain's Department
Juliemma McLoughlin	- Department of the Environment
Matthew Pitt	- Town Clerk's Department
Bukola Soyombo	- Chamberlain's
Paul Wilkinson	- City Surveyor

#### 1. APOLOGIES

Apologies for absence were received from Anne Fairweather, Jeremy Mayhew and Andrien Meyers.

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

Jamie Ingham Clark declared that he sat on the Capital Buildings Committee, which oversees the Major Capital Schemes which were the subject of item 9b.

**3. MINUTES OF THE PREVIOUS MEETING**

RESOLVED, that – the minutes of the meeting held on 13 July 2021 be agreed as a correct record.

**4. OUTSTANDING ACTIONS OF THE COMMITTEE**

Members received the Committee's list of outstanding actions. The following points were noted:

- Deep Dive CR29: Information Management had been scheduled for the meeting on 30 November 2021.

**5. COMMITTEE WORK PROGRAMME**

Members received the Committee's work programme. The following points were noted:

- The forward programme of Deep Dives was confirmed up until the January meeting. Further Deep Dives will be scheduled after the review of the Corporate Risk Register.
- CR24 Operational Security was scheduled for the meeting on 18 January 2022 but was due to be removed from the Deep Dive programme pending decisions made on agenda item 8.

**6. ANNUAL GOVERNANCE STATEMENT 2020/21**

Members considered a joint report of the Town Clerk and Chamberlain relative to the Annual Governance Statement (AGS) 2020/21. It was noted that the AGS remained an open document and that the Committee would be asked to delegate authority to the Town Clerk and Chief Executive, in consultation with the Chairman and Deputy Chairs of this Committee, to amend the AGS for any relevant significant events or developments that occur prior to the date on which the Statement of Accounts is signed by the Chamberlain.

Members discussed several amendments to the AGS, and the Head of Audit was tasked with taking these forward. It was agreed that an updated version with tracked changes would be presented to Members at the next Committee meeting.

The Chairman said that he would like to see a commitment to consider benchmarking in future AGS.

RESOLVED, that – the updated report be deferred to the next Committee meeting.

**7. INTERNAL AUDIT PLAN DELIVERY UPDATE – QUARTERLY REPORT**

Members received a report of the Head of Audit and Risk Management relative to the Internal Audit Delivery Update.

RESOLVED, that – the report be received and its contents noted.

**8. RISK MANAGEMENT UPDATE**



Members received a report of the Chamberlain relative to the Risk Management Update.

Members considered the proposal for the removal of two corporate risks (CR24 Operational Security and CR28 Action Fraud).

A question was raised as to whether CR24 Operational Security should be removed ,with immediate effect, given the inherent and continuous threat level. It was understood that a related risk specifically with regard to Terrorism was being developed in October 2022 (mentioned in paragraph 13(a) of the report). In response, the Chamberlain commented that a risk with the characteristics of CR24, i.e. related to a project that has been delivered, would be removed from the Corporate Risk Register if all the actions associated with a risk were completed, which is the case with CR24. The Chamberlain felt it would be inappropriate to tie two different risks together by waiting to replace one with the other. Members noted that the report itself created a linkage between the two risks by mentioning the new Terrorism corporate risk in paragraph 13(a), and that the two risks should be separate and distinct.

RESOLVED, that – the report be received and the following actions be noted:

- The removal of CR24 Operational Security and CR28 Action Fraud from the Corporate Risk Register

## 9. **DEEP DIVE RISK REVIEWS**

### 9.1 **Deep Dive: CR20: Road Safety (DBE)**

Members received a report of the Executive Director of the Environment relative to a Deep Dive of CR20 Road Safety.

### 9.2 **Deep Dive: CR33 Major Capital Projects**

Members received a joint report of the Town Clerk and City Surveyor relative to a Deep Dive of CR33 Major Capital Projects.

A Member raised a concern about the use of optimism bias for City of London Corporation projects, as referred to in paragraph 18. It was confirmed by the Chamberlain and the Chairman of the Finance Committee that only major projects use optimism bias, and that control over optimism bias was held at Committee level.

RESOLVED, that – the report be received and its contents noted.

## 10. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**

There were none.

## 11. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**

Members received an update from the Chamberlain that the external auditors BDO had requested a late paper circulation for two papers due to go to the meeting on 30 November.

12. **EXCLUSION OF THE PUBLIC**  
**RESOLVED**, that – under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items on the grounds that they involve the likely disclosure of exempt information as defined in Part I of the Schedule 12A of the Local Government Act.
13. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**  
**RESOLVED**, that – the non-public minutes of the meeting held on 13 July 2021 be agreed as a correct record.
14. **NON-PUBLIC APPENDIX**  
A non-public appendix to item 8 was received.
15. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**  
There were none.
16. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**  
One item of non-public business was heard.
17. **CONFIDENTIAL UPDATE - CHAMBERLAIN**  
The Chamberlain was heard in respect of a confidential matter.

**The meeting ended at 3.55 pm**

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Chairman

**Contact Officer: Ben Dunleavy**  
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**ben.dunleavy@cityoflondon.gov.uk**

AUDIT AND RISK MANAGEMENT COMMITTEE - Outstanding Actions – November 2021

Items from meeting held 19 July 2021		
ITEM	Action	Officer and target date
<b>14. Deep Dive – CR29: Information Management</b>	Update to be brought to Committee regarding actions taken to address the risks associated with the Information Management Strategy (2018-2023) not fully being implemented.	Town Clerk/Chamberlain Date: 30 November 2021

Items from meeting held 5 October 2021		
ITEM	Action	Officer and target date
<b>6. Annual Governance Statement 2020/21</b>	Annual Governance Statement to be brought back to Committee with amendments following Member comments at October meeting	Head of Audit Date: 30 November 2021

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# Agenda Item 5

Category      30.11.2021      18.01.2022      24.05.2022      01.07.2022

<b>Governance</b>	Annual Governance Statement <b>(Decision)</b>	External Member Recommendation from the Nominations Sub-Committee <b>(Decision)</b>	Annual Report of the Committee <b>(Decision)</b>	Annual Governance Statement <b>(Decision)</b>
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<b>Accounts</b>	Draft Bridge House Estates Accounts <b>(Decision)</b>			Draft Bridge House Estates Accounts <b>(Decision)</b>
	Draft City's Cash Accounts <b>(Decision)</b>			Draft City's Cash Accounts <b>(Decision)</b>
	Draft City Fund and Pension Fund Accounts <b>(Decision)</b>			
	Sundry Trust Report <b>(Decision)</b>			Draft City Fund and Pension Fund Accounts <b>(Decision)</b>

<b>Internal Audit and Counter Fraud</b>	Anti-Fraud & Investigations six-monthly update report <b>(Information)</b>	Internal Audit Plan Delivery Update - Quarterly Report (Q3) <b>(Information)</b>	Internal Audit Plan Delivery Update - Year End Report <b>(Information)</b>	Internal Audit Plan Delivery update – quarterly report (Q1) <b>(Information)</b>
		Draft Internal Audit Plan for 2022/23 <b>(Decision)</b>	Head of Internal Audit Annual Opinion <b>(Information)</b>	

<b>Risk Management</b>		Risk Management Update <b>(Information)</b>	Risk Management Update <b>(Information)</b>	Risk Management Update <b>(Information)</b>
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<b>Deep Dive</b>	CR02 Loss of Business Support for the City (Town Clerk's) <b>(Information)</b>	CR01 Resilience (Town Clerk's) <b>(Information)</b>	TBC	TBC
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<b>Category</b>	<b>30.11.2021</b>	<b>18.01.2022</b>	<b>24.05.2022</b>	<b>01.07.2022</b>
	CR29 Information Management (Chamberlain's) <b>(Information)</b>	CR09 Health & Safety (Town Clerk's) <b>(Information)</b>		
<b>External Inspections</b>	HMICFRS Report <b>(Information)</b>			
	External Auditor appointment <b>(Decision)</b>			
<b>Other</b>		Charities Review Paper		

<b>Committee(s)</b>	<b>Dated:</b>
Audit and Risk Management Committee	30/11/2021
<b>Subject: Annual Governance Statement 2020/21</b>	<b>Public</b>
<b>Which outcomes in the City Corporation’s Corporate Plan does this proposal aim to impact directly?</b>	<b>N/A</b>
<b>Does this proposal require extra revenue and/or capital spending?</b>	<b>N</b>
<b>If so, how much?</b>	<b>N/A</b>
<b>What is the source of Funding?</b>	<b>N/A</b>
<b>Has this Funding Source been agreed with the Chamberlain’s Department?</b>	<b>N/A</b>
<b>Report of: Town Clerk and Chamberlain</b>	<b>For Decision</b>
<b>Report author: Matt Lock, Head of Audit and Risk Management</b>	

## Summary

This report presents the Annual Governance Statement (AGS), as required by the Accounts and Audit (England) Regulations 2015 and prepared in accordance with practice guidance: “Delivering Good Governance in Local Government” – issued jointly by the Society of Local Authority Chief Executives and Senior Managers and the Chartered Institute of Public Finance and Accountancy. The AGS has been amended to incorporate comments from this Committee at its previous meeting where the Draft AGS was discussed.

## Recommendation(s)

Members are asked to:

- Consider and approve the AGS, Appendix 1, for signing by the Chair of the Policy and Resources Committee and the Town Clerk and Chief Executive
- Note that the AGS will be published alongside the 2020/21 City Fund and Pension Fund Statement of Accounts

## Main Report

### Background

1. The Audit and Risk Management Committee reviewed the draft Annual Governance Statement (AGS) for 2020/21 at its October meeting. A number of constructive points of feedback were made and discussed, The Head of Audit and Risk Management was tasked with reviewing the comments raised and amending the AGS where possible and appropriate.

## **Current Position**

2. A full schedule of the points raised by the Committee and action taken in the AGS is included as Appendix 1 to this report. The AGS has been updated and is included as Appendix 2 to this report, the amendments are shown as tracked changes.
3. While it was possible to incorporate many of the points raised by Members in discussion, there are some elements that could not be adopted for the 2020/21 AGS, these will be taken forward in subsequent years.

## **Conclusion**

4. Members are asked to consider and approve the amended AGS, prepared in accordance with the requirements of The Accounts and Audit Regulations 2015 and associated recognised practice guidance. Once approved by this Committee, the AGS will be presented to the Town Clerk and Chief Executive and Chair of Policy and Resources for signature and will subsequently be published alongside the financial statements for the City Fund and Pension Fund.

## **Background Papers**

- **Report to Audit and Risk Management Committee (05/10/2021) - Annual Governance Statement 2020/21**

## **Appendices**

- **Appendix 1** - Summary of Points Raised in Relation to the Draft Annual Governance Statement 2020/21
- **Appendix 2** – Revised Annual Governance Statement 2020/21 (tracked changes version)

## **Matt Lock**

Head of Audit and Risk Management, Chamberlain's Department

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## Summary of Points Raised in Relation to the Draft Annual Governance Statement 2020/21

Point Raised	Summary of Action Taken/Proposed
How do we benchmark our governance arrangements/the quality of our AGS, what is our peer group?	Something to take on board for future years – a more visual presentation is required, using infographics and diagrams for example. The AGS is a requirement for the City Fund in relation to the local authority functions so the peer group will be local authorities. There is an argument that the AGS should cover all operations of the City Corporation as the separation between funds complicates this, although this was met with resistance from some key Officers. <b>No Action for 2020/21 AGS</b>
The AGS doesn't really say much about the actual governance arrangements and background information in relation to the City Corporation	This information is available via a hyperlink in the document at paragraph 3, but for future years, the AGS should aim to cover some of this in a diagram, without duplicating the information in the City Fund Accounts. <b>No Action for 2020/21 AGS</b>
The AGS should reflect the role of the Committee in monitoring and driving implementation of Internal Audit Recommendations	<b>Paragraph 26 updated accordingly</b>
Conformance to Public Sector Internal Audit Standards – While “Generally Conforms” is noted as the terminology used in relation to compliance with the PSIAS, this isn't a particularly positive form of words and could be interpreted by the reader of the AGS as an indication that there are areas of non-conformance	<b>Paragraph 25 updated</b>
In relation to the governance Review – there is a disproportionate level of detail in relation to the Police Authority vs the City Corporation, this may give the impression that the Corporation is moving slowly on this.	Paragraph 10 in the original version of the AGS contains more on the Lisvane review, this has been brought forward and now becomes paragraph 5, the former paragraph 5, (now 6) has been edited down, to maintain balance across activities. <b>Actioned</b>
There should be more content on the wider sources of assurance, differentiating between audit and other sources of assurance	To be incorporated within the AGS for the following year. <b>No Action for 2020/21 AGS</b>

Point Raised	Summary of Action Taken/Proposed
Electoral Arrangements: <ol style="list-style-type: none"> <li>1. Commentary required on the amended democratic mandate (Suspension of elections) when there was no legal obligation to do so</li> <li>2. Review of the Ward Lists not mentioned</li> </ol>	Additional text added at paragraph 37. <b>Actioned</b>
Major Programmes governance/assurance – the Deep Dive review of Major Programmes risk referred to the governance structure, this forms part of the overall governance framework and so should be incorporated in the AGS	Paragraph 19 amended to incorporate the role of CBC and Major Programmes Assurance meetings. <b>Actioned.</b>
The AGS should reference the Risk Management Framework, which the Committee reviews and agrees annually	Paragraph 22 amended to incorporate this. <b>Actioned.</b>
Paragraphs in relation to the Role of Audit – add more information about the role of the Committee in relation to ensuring the timeliness of implementation of audit recommendations (some infographic or KPI would add value)	Additional commentary to be added to paragraph 24 in relation to follow-up on previously completed Audit reviews and recommendation implementation. <b>Actioned.</b>  A more visual presentation to be adopted for subsequent years, incorporating some format of KPI or performance metric.
Performance Management – more information should be included on the work undertaken to embed performance management, and performance in previous years.	Additional content added at paragraph 14 plus two additional actions in the action plan. <b>Actioned</b>
There should be a more explicit link to the Corporate Plan, how well does the AGS sync up with that? There are opportunities to demonstrate continuous performance improvement and links to future strategy	To be considered for incorporation in subsequent years, a methodology will need to be determined for this – the Chief Strategy Officer supports this as a concept. <b>No action for 2020/21 AGS</b>
Financial Management – should this say something about the pension deficit? We have a good story to tell in relation to this, so could we reference this?	This is more relevant to the Financial Statements than the AGS, the notes to the accounts will incorporate this. <b>No action required</b>

## Annual Governance Statement 2020/21

### Introduction

1. The City Corporation has approved and adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE *Delivering Good Governance in Local Government Framework 2016*. This statement explains how the City Corporation has complied with the code and also meets the requirements of regulation 6(1) of the Accounts and Audit (England) Regulations 2015, which requires all relevant bodies to prepare an annual governance statement.
2. The City of London Corporation is satisfied that appropriate governance arrangements are in place. The organisation is committed to continuous improvement and changes that are due to be made in the coming year will strengthen this position further.

### Code of Corporate Governance

3. The principles of good governance are embedded within a comprehensive published Code of Corporate Governance. This code covers both the Local authority and Police Authority roles, and links together a framework of policies and procedures, all of which are published on the City of London Corporations web pages at the following location: [Corporate governance - City of London](#)

### Review of Effectiveness

#### The Governance Review

4. Robert Rodgers, The Lord Lisvane, was commissioned to undertake an independent review of the City Corporation's governance arrangements in 2019. His findings were received in September 2020. The recommendations are far-reaching and wide-ranging and are currently in the process of being considered. Up until 31 March 2021 consideration has been given to the organisation's constitutional arrangements and support given to the abolition of the Standards Committee and the Standards Appeal Committee, the introduction of Independent Panels to receive allegations of misconduct, determine whether to investigate, present findings to the Court, and hear any appeal; the creation of Innovation and Growth Advisory Board as well an Emergency Committee to provide Member oversight in emergency situations in future. Work on the review is ongoing.

5. Lord Lisvane's Review, whilst concluded in late 2020, continues to be scrutinised by the Court of Common Council through regular Member Engagement Sessions chaired by Sherriff Christopher Hayward. Each aspect of the review and the Court's decision-making arrangements continue to be explored in detail by Members and views sought as to how the current committee structure and governance arrangements could be revised to put in place a more effective, efficient and relevant decision-making structure. Whilst some changes have been agreed and implementation is underway (Standards and Innovation and Growth), further changes will not be known until later in the year and full implementation of a revised structure is unlikely to take place until after the Ward elections in 2022.
6. In parallel with the Corporation-wide Lisvane review, the City of London Police Authority undertook its own governance review in 2020/21. As a result, the Police Authority designed and implemented the various changes to improve clarity and strengthen decision making processes. The changes included defining the roles of the Committee Chairs, creation of a Member induction pack, refreshed Police Authority content on the City Corporation's website and bi-furcation of the Performance & Resource Management Committee into two new Committees – Strategic Planning & Performance Committee and Resources, Risk & Estates Committee.
7. The effectiveness of these new governance arrangements have not yet been tested or evaluated. An independent review by Internal Audit will be undertaken as part of their audit programme for 2021/22.
8. No material issues or weaknesses were identified in the work undertaken by Internal Audit during 2020/21. Various recommendations have been made to improve governance arrangements within individual operational areas, these recommendations do not form part of the AGS action plan but remain within the oversight of Internal Audit and the Audit and Risk Management Committee.
9. The Head of Internal Audit and Risk Management has provided an annual opinion stating that the City has adequate and effective systems of internal control (which includes governance arrangements) in place to manage the achievement of its objectives. This is informed by completed Audit work, discussion with key officers and observation of the governance process in operation, with particular regard to the implementation and continued operation of amended governance processes to address the impact of the COVID-19 pandemic.
10. An independent debrief was commissioned during the summer 2020 recess to assess the operational response to COVID-19. The focus was on learning for the officer teams to assist in the continued mitigation of the crisis and identification of transferable learning to cope with other resilience scenarios. The results of the debrief were considered by the Policy & Resources Committee on 21 January 2021 which resolved to establish a new Emergencies Committee as part of the governance changes being implemented to address the findings of the

independent review of Governance. It was further resolved that civil resilience training should be included as part of the Member development programme.

11. New working parties (not formal decision-making), including some which were in response to COVID-19 i.e. the COVID-19 Response Working Party were created in 2020/21. Others include the Tackling Racism task Force and the Statues Working Group- all of which are Member-led and time limited with specific terms of reference.

### Standards Committee

12. The review of the Standards regime resulted in the abolition of the current Standards Committee and the Standards Appeal Committee and the creation of an Independent Panel. The new Panel will comprise of a diverse group of independent persons only appointed by the Court of Common Council following a transparent advertising and recruitment process. It is currently in the process of being appointed. Its purpose will be to receive allegations of misconduct, determine whether to investigate, present findings to the Court, and hear any appeal. The new regime involves a three-stage process, an informal stage which is conciliatory in nature; a formal stage involving a hearing and an appeal stage. The new Panel would also be responsible for considering requests for dispensations.
13. In the interim, other elements of the Standards Committee's work are currently retained under the auspices of the Policy and Resources Committee pending the outcome of the governance review e.g. promoting and maintaining high standards of conduct by Members and Co-opted Members and keeping under review and monitoring the following:-
  - City of London Corporation's Member Code of Conduct together with any guidance
  - City of London Corporation's Employee Code of Conduct by way of an annual update by the Director of HR
  - The Protocol on Member/Officer Relations
  - Training Members and Co-opted Members on matters relating to the City of London Corporation's Code of Conduct

### Performance Management

14. During 2020, work commenced to design a Corporate Performance Framework (CPF), a performance monitoring system drawing data from dashboards, applications, spreadsheets, websites etc. in order to develop a corporate overview of how the organisation is performing against its commitments. The ambition was to provide a 'single source of data' with the creation underpinned by business requirements and design principles to ensure the approach and resulting product was fit for purpose. These included:

- Enable effective scrutiny of policy, project and corporate delivery through tracking performance against stated outcomes and targets
  - Encourage cross-organisational working and innovation increasing awareness of what is happening in other parts of the organisation, identify and replicate best practice and spot opportunities for mutually beneficial joined-up working
  - Support efforts to streamline, standardise and improve performance management practices
  - Benefits to outweigh (administrative) burden
  - Make sure data is easy to use, outcome focused, verifiable and compliant (with, for example, GDPR)
15. The initial approach suggesting phasing the work with development paused after phase one so that progress could be assessed and test what changes (if any) were required to fulfil the ambition of the Target Operating Model review. Preliminary work focussed on understanding the KPIs currently used to monitor performance, identifying the data underpinning these and assessing how this is collected and stored. A mock-up CPF was produced and usability testing undertaken to both refine the look and feel of the product and test ways data could flow into Microsoft Power BI. By Spring 2021, a partially functioning product capable of managing large volumes of data containing 282 high-level KPIs and mapped against multiple filters was developed. 206 (73%) of these KPIs contained associated data, including targets where available. Of the remaining 76 KPIs with no data, 30 (11% of the overall total) were in development i.e. no data exists yet. Data for the remaining 45 KPIs have gaps remaining e.g. data not accessible in a machine readable way or other barriers to access exist.
16. This 'bottom up' exercise helped to highlight what is being measured. However, there was less progress on agreeing which KPIs could and should be prioritised as being critical/key indicators of organisational performance. Also, many KPIs measured input and outputs not outcomes.

### **Financial Management Arrangements**

17. The Chamberlain is the Chief Finance Officer in accordance with section 151 of the Local Government Act 1972 and has overall responsibility for the proper administration of the City's financial affairs. In 2010 CIPFA issued a "Statement on the Role of the Chief Financial Officer in Local Government" which defines the key responsibilities of this role and sets out how the requirements of legislation and professional standards should be met. The City's financial management arrangements were reviewed and found to conform to the governance requirements of the Statement. The Chamberlain also fulfils the role of Treasurer of the Police Authority.
18. The City Corporation has a long-standing and in-built culture of maximising returns from its resources and seeking value for money. It assesses the scope for improvements in efficiency/value for money at a corporate and service level by a variety of means, including improvement

priorities set by the Policy & Resources Committee through the annual resource allocation process, and internal examination and review by the Efficiency & Performance (Finance) Sub Committee.

19. The Efficiency & Performance Sub Committee has responsibility for monitoring and oversight of the Efficiency and Sustainability Plan and of departmental Economy, Efficiency and Effectiveness (EEE) Health Checks. These include consideration of income, helping to embed further a value for money culture within the City Corporation's business planning processes.
20. The EEE Health Checks are designed to achieve better alignment of business plans to the Corporate Plan, the delivery of the 2% year-on-year Efficiency and Sustainability Plan in local risk budgets, and to enable the Efficiency & Performance Sub-Committee to fulfil its duty to review periodically the performance of each Chief Officer in order to promote efficiency and value for money.
21. The City Corporation's project management and procurement arrangements provide a consistent approach to project management and co-ordination of the portfolio of projects across the organisation. The Projects Sub Committee meets monthly to ensure that projects align with corporate objectives and strategy and provide value for money. Oversight for the major programmes is provided by the Capital Buildings Committee, meeting every two months, supported by a monthly Major Programme Assurance board.

### **Risk Management**

22. The City Corporation has established formal Risk Management arrangements which include the development and maintenance of corporate, departmental, and service risks, their regular review by departmental senior management and reported to the relevant Grand/Service Committee. These arrangements are subject to annual review by the Audit and Risk Management Committee and have continued to operate effectively, albeit with the review of corporate and red departmental risk registers being undertaken virtually by the Chief Officers Risk Management Group.
23. The Audit and Risk Management Committee continued to play an important and integral part in ensuring that our most important risks were reviewed through regular risk updates and deep dives of ten corporate risks.
24. The Committee also reviewed the Chief Officer informal risk challenge process in July 2020. This has resulted in a greater focus by the Committee on the department's risk processes and arrangements. Format changes were also initiated to allow more frequent sessions being

held (usually monthly) and that they take place separately from on the main Committee meetings. The new arrangements became effective from September and are considered to be working well.

### **Role of Internal Audit**

25. Internal Audit has provided independent and objective assurance across a range of City Corporation activities and services, in accordance with the Annual Internal Audit Plan (part of a 3-year Strategic Audit Plan). The Audit Plan has been managed proactively throughout the year with the engagement and support of the Audit and Risk Management Committee; amendments were made to accommodate the impact of COVID-19 on frontline services, with work being reprioritised and rescheduled accordingly.
26. The Internal Audit Team completed 90% of all planned work to at least draft report stage, which is considered sufficient to inform an overall opinion as to the adequacy of the organisation's risk management, governance and internal control framework. In addition to this a programme of follow-up work has been completed to determine the extent to which Internal Audit recommendations have been implemented, reexamining those areas where an Amber or Red assurance rating had been provided.
27. In accordance with the requirements of the Public Sector Internal Audit Standards, an annual self-assessment has been undertaken and confirmed that the City Corporation's Internal Audit function conforms with the requirements of the standards, with no material exceptions noted.

### **Audit and Risk Management Committee**

28. The Audit & Risk Management Committee has a wide-ranging but focused brief that underpins the City of London Corporation's governance processes. It has met this remit via structured independent challenge and oversight of the adequacy of Corporate and departmental risk management, in addition to the internal controls and financial reporting frameworks. Headline outcomes for the year include:
  - Adding greater depth to the oversight and scrutiny of effective risk management through the Informal Risk Challenge Process and "deep dive" reviews
  - Driving the continued evolution of risk management organisation wide, both on the part of Officers within departments, and also elected Members
  - Challenging and supporting the organisation in its response to the COVID-19 pandemic
  - Supporting the process to ensure that Internal Audit activity is focussed towards areas of most significant risk



- Ensuring timely and effective implementation of Internal Audit recommendations through a robust process of follow-up activity

## Key Governance Issues

### Impact of COVID-19

29. Under the Civil Contingencies Act 2004 the City of London Corporation is a Category 1 responder. It therefore has statutory responsibilities under the act and the emergency provisions that comes with it. The outbreak of the COVID-19 pandemic in 2020 resulted in officers deploying command and control structures in order to effectively manage the City Corporation's response to the global crisis. Officers worked, and continue to work, with Public Health England and other partners, in accordance with current Government guidance, to maintain the organisation's critical and other services and to minimise the impact of COVID-19 on the City's communities in the lead up to a return to normality.
30. At the beginning of the pandemic concerns were expressed about the level of communication with Members, particularly as not all Members were fully conversant with the emergency planning arrangements, the operation of the Gold command structure or what fell within their remit in terms of decision-making. This resulted in concerns about communication, the lack of democratic oversight and confidence in the decision-making process as well as concerns about the pace at which formal virtual meetings were introduced. It also resulted in the receipt of over 120 independent queries from Members within a 5 day period between 12-18<sup>th</sup> March.
31. A Member level Sounding Board was quickly established at the beginning of the first lockdown period, although most Members were unaware of its existence and some questioned its composition. As a result, and in order to engage Members on an informal basis more widely, a Sounding Board was replaced by thematic consultation groups covering, public services, communities, culture and finance. In doing so it acknowledged that whilst this would provide a mechanism for Members to comment on emerging issues at an early stage there were limitations as it would not always possible or practical to canvass the views of 125 Members on all items. The Resource Allocation Sub-Committee met informally on a fortnightly basis in order to improve the transparency of urgent decisions taken.
32. The introduction of temporary emergency measures (the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020) enabled formal decision-making meetings to be undertaken in that virtually until 6<sup>th</sup> May 2021. The ability to operate in this manner was very successful, it introduced more flexibility, helped to facilitate greater public scrutiny, and aided Members and officers in conducting business more efficiently.

33. Prior to the introduction of virtual meetings, matters which required an immediate formal committee decision were dealt with in accordance with Standing Order No 41(a) i.e. under the urgency procedures. Whilst decisions taken in this manner usually involves consultation with just the Chairman and Deputy Chairman of a committee, the process was extended so that all Members of a committee were given the opportunity to comment before a decision was taken. As the emergency measures to allow for virtual meetings have now ceased, the nature in which decisions shall be formally taken, in accordance with the COVID-19 Approval Process (as agreed by the Court of Common Council on 15th April 2021) are explicit on every committee/sub-committee agenda. Those decisions are being recorded by the Town Clerk's Department as and when they are taken and are available for Member/public scrutiny. It is anticipated that these measures will remain in place until such time that the current COVID-19 restrictions, as applied by the Government, lift.
34. The management of risk has been at the heart of the governance arrangements employed to manage the City Corporation's response to COVID-19. The City Corporation's Gold group agreed a risk management protocol which set out the process by which the corporate risk for COVID-19 (CR34) and operational risks (silver/ thematic group) were identified, assessed, managed, and reported. The processes is supported by the Corporate Risk Manager.
35. The Audit and Risk Management Committee received detail of all the COVID-19 risks and in July 2020 undertook a deep dive review of the corporate COVID-19 risk.
36. An external review of the City Corporation's business continuity response to COVID-19 (undertaken in July/August 2020) recognised the positive impact of effective risk management in maintaining City Corporation services during the period from March to July 2020.

**Electoral arrangements**

37. The City Corporation administers electoral registration and elections in the City of London and maintains an accurate database of organisations and individuals in the City of London who are eligible to register to vote. For these purposes, three separate registers are maintained: the Common Hall Register of Liverymen, the Ward Lists and the Electoral Register.
38. Common Hall is one of the assemblies through which the City Corporation operates and is a meeting of the Liverymen of the City of London Livery Companies, held at Guildhall twice a year, to elect officers of the City including the Sheriffs and the Lord Mayor. The Lord Mayor is elected annually at Michaelmas, on 29 September, and the City's Sheriffs are elected after Midsummer day on 24 June. The main role of the Sheriffs is to support the Lord Mayor in their official duties undertaken on behalf of the City Corporation. It was not possible to assemble

Common Hall in June 2020 due to the pandemic. The terms of office of the existing Sheriffs and Lord Mayor were extended by one year. The Election of the Lord Mayor was conducted in October 2020 with significantly reduced attendance to ensure social distancing was maintained.

39. COVID-19 has had a significant effect on electoral arrangements. The Government passed legislation suspending the London Mayoral and Local Government Elections until May 2021. Whilst these provisions did not apply to the City of London elections, the City wide elections were due to be held within that time period. An Act of Common Council was passed in October 2020 postponing the City wide elections until March 2022. The argument for doing so was the impact that the COVID-19 pandemic had had on Ward List voter registration. The Ward List in 2020/2021 consisted of 19,200 voters whereas, due to the pandemic, the number of voters on the Ward List had decreased to 13,748. It was clear during the canvass that the pandemic was affecting the responses from businesses in particular, as they were largely absent from the City. In addition to postponing the elections for 12 months, an Election Engagement Manager was appointed to work on improving the voter statistics for the City so that those workers and residents who are entitled to vote in the election are not disenfranchised because of the effects of the pandemic. The City wide elections will be held in March 2022. Aldermanic elections have also been postponed due to Ward Lists being incomplete, these will resume after the publication of the Ward Lists in 2022.
40. It was also agreed that no by-elections would take place for any occurring vacancies for the Common Council prior to the 2022 elections. The Court of Aldermen also agreed to suspend the convention of resigning after a six year term or retiring at the age of 70 until Spring 2022. There have therefore, been no elections held during 2020-21.

### **Accountability and Action Plans**

41. The City Corporation proposes over the coming year to take the following actions to address the significant governance issues:
- Work to further develop, refine, implement and embed a Corporate Performance Framework will resume once a team is in place (initiated in Nov 2021) and subject to a successful. In the meantime, a successful application to issue Power BI licences to all staff means that Departments can now access real-time performance data as and when required.
  - Corporate Performance Framework will be used to provide performance information for scrutiny at Committee, corporate, strategic, departmental, service and operational levels, as well as in published reports.

- In 2022, the Executive Leadership Board will consider Organisational Performance as a standing agenda item at its monthly meetings to ensure transparency, oversight, ownership and scrutiny of performance across the organisation.
- Officer Governance has been reviewed to enable more agile and proactive working. From June 2021 The Executive Leadership Board (ELB), made up of our senior leadership team with quarterly attendance from Heads of Institutions, will set, refresh and align on strategy, share major risks, review performance, make key decisions, manage talent & succession and collaborate across the organisation. Tier 2 leaders across the organisation will also be invited to attend quarterly meetings of the refreshed Senior Leaders Forum (SLF), which will connect on plans across the organisation, shaping strategy, initiatives and decisions before they are escalated to the ELB.
- Review of the decision-making process to be carried out to create more sustainable decision-making processes using hybrid meetings.
- Further consideration of the findings of the Lisvane review and implementation of recommendations as appropriate.
- Risk management maturity exercise to be undertaken.

This annual governance statement was approved by the City Corporation's Audit and Risk Management Committee on xxx.

John Barradell  
Town Clerk and Chief Executive  
Date: September 2021

Catherine McGuinness  
Chair, Policy and Resources Committee  
Date: September 2021

<b>Committee(s)</b>	<b>Dated:</b>
<b>Audit &amp; Risk Management Committee</b>	<b>30 November 2021</b>
<b>Subject: Anti-Fraud &amp; Investigations – 2021/22 Mid-Year Update Report</b>	<b>Public</b>
<b>Which outcomes in the City Corporation’s Corporate Plan does this proposal aim to impact directly?</b>	<b>N/A</b>
<b>Does this proposal require extra revenue and/or capital spending?</b>	<b>N/A</b>
<b>If so, how much?</b>	<b>N/A</b>
<b>What is the source of Funding?</b>	<b>N/A</b>
<b>Has this Funding Source been agreed with the Chamberlain’s Department?</b>	<b>N/A</b>
<b>Report of: Head of Audit &amp; Risk Management</b>	<b>For Information</b>
<b>Report author: Chris Keesing, Corporate Anti-Fraud Manager</b>	

## Summary

In total 38 investigations, across all disciplines, have been completed during the reporting year with an associated value of £305,811. Whilst the bulk of this value relates to notional savings attributed to social housing tenancy fraud investigation, the volume of positive outcomes, where fraud or irregularity was identified has increased by 68% compared to same period last year, with some of this attributable to the return to more traditional investigation methods and the easing of COVID restrictions.

The team have adopted a revised formula for calculating the cost to the public purse from social housing tenancy fraud and mapped this against the City Corporation’s temporary accommodation costs to provide a true reflection of the loss to the public purse from this fraud risk.

We have identified and procured a new and sophisticated system to proactively identify fraud at an early stage and at point of access to some higher fraud risk services and will be rolling this out from January 2022. We also anticipate that this solution will be adopted by more London Boroughs in due course and provide London Boroughs with a mechanism to identify and tackle cross-boundary fraud effectively.

## Recommendation(s)

- Members are asked to note the report.

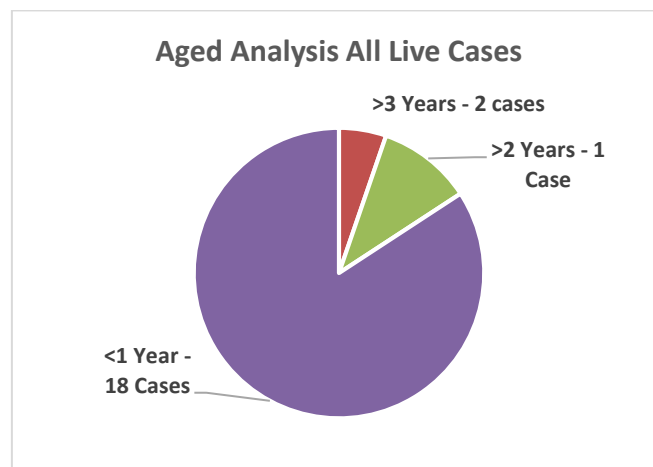
## Main Report

### Background

1. This report provides Members with an update on the activity of the Anti-Fraud and Investigation team during the first half of the 2021/22 reporting year. It also provides Members with an update against key anti-fraud initiatives, developments to assist in the prevention detection and reporting of fraud and any emerging risks.

## Investigation Activity Summary

2. An analysis of the number of cases investigated during the 2021/22 reporting year to date, compared to the same period during the 2020/21 reporting year can be found at Appendix 1 to this report, showing all fraud types along with the value of frauds detected. Our analysis of live cases shows that of the 21 live cases currently under investigation 18 of these have been raised in the current reporting year, one case has been open for two years and two cases have been open for three years. In respect of the cases open for two years or longer, one relates to a complex business rates evasion fraud and two relate to tenancy fraud investigations where tenants have been out of the country for extended periods owing to medical interventions and/or COVID and formal interviews with the tenants are required to seek responses to the questions that are outstanding.



3. Our investigations have continued to progress well, with the associated value of identified fraud from the 38 completed investigations during this period amounting to £305,811, with the bulk of this relating to losses to the public purse from social housing tenancy fraud investigations.

## Corporate Investigation Activity

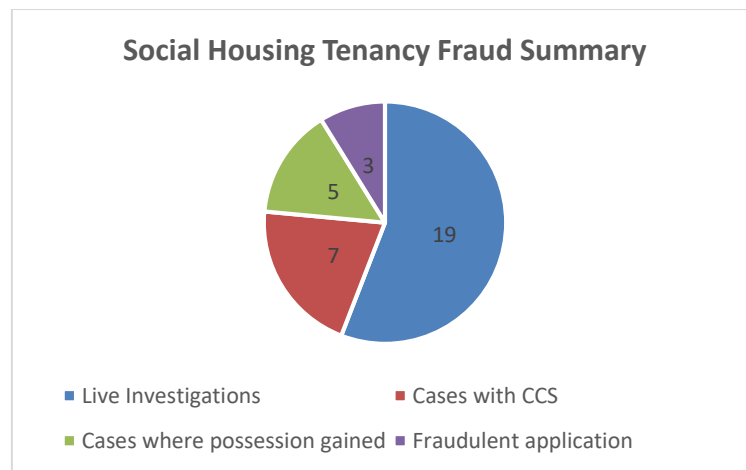
4. Six corporate investigations have been completed during the reporting year with an associated value of £38,928. Corporate investigations relate to fraud, theft and misconduct allegations investigated by, or investigations supported by, the Corporate Anti-Fraud Team.
5. Where applicable, management reports have been issued detailing the nature and findings from our corporate investigations along with recommendations to improve the control environment and mitigate future risks. A summary of noteworthy cases is included as Appendix 3 to this report.

## Social Housing Tenancy Fraud

6. The team provides full investigative support across all aspects of housing, from initial applications to the investigation of tenancy breaches and right to buy screening. Whilst continuing to provide a desk-based review of alleged housing application fraud, a return to more traditional investigation work and a fraud presence on the City's social housing estates has resulted in a 60% increase

in positive outcomes for properties successfully recovered when compared to the same period last year.

7. In addition to the above, we now have 70% more cases (an increase of two to seven) with the Comptroller & City Solicitor for civil and/or criminal action than at the same point last year, having progressed a number of cases to the evidential stages for legal action following the easing of COVID restrictions. Owing to the backlog in both the Crown, Magistrates and County Courts, outcomes in these cases are delayed and we are reliant on the court service to progress to hearings at various stages, including Crown Court trials. Updates on the outcomes in these cases will be provided in future reports.
8. A detailed summary of our work in this area, during the 2021/22 reporting year to date vs. the same period last year can be found at Appendix 3 to this report, whilst a snapshot can be found in the chart below.



9. The team have recently adopted a revised formula for valuing the cost to the public purse from social housing tenancy fraud. This formula has been developed by the Tenancy Fraud Forum with support from industry groups including the London Borough Fraud Investigators Group, which the City's Corporate Anti-Fraud Manager currently Chairs. In order to develop this new formula, the research team took evidence from social landlords across the country including Councils and Registered Social Providers to understand the following:
  - a) The annual average temporary accommodation cost per family for individual councils.
  - b) The average number of years a family typically spends in temporary accommodation.
  - c) Average investigation costs for a tenancy fraud investigation.
  - d) Average legal costs for a tenancy fraud investigation.
  - e) Average void costs for a tenancy fraud investigation.

The national average value of tenancy fraud identified through this research has been identified as costing the public purse £41,740. A copy of this formula and help sheet can be found at Appendix 4 to this report.

10. This formula has also been designed to be used to calculate the local costs of tenancy fraud to the public purse. We have, accordingly, applied this and established the true cost of a single social housing tenancy fraud at the City Corporation as £59,626. The City uses both inner and outer London temporary accommodation which varies in cost with the average temporary accommodation cost for inner London placements over three years being £45,864, whilst the cost for outer London placements over three years is £36,036; therefore, a median figure of £40,950 has been used to provide a fair reflection of the temporary accommodation costs over three years to those placements made by the City Corporation; the other costs detailed within the formula remain static. A copy of the City of London calculation can be found at Appendix 5 to this report.
11. Using this new formula, the associated cost to the public purse from those tenancy fraud cases investigated and resolved by the team during the first half of this reporting year amounts to £298,130. Whilst this is not a recoverable cost in cases where housing is recovered through voluntary surrender following investigation, the team seek to utilise Unlawful Profit Orders and the Proceeds of Crime Act in the most serious cases where either criminal/civil proceedings are undertaken.
12. Our work to tackle housing application fraud mitigates the risk of fraud entering the system from the outset and reduces losses to the public purse, although it should be noted that fraud can occur at various stages of a tenancy through dishonest failure to report a change of circumstances.

### **Whistleblowing**

13. The City's Whistleblowing Policy identifies the Head of Audit & Risk Management as one of the main contacts for reporting a concern and Internal Audit is responsible for maintaining a confidential and secure register of all concerns raised through the Whistleblowing Policy.
14. The number of referrals received via whistleblowing channels is relatively low; however, when referrals are received, they are generally of high significance leading to further investigation.
15. During the reporting year, five whistleblowing referrals (as defined in the policy) have been received and of these four have been concluded including where they have been passed to departmental management for further review and action.
16. One case remains under live investigation by the department with the Corporate Anti-Fraud Manager providing support, procedural and evidential guidance, and support.

### **National Fraud Initiative (NFI) Fraud Hub**

17. Building upon the success of the NFI biennial exercise at the City Corporation, funding has recently been secured for the NFI Fraud Hub; the contract has recently been reviewed and we anticipate that we will be able to start using the fraud hub from January 2022. The NFI Fraud Hub provides a proactive



capability for the City Corporation and enables us to identify fraud at an earlier stage through data-matching against core NFI datasets and those held by other London Boroughs. At the point of writing there is one other London Borough committed to procuring the hub and significant interest from many others. Intelligence suggests that cross-boundary fraud is a significant risk to local authorities and this solution will allow London Boroughs to share data within the hub on a legal basis to identify fraud and mitigate the risks that fraudsters move from borough to borough committing the same, or similar, offences.

18. In addition to the above, the NFI AppCheck, a sophisticated tool for assessing applications for housing, Council tax discounts, concessionary travel passes, and employment is included in the subscription and will be rolled out across those high-risk areas from January 2022 to mitigate the risk of fraud at the point of application.

### **Emerging Risks**

19. The team keep abreast of emerging risks through regional and national networks including the London Borough's Fraud Investigators Group, the National Anti-Fraud Network (NAFN), the National Fraud Intelligence Bureau, and CIFAS. Weekly NAFN Intelligence alerts have predominantly related to mandate fraud risks, and these are routinely shared with colleagues in the Accounts Payable team and disseminated on a risk-based approach.
20. Through our work this year investigating mandate frauds affecting the City Corporation, improvements have been made to the control framework surrounding new supplier set-ups and amendments to bank account details. These new processes have been designed by the Accounts Payable Team in consultation with Internal Audit, guidance has been disseminated across the organisation, providing a stronger response to mitigating future fraud risks in this area.

### **Corporate & Strategic Implications**

21. The work of the Team is designed around minimising the risk of fraud across the organisation by providing a comprehensive counter fraud and investigation response with a clear focus on safeguarding the City's assets and recovering any losses due to fraud; this is underpinned by our Anti-Fraud & Corruption Strategy, which gives due regard to the Corporate Plan. Our investment in the NFI Fraud Hub which will add additional mechanisms to assist in identifying fraud at an early stage through regular data matching activity and enable the roll-out of the NFI AppCheck, a pre-application tool to identify fraud at the point of application to more high-risk departments across the City Corporation. The confidential whistleblowing arrangements managed by the Team ensure that a safe and secure mechanism for raising concerns is maintained and that these concerns are acted upon.

### **Conclusion**

22. The team has returned to some traditional methods of investigation activity, particularly in respect of social housing tenancy fraud and this has resulted in an increase in positive outcomes in this area, whilst maintaining elements of the desk-based approach to counter fraud and investigations adopted

throughout the pandemic that worked well and enabled us to work more efficiently in some areas.

23. The volume of positive outcomes is returning to pre-pandemic levels, whilst the complexity of some of our cases continues to grow. The new formula for calculating the loss to the public purse from tenancy fraud investigations is positive and provides a better reflection of the cost of this fraud risk to the public purse and the need to ensure that only those with a genuine need are occupying social housing.

24. The NFI Fraud Hub will enhance our pro-active investigation capabilities and allow us to work smarter making best use of the data available to us, whilst engineering out fraud at the point of access through the NFI AppCheck.

#### **Appendices:**

- **Appendix 1 – Analysis of the number of cases investigated during the 2021/22 reporting year to date compared to the same period in 2020/21.**
- **Appendix 2 - Corporate Investigations Summary**
- **Appendix 3 – Housing Tenancy Fraud Caseload Analysis during the 2021/22 reporting year to date compared to the same period in 2020/21.**
- **Appendix 4 – Calculating Losses from Housing Tenancy Fraud Help Sheet**
- **Appendix 5 - COL Tenancy Fraud Median Values**

#### **Contact:**

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## Appendix 1 - Analysis of the number of cases investigated between 01/04/2021 and 31/10/2021

1. The chart below provides a detailed analysis of the number of completed investigations, during the first half of the reporting year 2021/22, showing all fraud and investigation types along with the value of investigated cases, including where these can be quantified, the value of corporate and whistleblowing investigations. It also provides the previous half yearly reporting data for comparative purposes.
2. The nature of the concerns raised under the City's whistleblowing channels mean that not all investigations completed under this discipline will have a financial value attached but may instead result in other outcomes such as disciplinary action, or control environment recommendations.

<b>Activity</b>	<b>Completed Investigations 01/04/2021 – 31/10/2021</b>	<b>Value (£'s) 01/04/2021 – 31/10/2021</b>		<b>Completed Investigations 01/04/2020 – 31/10/2021</b>	<b>Value (£'s) 01/04/2020 – 31/10/2020</b>
<b>Social Housing Tenancy Fraud <sup>1</sup></b>	<b>5</b>	<b>298,130 <sup>(N)</sup></b>		<b>2</b>	<b>119,252 <sup>(N)</sup></b>
<b>Right to Buy <sup>2</sup></b>	<b>16</b>	<b>Nil</b>		<b>0</b>	<b>Nil</b>
<b>Housing Application Fraud <sup>3</sup></b>	<b>3</b>	<b>Nil</b>		<b>5</b>	<b>Nil</b>
<b>Blue Badge Fraud</b>	<b>0</b>	<b>Nil</b>		<b>0</b>	<b>Nil</b>
<b>Corporate Investigations <sup>4</sup></b>	<b>6</b>	<b>38,928</b>		<b>3</b>	<b>8,440</b>
<b>Council tax investigations</b>	<b>3</b>	<b>7,681</b>		<b>4</b>	<b>5,778</b>
<b>Whistleblowing Referrals</b>	<b>5</b>	<b>Nil</b>		<b>2</b>	<b>Nil</b>
<b>Total</b>	<b>38</b>	<b>305,811</b>		<b>16</b>	<b>133,470</b>

**Notes:**

<sup>1</sup> <sup>3</sup>Successful possession gained has a notional cost of £59,626 loss to the public purse as per tenancy fraud values formula designed and produced by the Tenancy Fraud Forum and the London Borough Fraud Investigators Group.

<sup>2</sup> Right to Buy uses true discount value £112,300 per property.

<sup>3</sup> Positive outcomes in respect of housing application fraud investigations result in stopping fraud impacting the City at the point of application and mitigates future investigation costs and losses to the public purse, in essence, avoiding the equivalent cost of a tenancy fraud.

<sup>4</sup> Corporate Fraud Investigations include cases of fraud, corruption, theft or conduct investigated directly by Internal Audit and/or investigation supported by Internal Audit & Risk Management.

<sup>(N)</sup> Denotes Notional Costs

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## Appendix 2 – Corporate Investigations Summary

Nature of Concern	Investigation/Outcome Summary	Value (£)
Mandate Fraud	<p>Following routine chasing of invoices at year end, the City received an email from a supplier with two invoices and amended bank account details. The change of account request was processed, and the invoices paid. Concerns were raised when the supplier enquired about payment and when advised of the account the payments were made to the supplier claimed to not have any knowledge of the account or the request to amend the bank account.</p> <p>During our investigation we reviewed the background of the reported fraud, analysed the internal documentation and correspondence and liaised with key internal stakeholders; we found that all email communication had been received from the suppliers recognised email accounts and although the City had not telephoned the supplier to verify the change of account, reasonable actions were taken to verify the validity of the request and we concluded that the City had not been a victim of this fraud, nor should it be liable for any error as the payment was made to the supplier in good faith.</p> <p>Our investigation identified that there were opportunities missed that may have helped to identify this fraud and these were reported to management along with three recommendations to improve the control environment and mitigate future risks, all of which have been accepted and are being implemented.</p>	27,735
Mandate Fraud	<p>Concerns were raised when Payroll colleagues identified that the email account of a supplier may have been compromised resulting in a request to amend bank account details being received and processed.</p> <p>During our investigation we reviewed the background of the alleged fraud, analysed email correspondence and liaised with the supplier, who confirmed that they had been subject to a cyber-attack.</p> <p>It was found that the City had been a victim of this fraud and that some employee records held by the supplier and used to process the services delivered may have been compromised – this was reported to the City's Information Team.</p> <p>Our investigation identified the owner of the account that the monies were paid in to and these, along with the details of the fraud and our internal investigation were reported to the Police who are undertaking a criminal investigation.</p> <p>The investigation identified that there were opportunities missed that may have helped to identify this fraud and these were reported to management along with four recommendations to improve the control environment and mitigate future risks, all of which have been accepted and are being implemented.</p> <p>We are working with the City's Risk &amp; Insurance Manager to recover the losses associated with this fraud.</p>	8,043
Fraudulent application of discretionary	<p>A report was received from the City's Housing Benefits Team regarding two applications for discretionary housing payments. The applications were reviewed and found to have been completed by the same person, with counterfeit supporting evidence provided identified through a review of the metadata within the documents. Although the</p>	1,700

housing payment	<p>applications were allegedly made by different people it was found that the National Insurance Numbers on the applications did not match official records when checked and the telephone numbers provided on both applications were the same. The applicant was advised that a verification visit to the address listed on the applications would be made and when attempted there was no response. Checks against Council Tax records also identified discrepancies with the information provided on the applications.</p> <p>A decision was made not to award discretionary housing payments on the basis of the concerns identified and the applicant(s) was informed of this decision. No appeal was made against this decision.</p>	
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## Appendix 3 – Housing Tenancy Fraud Caseload Analysis 01/04/2021 to 31/10/2021

Housing Tenancy Fraud Case Referrals	01 April 2021 to 31 Oct 2021	01 April 2020 to 31 Oct 2020
Housing tenancy fraud referrals received in current year	26	22
Right to buy referrals received in current year	16	7
Housing application referrals received in current year	6	5
Cases carried forward from previous year (all disciplines)	32	19
<b>Total</b>	<b>80</b>	<b>53</b>
<b>Cases/referrals currently under investigation</b>	19	26
<b>Cases/referrals closed with no further action</b>	46	18
<b>Cases with Comptroller &amp; City Solicitor for prosecution<sup>1</sup></b>	3	2
<b>Cases with Comptroller &amp; City Solicitor for civil recovery<sup>1</sup></b>	4	0
<b>Cases where successful possession gained<sup>3</sup></b>	5	2
<b>Cases where successful prosecution action taken</b>	0	0
<b>Cases where fraudulent application identified<sup>2</sup></b>	3	5
<b>Dishonest Right to buy fraud identified</b>	0	0
<b>Total</b>	<b>80</b>	<b>53</b>
<b>Total value of losses to the public purse from social housing tenancy fraud<sup>3</sup></b>	<b>£298,130<sup>(N)</sup></b>	<b>£119,252<sup>(N)</sup></b>
<b>Notes:</b>		
<sup>1</sup> Cases with the Comptroller & City Solicitor only included as positive outcomes upon completion of successful criminal/civil action as appropriate. Where offences committed are serious enough to warrant criminal/civil proceedings these are progressed under the Prevention of Social Housing Fraud Act 2013 and/or the Fraud Act 2006 and/or the Housing Act 1985.		
<sup>2</sup> Fraudulent application includes housing register applications, dishonest succession applications and mutual exchange applications denied.		
<sup>3</sup> Successful possession gained has a notional cost of £59,626 loss to the public purse as per tenancy fraud values formula designed and produced by the Tenancy Fraud Forum and the London Borough Fraud Investigators Group. Positive outcomes in respect of housing application fraud investigations result in stopping fraud impacting the City at the point of application and mitigates future investigation costs and losses to the public purse. Right to Buy uses true discount value £112,300 per property.		
<sup>(N)</sup> Denotes Notional Costs		

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## CALCULATING LOSSES FROM HOUSING TENANCY FRAUD

A new, rigorous, standard formula for measuring the costs of tenancy fraud gives social housing providers the financial justification to clamp down on this widespread problem.

### Introduction

PRPs (private registered providers, also known as housing associations), along with local councils, have a moral responsibility and public duty to play their part in fighting tenancy fraud, both to improve social housing supply for those in genuine need and to reduce the burden on taxpayers.

Social housing tenancy fraud is the second-largest cause of local government fraud losses. Barriers remain to effective action by both councils and PRPs, including:

- there is no sector-wide agreement on how to measure the losses; and
- when housing supply is reduced by fraudulent tenancies, local councils, not PRPs, carry the financial burden of providing accommodation for the homeless.

In other words, PRPs have no direct financial incentive to tackle the problem of tenancy fraud.

### What is housing tenancy fraud?

This is when social housing is used by someone not entitled to occupy that home. It includes:

- subletting without permission;
- providing false information on applications for housing;
- wrongful tenancy assignment and succession;
- failing to use the property as the principal home;
- abandoning it without proper process; and
- selling the keys to someone else.

This helpsheet does not consider Right-to-Buy/Right-to-Acquire, which are valued differently.

### Why is tackling it important?

Social housing providers have a frontline role in delivering a vital public service, and this comes with compelling duties and responsibilities to the public purse and society at large:

- to contribute to the efficient use of scarce public resources and so reduce the burden on taxpayers;
- to exercise sound stewardship over assets. The loss of control as a result of tenancy fraud represents an average accounting book loss per property of some £37,000<sup>1</sup> (the average market value per property is much higher, at approximately £155,000, based on sample analysis); and
- to provide social housing accommodation for local families who have a legal right and a genuine need. Any failure of stewardship is a significant governance failure with profound ethical and public-duty consequences; when tenancy fraud occurs the housing provider is being prevented from using its assets properly to meet its true purpose.

**More than 100,000 social homes in the UK are subject to some form of tenancy fraud.<sup>2</sup>**

### Why is a new standard formula needed?

Housing policy, resource efficiency and social justice are all undermined by a lack of a clear, logical and widely adopted approach to measuring losses from social housing tenancy fraud.

Previous attempts to calculate a 'fraud cost per property' have produced a wide range of estimates - from £18,000<sup>3</sup>

to £94,000<sup>4</sup>. The Audit Commission had also previously suggested that councils could value each tenancy fraud using the £150,000 average replacement cost of a social housing unit.

### The new formula

A single, logical, fiscally prudent way of calculating the cost of a tenancy fraud - one that can be used by local councils and PRPs alike - is needed.

The new method uses a standard formula to arrive at an average national cost to the taxpayer per detected tenancy fraud of: **£42,000**

It also enables individual councils to factor in local figures to reflect their particular circumstances and calculate the possible financial savings to them more accurately.

#### Footnotes

<sup>1</sup> See the Regulator of Social Housing's 2020 global accounts of private registered providers.

<sup>2</sup> This figure is based on research from the *Protecting the Public Purse* report 2012.

<sup>3</sup> The Audit Commission's estimate of the average annual cost to a council of housing one homeless family in temporary accommodation because the property they should move into is already occupied under a fraudulent tenancy. (The funding basis underlying this calculation has since changed.)

<sup>4</sup> The National Fraud Initiative estimate is based on a combination of expert views on costs multiplied by four years.

## How to use this method

All social housing providers should as a minimum adopt the £42,000 figure as their measure of the true cost of these frauds to the taxpayer.

PRPs assessing the cost-benefit case for tackling tenancy fraud could go further. They could consider not just the value for their moral responsibility/public duty to take action (the approximate

£42,000 cost per property to the taxpayer) but also their governance responsibility as stewards of housing assets (the £37,000 per property book value of the asset of which they have temporarily lost control).

Local councils, meanwhile, can tailor their cost calculation to local circumstances by using the formula in the table below.

Category	National Average cost	Explanation
Add: Annual average temporary accommodation cost per family for individual councils	£12,100	Individual councils can establish their own local cost for this element. This can vary considerably, exceeding £20,000 pa in some areas. (The national average figure was derived from the parliamentary briefing paper <i>Households in temporary accommodation</i> , as at 31 March 2020.)
Deduct: Individual councils (only) can remove the annual average housing benefit associated with their temporary accommodation costs	Does not apply to the national calculation	Local councils receive housing benefit payments from central government in relation to temporary accommodation costs. These could be deducted from the national figure to reach a net local cost. However, since these benefit payments are from central government they must be part of the calculation of the true cost of tenancy fraud to the national public purse.
<b>Subtotal</b>	<b>£12,100</b>	
Subtotal above multiplied by 3	£36,300	Analysis of tenancy frauds detected by housing providers reveals three years to be a prudent average duration for one of these frauds. (Typical range 3.2 to 3.5 years.)
Add: Average investigation costs	£1,300	Average cost derived from investigations by a housing provider; confirmed as prudent by a sample from other HA's and councils. Individual councils may choose to input their own data here.
Add: Average legal costs	£1,000	Average cost derived from investigations by a housing provider; confirmed as prudent by a sample of other HA's and councils. Individual councils may choose to input their own data here.
Add: Average void costs	£3,140	Average cost derived from investigations by a housing provider; confirmed as prudent by a sample of other HA's and councils. Individual councils may choose to input their own data.
<b>Total costs</b>	<b>£41,740</b>	The average cost of a detected tenancy fraud to the national public purse - <b>approximated to £42,000.</b>

## CHECKLIST

### BUILDING YOUR FRAUD DEFENCES

#### ASK YOURSELF:

- Have you performed a cost/benefit assessment (CBA) to estimate the value of tackling tenancy fraud?
- Did your CBA use the £42,000 national average cost to the taxpayer? If you are a PRP, did you consider the governance failure cost (£37,000 per property)? If you are a local council, have you thought about adapting the formula to reflect local costs (optional)?
- If you are a Council or PRP, do you have access to qualified, experienced tenancy fraud investigators? Is that resource appropriate to the risks you face and is performance being monitored?
- Is tackling tenancy fraud a clear priority for your organisation and has this been communicated to your staff?
- What are you doing to deter tenancy fraud?
- Do your tenancy audits follow best practice?
- Do you have a formal strategy for tackling tenancy fraud?
- Are local PRPs and the local council working together to tackle tenancy fraud - and are they doing it in an effective way?

#### ACKNOWLEDGEMENT

This helpsheet is based on research undertaken by the Tenancy Fraud Forum in partnership with the London Boroughs' Fraud Investigators' Group, and supported by the Cabinet Office's National Fraud Initiative, Northern Ireland Housing Executive, Fraud Advisory Panel, Chartered Institute of Public Finance and Accountancy, Cifas, Chartered Institute of Housing and G15 group of housing associations. Our thanks also goes to all social housing providers who participated in this research.

#### DISCLAIMER

Published 2021.

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## OTHER RESOURCES

The **London Boroughs' Fraud Investigators' Group** provides a forum to discuss cross-boundary fraud and to disseminate best practice.

The **Tenancy Fraud Forum** provides a forum for social landlords to work together to identify and combat tenancy fraud.

**Preventing Charity Fraud** contains resources to help charities prevent, detect and respond to fraud.

## Appendix 5 - COL Tenancy Fraud Median Values

Category	Median of Inner & Outer London placement cost	Explanation
<i>Add</i> : Annual average temporary accommodation cost per family for individual councils	£13,650  Median of Inner Outer London Placement at CoL	Median of Inner and Outer London Placement Costs for City of London
<i>Less</i> : For individual councils only, remove annual average housing benefit received related to that temporary accommodation cost	N/A to national calculation	For councils, housing benefit payments from central government that relate to temporary accommodation costs could be netted off to establish the local cost to individual councils. However, such benefit payments are provided by central government. They are thus NOT netted off when establishing the true cost of tenancy fraud to the national public purse.
<b>Sub-Total</b>	£13,650	
Multiply sub-total above by 3	£40,950	Sample of tenancy frauds detected by housing providers found 3 years to be a prudent average length of such fraud (range was typically 3.2 to 3.5 years)
<i>Add</i> : Average investigation costs	£2,017	Fraud Investigator 56 hours & Fraud Manager 5 hours  Average FI hours per tenancy fraud = 56   Average Fraud Manager hours per tenancy fraud = 5
<i>Add</i> : Average legal costs	£12,000	£12,000 average cost of recovery when considering contested and non-contested cases as per legal
<i>Add</i> : Average Void costs	£4,659	Includes void costs of £1,723 (average of last three years) and building & electrical works and decorations allowance (average across 1, 2 & 3 bed flats) of £2,936
<b>Total costs</b>	£59,626	This represents the <b>average cost</b> of a detected tenancy fraud at <b>City of London</b> to the public purse.

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# Agenda Item 8

<b>Committee(s):</b> Audit and Risk Management Committee – For decision Finance Committee – For decision	<b>Dated:</b> 30/11/2021 07/12/2021
<b>Subject: 2020-21 City’s Cash Financial Statements</b>	<b>Public</b>
<b>Which outcomes in the City Corporation’s Corporate Plan does this proposal aim to impact directly?</b>	6/7
<b>Does this proposal require extra revenue and/or capital spending?</b>	<b>N</b>
<b>If so, how much?</b>	<b>N/A</b>
<b>What is the source of Funding?</b>	<b>N/A</b>
<b>Has this Funding Source been agreed with the Chamberlain’s Department?</b>	<b>N/A</b>
<b>Report of: The Chamberlain</b>	<b>For Decision</b>
<b>Report author: Neilesh Kakad, Group Accountant</b>	

## Summary

The Annual Report and Consolidated Financial Statements for City’s Cash for the year ended 31 March 2021 are attached at Annex 2 for approval.

In addition, the Annual Report and Financial Statements of the 10 charities (Open Spaces and sundry trusts) consolidated within the City’s Cash accounts are attached below at Annex 3 for approval. A list of the 10 charities is also included at the start of Annex 3.

The external auditor, BDO LLP is intending to issue an unqualified audit opinion for both City’s Cash and the 10 Charities Annual Report and Financial Statements. Due to audit delay BDO’s report will be made available closer to the meeting date. Any amendments made to the Annual Report and Financial Statements due to BDO’s report will be highlighted during the meeting.

The key points in the consolidated financial statements are:

- a net surplus of £28.1m which includes gains in fair value on non-property investments of £220.3m and a loss on property investments of £98.0m due to the impact of the Covid-19 on the property markets (*these figures can be seen in the Consolidated Statement of Comprehensive Income on page 19*);
- total net assets of £2,609.0m, a decrease of £66.5m (2%) since last year. The decrease is mainly due to decrease in investment properties value mentioned above . The net asset position is taken after deducting the total pensions liability of £443.5m. (*the £66.5m is shown in the Consolidated Statement of Changes in Equity on page 21*);

- 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 51, point c*); and
  2. £16.6m relating to a works contract for the refurbishment of an investment property and £3.5m for tunnel lids at Smithfield Market (*page 51, point a*); and

No significant matters are noted in the individual financial statements of the 10 consolidated charities. As in previous years the majority of the charities' income was from City's Cash grants, with some income also received from the Coronavirus Job Retention Scheme during the year.

### **Recommendations**

The Audit and Risk Management Committee is requested to:

- Note that the external auditor BDO LLP intends to give an unqualified audit opinion for both City's Cash and the 10 consolidated charities' individual financial statements;
- Consider the contents of the Audit Management Report issued by BDO LLP (late item); and
- Recommend approval of the 2020/21 City's Cash Financial Statements, and the financial statements of each of the 10 consolidated charities, for the year ended 31 March 2021 to Finance Committee.

The Finance Committee is requested to:

- Consider the contents of the Audit Management Report issued by BDO LLP (late item); and
- Consider the resolution from the Audit and Risk Management Committee and, if appropriate, approve the 2020/21 City's Cash Financial Statements, and the financial statements of each of the 10 consolidated charities, for the year ended 31 March 2021;
- 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 mid-December for City's Cash consolidated financial statements, and for the consolidated charities.
- Approve delegated authority for the Chairman and Deputy Chairman of the Finance Committee to approve and sign the City's Cash Financial Statements, and those of each of the 10 consolidated charities, on behalf of the Court of Common Council.

## **Main Report**

### **Current Position**

1. The 2020-21 Annual Report and Consolidated Financial Statements for City's Cash are attached at Annex 2 for approval.
2. The Annual Reports and Financial Statements for each of the consolidated charities for the same period are attached at Annex 3 for approval. The 10 charity financial statements are listed below with their charity numbers, and are made up of the Open Spaces and other consolidated sundry trusts:
  - a. Ashtead Common (registered charity no. 1051510)
  - b. Highgate Wood and Queen's Park Kilburn (registered charity no. 232986)
  - c. West Ham Park (registered charity no. 206948)
  - d. Hampstead Heath Charity (consolidated with the Trust Fund below) (registered charity no. 803392)
  - e. Hampstead Heath Trust Fund (registered charity no. 803392-1)
  - f. Sir Thomas Gresham Charity (registered charity no. 221982)
  - g. Keats House (registered charity no. 1053381)
  - h. Burnham Beeches and Stoke Common (registered charity no. 232987)
  - i. Epping Forest (registered charity no. 232990)
  - j. West Wickham Common and Spring Park Wood (registered charity no. 232988) & Coulsdon and Other Commons (registered charity no. 232989)
3. At the time of writing, BDO's audit management report is yet to be issued as the audit review panel meeting, which reviews BDO's work, is yet to take place. Therefore, this report will be a late item added to this paper. To date no material adjustments or issues have been identified. 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.
4. The Audit Review Panel of the Chamberlain's and Bridgemasters' Accounts are scheduled to meet on 24 November 2021 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.
5. In order to comply with the covenants in the private placement Note Purchase Agreement, the audited City's Cash consolidated financial statements along with an opinion that states that such financial statements give a true and fair view of the financial position of City's Cash, must be submitted to the private placement lenders as soon as they become available but in any event within 270 days after the end of each financial year (i.e. by 26 December).

6. The 10 sets of charity financial statements must be submitted to the Charity Commission within 10 months of their financial year end, i.e. by 31 January 2022. Due to delays with the audit, the work on the consolidated charities is ongoing, with final versions of the financial statements and completion of the work anticipated in mid-December.

#### **Other significant items in City's Cash disclosure notes (pages 31 to 58)**

##### **Loans**

7. In August 2019, the City issued debt totally £450m via private placement of which £250m was received in September 2019 with the remaining £200m being received in July 2021 (*page 44*).

##### **Impact of COVID-19**

8. Covid-19 continue to have a financial impact but largely confined to a fair value loss of £98.0m on property investments. In the prior year property investment valuations were subject to 'material valuation uncertainty' due to the impact of the pandemic on the property market. The valuer has recognised the continuing impact of COVID-19 on the hospitality and leisure sectors and reported valuations on the basis of 'material valuation uncertainty' on four of our properties. This does however mean that the majority of investment properties are valued to the same level of assurance as previously. (*accounting policy note g on tangible fixed assets, page 24*).

##### **Financial Commitments (page 51)**

9. 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 is because 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.
10. Contract commitments – there are contract commitments of £16.6m relating to a works for the refurbishment of an investment property and £3.5m for tunnel lids at Smithfield Market.



## Highlights from the Consolidated Statement of Comprehensive Income

### Comparison with Previous Year

11. A summary of the Consolidated Statement of Comprehensive Income for the year ending 31 March 2021 is shown below. A surplus of £28.1m was achieved for the year, a positive movement of £35.3m from the £7.2m deficit in the previous year. Details of the movements from the previous year are described below.

	<b>31/3/21 £m</b>	<b>31/3/20 £m</b>	<b>Variance £m</b>
Operating deficit before gains in fair value of investments	(87.9)	(60.1)	(27.8)
(Loss)/Gain in fair value of property investments	(98.0)	83.4	(181.4)
Gain/(Loss) in fair value of non-property investments	220.3	(29.4)	249.7
<b>Operating surplus/(deficit)</b>	<b>34.4</b>	<b>(6.1)</b>	<b>40.5</b>
(Loss)/Profit on sale of fixed assets	(0.3)	2.6	(2.9)
Loan financing costs	(6.0)	(3.7)	(2.3)
<b>Surplus/(Deficit) for the year</b>	<b>28.1</b>	<b>(7.2)</b>	<b>35.3</b>

12. The unfavourable movement in the operating deficit (before gains in fair value of investments) for the year of £27.8m (from £60.1m in the prior year to £87.9m) is largely due to:

- net income relating to property investments and managed funds reduced by £4.6m, from £38.6m in 2019/20 to £34.0m in 2020/21. This was mainly due to COVID-19 rent free concession granted to tenants (£1.9m), increase in managed fund performance related fee (£1.7m), and increase in cost of repair and maintenance works (£1.0m);
- net expenditure on Markets increasing by £2.3m largely due to the cost of works to facilitate the Markets Consolidation Programme and the impact of COVID-19 on reducing rental income;
- net expenditure on education increased by £4.5m due to discounts offered to student and reduction of fee intake and student accommodation vacancies as a result of the pandemic;
- net pension scheme costs increased by £16.9m, from £17.1m in 2019/20 to £34.0m in 2020/21. This is mainly due to increase in cost as a result of a rise in early retirement and higher inflation; partly offset by

- net expenditure on City Representation reduced by £1.5m, as a result of reduction in activities due to local and international travel restrictions.

#### Movements in fair value of investments

13. As shown in the table, the fair value from property investments has moved from a gain of £83.4m in 2019/20 to a loss of £98.0m, an overall unfavourable movement of £181.4m. The loss reflects reduction in occupied premises due to the pandemic.
14. The table also shows a gain in the fair value of non-property investments of £220.3m, a movement of £249.7m compared to the loss of £29.4m in 2019/20. The gain is driven by a major recovery in investment value following the negative impact on asset values from COVID-19.
15. After the operating surplus of £34.4m (2019/20: deficit of £6.1m) it can be seen in the table that there was a loss on disposal of fixed assets of £0.3m (2019/20: profit of £2.6m) and loan financing costs of £6.0m (2019/20: £3.7m). This increase is due to loan interest from private placement being payable for the whole of 2020/21.

#### **Comparison with Budget**

16. 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 £57.1m as detailed in Annex 1: City's Cash consolidated comparison of outturn with budget, the outturn on a like for like basis is a net deficit of £47.5m, favourable movement of £9.6m.
17. The budget and outturn are also analysed on a Committee basis in Annex 1.
18. The net £9.6m better than budget position is largely due to operational underspend of £2.6m, central contingences not being fully required of £3.7m, repairs and maintenance programmes slippage of £1.1m and higher estate rent income of £5.9m.

#### **Consolidated Charities Summary**

19. The consolidated charities' total income across all charities was £23.0m, of which £17.1m was made up of grants from City's Cash, with the remainder coming from investments, charitable activities and a small amount from other grants including the Coronavirus Job Retention Scheme. There were no significant changes in activities compared to 2019/20.

\* 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.

## Consolidated Statement of Financial Position

20. City's Cash net assets total £2,609.0m as at 31 March 2021 compared to £2,675.5m a year earlier reflecting the £66.5m total loss recognised for the year as set out in the following table:

<b>Changes in Equity</b>	<b>31/3/21</b>	<b>31/3/20</b>	<b>Variance</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Surplus/(Deficit) for the financial year	28.1	(7.2)	35.3
<b>Unrealised gains/(losses):</b>			
Gain/(loss) on revaluation of non-property investments	6.7	(6.3)	13.0
Deferred taxation	(2.9)	0.5	(3.4)
Actuarial (loss)/gain on defined benefit pension schemes	(98.4)	18.7	(117.1)
<b>Net (decrease)/increase in funds</b>	<b>(66.5)</b>	<b>5.7</b>	<b>(72.2)</b>

The actuarial loss on defined benefit pension schemes is mainly due to change in assumptions underlying the present value of the pension liabilities. The change in assumptions relates to decrease in discount rate, from 2.35% to 2% and higher inflation, with the assume rate now at 2.8% compared to the previous 1.9%.

## Approval of the Financial Statements

21. 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 30 November.

## Annexes

- Annex 1 – City's Cash – comparison of consolidated outturn with budget
- Annex 2 – Annual Report and Financial Statements of City's Cash
- Annex 3 – Annual Report and Financial Statements of the 10 consolidated charities

## Neilesh Kakad

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<b>Committee(s):</b> Audit and Risk Management Committee – For decision Finance Committee – For decision	<b>Dated:</b> 30/11/2021 07/12/2021
<b>Subject: 2020-21 City Fund and Pension Fund Statement of Accounts</b>	<b>Public</b>
<b>Which outcomes in the City Corporation’s Corporate Plan does this proposal aim to impact directly?</b>	6/7
<b>Does this proposal require extra revenue and/or capital spending?</b>	<b>N</b>
<b>If so, how much?</b>	<b>N/A</b>
<b>What is the source of Funding?</b>	<b>N/A</b>
<b>Has this Funding Source been agreed with the Chamberlain’s Department?</b>	<b>N/A</b>
<b>Report of: The Chamberlain</b>	<b>For Decision</b>
<b>Report author: Neilesh Kakad, Group Accountant</b>	

## Summary

The latest version of the 2020-21 City Fund and Pension Fund Statement of Accounts can be found in appendix 1. The majority of audit work has been completed and findings to date have been incorporated into this version. However, at the time of writing, a small number of audit areas and the final review process are to be completed. An up to date position will be presented by BDO at your Committee. An unqualified opinion is expected.

As has been the case for the majority of local authorities, the scheduled audit sign-off date of 30 September has been missed due to auditor availability. There is no formal penalty for missing this deadline and all efforts have been made to present the accounts to your Committees as soon as possible for approval.

The key points to highlight from the financial statements are:

- There were no significant accounting standard changes for the year.
- There was a deficit on the provision of service of £97.6m. This was largely driven by impairments in the valuations of Housing Revenue Account (HRA) dwelling, deficits linked to the annual International Accounting Standard (IAS)19 valuation of the pension liability and a deficit in the collection fund due to business rate collection. It should be noted that these are technical adjustments required by regulations and do not pose an immediate issue to the City Fund position.
- Net assets have reduced by £405.7m, which has been driven by the annual IAS19 valuation of the pension liability. Increases in the discount rate and inflations expectations (both of which are independently determined) have led

to an increased deficit position. This position does not pose an immediate issue for City Fund.

- Useable reserves have increased by £77.3m reflecting the underspend on City Fund activity of £36.2m and an increase in earmarked reserve due to grants received from Govt to offset business rate income losses due to new reliefs and compensation for collection losses.

### **Recommendation(s)**

The Audit and Risk Management Committee are asked to:

- Consider the content of BDO's audit management report (late item);
- Recommend approval of the 2020-21 City Fund and Pension Fund Statement of Account 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 mid-December.

The Finance Committee are asked to:

- Consider the content of BDO's audit management report (late item);
- Consider the resolution from the Audit and Risk Management Committee and, if appropriate, approve the 2020-21 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 mid-December
- approve delegated authority for the Chairman and Deputy Chairman of the Finance Committee to approve and sign the 2020-21 City Fund and Pension Fund Statement of Accounts on behalf of the Court of Common Council.

### **Main Report**

#### **Background**

1. The 2020-21 City Fund and Pension Funds Statement of Accounts are set out in Appendix 1.
2. The Accounts and Audit Regulations 2015, amended by The Account and Audit (Amendment) Regulations 2021, have set the draft publication deadline for these

accounts as 31 July with the audit completion deadline as 30 September. Whilst the draft publication deadline was met, in common with the majority of local authorities, the 30 September deadline was missed due to auditor capacity.

3. Approval of each year's financial statements 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 2020-21 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), supported by International Financial Reporting Standards (IFRS).

## **Summary of 2020-21 City Fund Accounts**

### **Revenue**

5. The provisional net expenditure for spend against Committee budgets is £17.5m better than budget. This position has been largely due to delays in repairs and maintenance and capital/SRP spend impacting the financing required for the year. The Barbican also underspent against the revised budget position, which saw a further £11.4m allocated to mitigate the impact of COVID-19 on revenues. More detailed analysis of the outturn compared to budget has been submitted to spending committees.
6. Bringing in funding from taxation and grants, the City Fund was £36.2m better than budget. This is an improved position from the £23m budgeted transfer to reserves. Additional funds were received from Govt to mitigate the impact of COVID-19 including support for lost sales, fees and charges income (£11.9m) and un-ringfenced funding to support additional costs local authorities incurring due to the pandemic (£1.1m).
7. In accordance with the City's budget management arrangements, requests for the carry forward of City Fund resources totalling £3.9m 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 2021-22.
8. The £36.2m better than budget position represent performance against the day to day spend as approved by the Court of Common Council. This then forms the basis for the Comprehensive Income and Expenditure Statement (CI&ES), which accounts for technical accounting adjustments as set out in regulation. These adjustments result in a £97.6m deficit being reported. The movements that bring about these changes are set out in note 4 of the accounts. The key areas that move us to this position are:
  - Changes to property valuations and depreciation charges (£49.1m). This includes an impairment charge of £14.5m due to a reduction in the factor applied to HRA dwelling from 30% to 25%. This is a technical adjustment required to recognise the lower value of dwellings let at below market rents

which has been derived from market rents, which have increased, to social housing rents, which have remained static.

- Adjustments relating to the annual IAS19 valuation of the pension fund liability (£49.6m). Further detail on this is provided below.
- Accounting for collection fund deficits (£82.1m), which have resulted from the expansion of business rate reliefs by Government to assist the retail, leisure, and hospitality sector during 2020-21. These reliefs are funded by Government but due to the timing of these changes, a deficit has occurred in the collection fund. The majority of this will be unwound in 2021-22.

## Balance Sheet

9. The balance sheet net assets have reduced by £405.7m, from £1,587.7m to £1,182.0m. The majority of this change (£349.2m) has come from an increase in the pension fund liability, discussed below. The remaining amount is made up a reduction in the value of investment properties (£24.4m) and the reduction in HRA dwelling valuations.
10. Usable reserves have increased by £62.6m, from £293.2m to £355.8m. This is due to the revenue underspend for the year (£36.2m) and additional grants received to offset business rate income losses (£47.9m). Note the latter does not form part of the revenue underspend.

## Pension Fund Liability

11. The City Fund pension liability totals £1,611.0m, an increase of £349.2m compared to the previous year (£1,261.8m). The liability arises from applying the requirements of 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.

<b>Net Pension Liability breakdown by scheme</b>	<b>31 March 2020</b>	<b>31 March 2021</b>
City of London Pension Scheme - City Fund 51%	(324.2)	(469.1)
Police Pension Schemes	(934.9)	(1,139.1)
Judges Pension Scheme	(2.7)	(2.8)
<b>Total</b>	<b>(1,261.6)</b>	<b>(1,611.0)</b>

12. 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.



13. 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. It is the change in these assumptions which has resulted in the significant movement in the liability. The 2 most significant changes have been in the discount rate (derived from corporate bond yields), which has reduced from 2.35% to 2%, and assumptions around inflation, which have increased by 0.9%, from 1.9% to 2.8% (based on Bank of England forecasts). Both have the effect of increasing the value of liabilities.
14. Whilst this is a material movement, it does not pose an immediate issue to City Fund and it should be noted that these values do alter from year to year.
15. 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.

### **Audit Progress**

16. At the time of writing the majority of audit work had been completed with no significant issues found. It is therefore expected that an unqualified opinion will be given. Completion of a small number of areas and the final review progress are still outstanding, and an update will be provided by BDO at your Committee meeting along with their audit management reports. These will also be distributed to all Member of the Court of Common Council for information.
17. As with most local authorities, the intended completion of the audit by 30 September was not met. This reflects the impact of delayed 2019-20 audits, in part due to COVID-19, and wider issues in the local authority audit market with regards to resources and regulatory requirements.
18. Due to these delay, the audit management report produced by BDO will be a late item added to this paper for your review.

### **Proposals**

19. It is proposed that the 2020-21 City Fund and Pension Fund Statement of Accounts be approved by your Committees with the caveat that should any material adjustments be required, this be delegated to the Chamberlain to action in consultation with the Chairman and Deputy Chairman of Audit and Risk Management and Finance Committee.

## **Corporate & Strategic Implications**

Strategic implications – none

Financial implications - none

Resource implications - none

Legal implications - none

Risk implications - none

Equalities implications – none

Climate implications - none

Security implications - none

## **Conclusion**

20. Following publication of the unaudited 2020-21 City Fund and Pension Fund Statement of Accounts and the audit of these accounts, is it recommended that these are approved as audited statements.

## **Appendices**

- Appendix 1 – 2020-21 City Fund and Pension Fund Statement of Accounts

### **Neilesh Kakad**

Group Accountant

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<b>Committees:</b> Audit and Risk Management – For decision	<b>Dates:</b> 30 November 2021
<b>Subject:</b> Bridge House Estates Annual Report and Financial Statements 2020/21	<b>Public</b>
<b>Report of:</b> The Managing Director of BHE and the Chamberlain	<b>For decision</b>
<b>Report author:</b> Karen Atkinson, Head of Charity and Social Investment Finance, Chamberlain’s Department	

## Summary

The draft Annual Report and Financial Statements for Bridge House Estates (BHE) for the year ended 31 March 2021 are attached at Annex 1 for approval. Members should note that the version included in your papers is not the designed version of the report for publication.

The audit work has been substantially completed. The Audit Panel is scheduled to present its feedback the Chamberlain. BDO LLP intend to issue an unqualified opinion.

The key points to highlight within the financial statements are:

- the funds of the charity are split between the permanent endowment fund (£979.5m), unrestricted income funds (£659.9m) and a restricted income fund (£3.8m) with total funds (net assets) held being £1,643.2m – an increase of £106.8m or 7.0% on the previous year;
- the net surplus for the year of £113.3m includes gains on financial investments of £178.7m, small gains on social investments of £0.2m and losses on property investments of £23.4m;
- Grant-making activities and associated spend reaching a record high for the charity at £58.6m, with £57.4m of this being new grant commitments; and
- increased investment in the industrial sector with the purchase of the Viper Estate in Romford; and
- the accounting policies note include expanded disclosures on estimates and judgements relating to investment properties, financial investments, and social investments.

BDO LLP commenced its audit on 28 June 2021, conducting their work remotely. The work stalled due to sickness to senior members of the audit team, picking up again in mid-September with the appointment of a new audit partner. BDO’s representatives will attend the Audit and Risk Management Committee to present their report.

## **Recommendations:**

The Audit and Risk Management Committee are asked to:

- Consider the contents of the audit management report issued by BDO (Report to follow);
- Recommend approval of the BHE Annual Report and Financial Statements for the year ended 31 March 2021 to the BHE Board; and
- Delegate authority to the Managing Director of BHE and the Chamberlain, in consultation with the Chair and Deputy Chair of the BHE Board, for approval of any material change to the financial statements required before the signing of the audit opinion by BDO.

## **Main Report**

### **Introduction**

1. The 2020/21 Annual Report and Financial Statements for BHE for the year ended 31 March 2021 are presented for review.

The Charity Commission require charities to submit their annual report within 10 months of their financial year-end. As a significant charity within the sector, BHE looks to demonstrate good governance in making available its annual report on a timely basis.

2. Approval of the 2020/21 annual report and financial statements will be undertaken by the Court of Common Council, following review by the BHE Board, as per the terms of reference in place. In previous years, approval of BHE's annual reports and financial statements was delegated to the Finance Committee by the Court of Common Council. Following approval by Court, the BHE Annual Report will be signed by the Chair and Deputy Chair of the BHE Board.

### **Audit Opinion**

3. BDO LLP intend to issue an unqualified audit opinion. It will reference the work undertaken to increase assurance that the financial statements, taken as a whole, are free from material misstatements whether caused by fraud or error.

### **Statement of Financial Activities**

4. Income for the year came to £47.4m, an increase of £0.8m (1.7%) on the previous year.

5. Restricted grant income for the year was £15.4m (2019/20: £1.8m) with £15.0m donated by various funders towards the London Community Response Fund (LCRF). The balance of £0.4m was donations received from other funders towards the Cornerstone Infrastructure programme and the Responding to Resilience Risk programme.
6. The combined income derived from visitor admissions, retail, and events at Tower Bridge, reported within income from charitable activities, reduced to £0.5m from the previous year's £6.7m due to the required closures of the visitor attraction during the year.
7. Investment income principally comprises the rental and other related income earned from the property portfolio held by the charity, which is currently all held within the endowment fund. For 2020/21, such income totalled £27.0m, a reduction of £7.6m against the previous year (2019/20: £34.6m). The charity worked to support its tenants during the pandemic, approving rent-free periods and reduced rents for categories of tenant whose businesses were significantly impacted. The previous years' income was unusually high due to inclusion of a £3.1m surrender payment following a tenants' early exit from a lease
8. Income arising from financial investments held on a non-pooled basis is reported within the statement of financial activities, at £2.5m (2019/20: £2.5m). Interest earned from social investments and treasury deposits held makes up the balance of investment income, at £0.9m (2019/20: £0.8m).
9. The charity was a beneficiary of the Government's Coronavirus Job Retention Scheme, more commonly known as the 'furlough scheme', with the £0.8m received to support staff as disclosed within other income.
10. Other income of £0.3m includes fees received by City Bridge Trust (CBT) to undertake grant administrative services on behalf of other organisations (2019/20: £0.2m).
11. Total expenditure for the year was £89.6m, an increase of £26.8m on the prior year (£62.8m). This uplift in spend was driven by the increased grant-making commitments in the year following the establishment of the LCRF in March 2020. Together with the donations received from other funders across London, BHE utilised £15.2m of its own funds to enable a total of £28.3m grants to be approved in the year, alongside the costs of administration, within this restricted trust.
12. Expenditure on raising funds reduced slightly to £15.0m (2019/20: £15.3m), with these costs relating to the management of the charity's investments. Whilst the costs attributable to the property investments reduced, following the significant increase to the bad debt provision required last year because of the Covid-19 pandemic, the costs of the financial investment portfolio increased in the year with the inclusion of

one-off performance fees.

13. The spend on charitable activities covers that of supporting and maintaining the bridges, the operational costs of Tower Bridge as both a working bridge and a visitor attraction, and the grant-making activities undertaken under the name of CBT. Expenditure for 2020/21 totalled £72.3m, compared to the previous year's £46.4m. Within this, spend on the five Thames bridges totalled £9.4m (2019/20: £6.5m), including that on a major maintenance project on London Bridge which was successfully completed within budget despite the impacts caused by the pandemic. The design and tender process for the planned refurbishment of Blackfriars Bridge was completed in the year, with work soon to start this year. The spend in year on Tower Bridge was contained as much as possible due to the closures enforced as a result of the various lockdowns during the period under review. The furlough grants received for staff unable to work during these closure periods are shown within other income, as opposed to being netted off expenditure. Grant making activities and related spend achieved a record annual high for the charity at £58.6m, with the spend in 2019/20 of £33.7m having been the previous record. In addition to the £28.3m grants committed within the LCRF restricted fund, noted above, a further amount of £26.9m was committed under the Bridging Divides funding policy.
14. Other expenditure covers the net costs of the pension scheme for the staff of the City Corporation that work on behalf of the charity.
15. Net gains on investment properties and financial investments totalled £155.5m (2019/20: £63.3m), split between gains on financial investments of £178.7m, small gains on social investments of £0.2m and losses on property investments of £23.4m.

### Balance Sheet

16. The Balance Sheet presents the increase in total funds held by the charity of £106.8m, resulting in a year-end total of £1,643.2m. This has been driven by the gains noted above. Total funds held comprise:
  - a. the permanent endowment fund at £979.5m, held in perpetuity to generate sufficient returns to support the five river bridges, with any income surplus above that required for the charity's principal object to be utilised by CBT in line with their approved funding policy;
  - b. the unrestricted income fund at £659.9m, being net of the pension deficit of £27.7m. An element of the unrestricted income fund has been designated for agreed purposes, as noted in section 18 below; and
  - c. a restricted fund of £3.8m held at the year-end, being the balance

of donations received from various funders and a contribution by BHE, after grant commitments to LCRF and the Cornerstone fund and the Resilience to Risk programme.

17. Designated funds consist of unrestricted income funds which the Trustee has decided to set aside for specific purposes over the short to medium term. These total £445.6m (2020: £440.7m), with key funds being:

- a. Bridges Repair Fund - representing the funds required to maintain the five bridges for the next five years, being the higher of the average annual cost over the 50-year plan or the next five years forecast activity. In 2020/21 £15.2m was transferred to this fund with £48.1m now set aside to cover costs planned over the next five years (2020: £48.1m);
- b. Bridges replacement fund - this is based upon the present value of estimated future costs, adjusted for forecast increases in construction costs. The balance held within the bridges replacement fund has increased by £10.2m to £168.7m (2020: £158.5m);
- c. Grant-making fund - representing the annual income surplus to that required for the primary object of the charity (to maintain and support the five bridges) and which may be applied for future funding activities undertaken by CBT in accordance with the Bridging Divides strategy. The balance on the grant-making fund at year-end is £206.9m (2020: £219.2m), a decrease of £12.3m. The charity utilised both unrestricted and restricted funds during the year in achieving its highest ever level of giving in a single year; and
- d. Social Investment fund – the balance represents the amount available to finance social investments, which includes the original £20m allocation alongside the net returns generated to date over the life of this fund.

18. Deducting the designated funds from the total unrestricted income funds results in a remaining balance of £214.3m, being the free reserves of the charity. Amounts held are £124.3m above the current revised policy, following a strong performance by the investments in which the unrestricted income funds are held. The current revised policy permits an additional amount of up to £55m (giving a total of £90m) to be held due to the uncertainties resulting from the Covid-19 pandemic. This amount is subject to annual review. The Trustee remains cautious on the long-term impacts of the Covid-19 pandemic across its investment portfolio, noting the potential risk of future realised losses, and against the potential of increased future construction costs and continues to review plans for the future use of reserves held.

## Accounting Estimates and Judgements

19. Following discussions with BDO, additional disclosures are now included within the Accounting Policies Note of the BHE Annual Report and Financial Statements 2020/21. These expanded disclosures explain key judgements underpinning the valuation of Investment Properties, Financial Investments and Social Investments. This change has been included to demonstrate best practice and provide greater clarity on the valuation methods of all investments held at Balance Sheet date.

## Audit Progress

20. BDO's audit work is substantially complete, apart from final reviews prior to sign-off. It is anticipated that the audit will be concluded satisfactorily to enable BDO to issue an unqualified opinion as stated within paragraph 3 of this report.

21. The Audit Panel review took place on 19 November 2021, with the result due to be communicated with the Chamberlain on 29 November 2021. It is expected that the review will be concluded satisfactorily with no concerns. BDO representatives will attend the Audit and Risk Management Committee to present their completion report, update on the status of the audit and to clarify any points or issues raised.

## Conclusion

22. The Audit and Risk Management Committee are requested to recommend for approval the Annual Report and Financial Statements to the BHE Board. The Chair and Deputy Chair of the BHE Board will sign the Annual Report following Court approval on behalf of the trustee.

23. A designed version of this report will be made available online and submitted to the Charity Commission. The final management report from BDO on its audit will be presented to the Court of Common Council for information.

### **Contact:**

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Annex 1: Annual Report and Financial Statements for Bridge House Estates

Annex 2: BDO's Report to the Audit & Risk Management Committee (to follow)



<b>Committees:</b> Audit and Risk Management – For decision	<b>Dates:</b> 30 November 2021
<b>Subject:</b> Sundry Trusts Annual Report and Financial Statements 2020/21	<b>Public</b>
<b>Report of:</b> The Chamberlain	<b>For decision</b>
<b>Report author:</b> Julia Megone, Charity Accountant, Chamberlain's Department	

## Summary

This report seeks approval for the Annual Reports and Financial Statements for the Sundry Trust Funds for the year ended 31 March 2021, listed at Annex 1.

There are 15 Annual Reports and Financial Statements relating to the Sundry Trusts of which the City Corporation is Trustee, or otherwise had rights of nomination or appointment of the majority of trustees, whose accounts are audited by BDO LLP alongside the Corporation's other Funds. Where the Corporation is Trustee, the Finance Committee approves the financial statements; where charities have individual trustees, or where the Trustee is acting through the Court of Aldermen (set out in Annex 1), the accounts will be approved by the respective trustees or the Aldermen following recommendation by this Committee.

The draft Annual Report and Financial Statements for each charity for the year ended 31 March 2021 are attached at Annex 2 for approval.

The audit work has been substantially completed and the Audit Panel met on 19 November 2021, with no significant issues expected. BDO LLP intend to issue an unqualified opinion for each set of accounts.

The financial statements of the Sundry Trusts for the year ended 31 March 2021 have been prepared in accordance with the Charities Statement of Recommended Practice (SORP) in accordance with the Financial Reporting Standard 102 (FRS 102).

The key points to highlight within the financial statements are:

- The charities generally benefitted from the recovery in value of investments in 2020/21, following large losses reflected in the previous year's financial statements as a result of the decline in asset prices in early 2020 due to the global Covid-19 pandemic
- Income reduced because in the prior year some charities recognised income from closed charities' funds being transferred (with the funds of the closed charities recognised as a one-off item of income in the recipient charity), and as a result of a reduction in fundraising income at the Bursary charities; expenditure was stable year on year.

## **Recommendations:**

The Audit and Risk Management Committee are asked to:

- Note that the external auditor BDO LLP intends to give an unqualified audit opinion on each set of charity financial statements;
- Consider the contents of the audit management report issued by BDO LLP (late paper); and
- Recommend approval of the financial statements for the year ended 31 March 2021 to the Finance Committee for those charities where the Corporation is Trustee; to the Aldermen for the Emmanuel Hospital charity where the Corporation acting by the Court of Aldermen is the named corporate trustee; and to the trustees of the Sir William Coxen Trust Fund; the Samuel Wilson Loan Charity and the Vickers Dunfee Memorial Benevolent Fund (see appendix 1 for charity registration numbers).

## **Main Report**

1. The 2020/21 Annual Report and Financial Statements for the 15 Sundry Trust charities for the year ended 31 March 2021 are presented for review.
2. The Charity Commission requires charities to submit their annual report within 10 months of their financial year-end, that is, by 31 January 2022.

## Audit Opinion

3. The external auditor (BDO LLP) intends to give an unqualified opinion on the Annual Reports and Financial Statements of each of the Sundry Trust charities. The audit reports for 2020/21 have been expanded in line with revisions to auditing standards applicable for periods commencing on or after 15 December 2019, and now include a more detailed narrative on going concern and an explanation of to what extent the audits were considered capable of detecting irregularities, including fraud.
4. BDO will issue the draft Audit Management Report as a late paper to this Committee. We are not aware of any significant accounting adjustments, changes to the financial statements, or deficiencies in internal control that have been identified in relation to these charities.
5. The Audit Review Panel of the Chamberlain's and Bridgemasters' Accounts met on 19 November 2021 to review the processes adopted by BDO LLP. At the point of writing this paper, we are awaiting their feedback.

## Summary of the financial statements

6. The Sundry Trust charities are listed at Annex 1. Excluding the Charities Pool (which is an investment vehicle for the other charities), the remaining 14 Trusts:
  - received income of £2.3m (2019/20: £2.8m) of which £1.0m was from investments (2019/20: £0.9m); the fall in overall income was mainly due to prior year one-off transfers of two other closed charities' funds into Emanuel Hospital, which was recognised as an item of income in 2019/20, and a

decline in donation and legacy income in the City of London School for Girls Bursary Fund.

- incurred charitable expenditure of £1.6m (2019/20: £1.6m) including:
  - £1.1m (2019/20: £1.3m) comprising 379 grants, prizes, pensions and bursaries paid to individuals or organisations (2019/20: 380 grants, prizes, pensions and bursaries); and
  - £0.3m towards the running costs of the City of London Almshouses (2018/19: £0.3m);
- incurred costs of raising funds of £0.0m (2019/20: £0.1m);
- had unrealised gains of £4.6m from managed investments (2019/20: £4.2m losses); The valuations are linked to the UK stock market, which experienced a significant rise during 2020/21 following a steep prior to the previous year end in March 2020 as a result of the Coronavirus (COVID-19) pandemic; and
- held total funds of £28.2m as at 31 March 2021 (2019/20: £23.0m), an increase of £5.3m (23.2%) from the same point in 2020. Again, this gain reflects the increase in value of invested funds following the bounce back in investment valuations following the initial impact of Covid-19 in February and March 2020.

#### Audit Progress and Opinion

7. BDO's audit work is substantially complete, apart from final reviews prior to sign-off. It is anticipated that the audit will be concluded satisfactorily to enable BDO to issue unqualified opinions as stated within paragraph 3 of this report.
8. The Audit Panel review took place on 19 November 2021. It is expected that the review will be concluded satisfactorily with no concerns. BDO representatives will attend the Audit and Risk Management Committee to present their completion report, update on the status of the audits and to clarify any points or issues raised.
9. Each set of signed financial statements will be submitted to the Charity Commission and will be available to download from the Commission's website. The final management report from BDO on its audit will be presented to the Court of Common Council for information.

#### Approval of the Financial Statements

10. This Committee's recommendation will be presented to Finance Committee, and, where charities have individual trustees or the Corporation acts through the Court of Aldermen, to the trustees or Aldermen, to allow for the financial statements to be signed and approved.

**Contact:** Julia Megone, Charity Accountant  
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Annex 1: List of the Sundry Trust charities, including charity registration numbers and a note of those charities with individual trustees

Annex 2: Annual Reports and Financial Statements of the Sundry Trust charities

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<b>Committee(s)</b>	<b>Dated:</b>
Audit and Risk Management	November 2021
<b>Subject:</b> CR02: Loss of Business Support for the City	<b>Public</b>
<b>Report of:</b> Director of External Relations – Innovation and Growth (IG)	<b>For Information</b>
<b>Report author:</b> Giles French	

## Summary

The following report provides Members with an update and new information on the activities of the innovation & Growth which mitigate Corporate Risk 02: Loss of Business Support for the City.

## Main Report

### Background

1. It is a major corporate risk that the City of London's position as the world's leading international financial centre is adversely affected, and that London loses its ability to attract and retain high value global business activity. This would have a significant economic impact on the UK, diminish the attractiveness of London and the UK as a place to do business, and damage the reputation and relevance of the City Corporation as a supporter and promoter of UK based financial and professional services firms.
2. London's place as the world's leading international financial centre is one that is continually challenged by other financial centres around the world. Business uncertainty has been increased in part due to the UK's withdrawal from the EU and from the impact of the pandemic on business operating models.
3. This report provides Members with an update of recent activity undertaken by the Innovation and Growth Department to mitigate this risk.

### Current Risk Status

4. The current risk status is Amber. This reflects the level of uncertainty following Brexit and the pandemic, but also the responses already undertaken by the Corporation in partnership with business. However, it is still essential that action

is taken to encourage investment in London and the UK as a financial centre and that firms see London as the place to develop new business and activities.

### **Current Activity**

5. Innovation & Growth (IG) works with partners in financial and professional services (FPS) and tech to inform and shape the UK's competitiveness. Our aim is to attract and retain investment, and to encourage innovation and growth in FPS across the UK.
6. Our main response to the challenges faced by the sector is the adoption of a new Competitiveness Strategy for the City Corporation, approved by the Policy & Resources Committee on 8<sup>th</sup> July 2021 ([here](#)).
7. The purpose of the strategy is to focus our work around four key outcomes:
  - a. NUTURE accelerate and drive investment towards FPS INNOVATION.
  - b. REDUCE FRICTIONS in the UK business environment and by increasing openness and access to markets.
  - c. Replace incumbent mindset with a service mindset to ATTRACT and RETAIN capital, firms, talent and exports.

### **Nurture Innovation**

8. Nurturing and driving innovation is key to the long-term competitiveness of the UK as a global financial centre. One of our ambitions is for the UK to be the global leader in sustainable finance and associated services. To help develop the UK's profile in this crucial area, we delivered the Green Horizon Summit at COP26 (GHS@COP26), which we co-hosted with the Green Finance Institute. GHS@COP26 was the most significant non-governmental platform for private finance at COP26, to enable them to explore how they can enable the global economy to meet net zero. It addressed four key questions to accelerate the flow of capital into climate and nature friendly investments: how can we finance transition and growth; how can we build a global playbook; how can we price carbon and nature; how can we meet and beat the \$100 billion promise?
9. GHS@COP26 had participation from major figures in global finance and regulation addressing these questions, and the City Corporation worked with 25 partners, including HM Treasury, BlackRock, NatWest, London Stock Exchange Group, Phoenix Group, EY, Aon, Standard Chartered and the major financial services trade associations, to deliver the full programme.
10. The Kalifa Review of UK FinTech was published in February 2021. IG provided the secretariat for the review and since then, considerable progress has been made to take forward its recommendations. For instance, the UK government have committed to introducing a new fast track visa system for tech scaleups by 2022. More recently in the Budget, HM Treasury confirmed the government will support the creation for the Centre for Finance, Innovation and Technology (CFIT) and IG will now work with government and sector to launch CFIT next

year. CFIT will help UK based FinTechs to address shared challenges with the aim of helping them to scale more quickly.

11. IG and the Financial Conduct Authority (FCA) have launched this year's Digital Sandbox whose purpose is to encourage innovation in UK financial and professional services. Operating on a virtual platform, it provides a space where innovators can access help to develop their proof of concepts and demonstrate proof of value. It's one-of-a-kind features address issues around lack of data, mis-matched channels between tech supply and demand, and an absence of opportunities for industry collaboration. It supports innovative firms with understanding market need and accessing necessary data to develop reliable and trustworthy products.
12. This year's participants will contribute towards creating a greener financial sector and aiding the transition to Net Zero. They will focus on ESG data and disclosure reflects common challenges cited by many stakeholders that we engaged with and is a vital part of mobilising private capital.
13. Since March 2021 IG has served as the secretariat to the UK Voluntary Carbon Markets Forum. This is a private sector initiative chaired by Dame Clara Furse, announced by the Chancellor in the latest budget speech. The Forum will build on the principles and recommendations set forth by the global Taskforce for Scaling Voluntary Carbon Markets (TSVCM) and drive commitments and momentum to scale UK-based trade.

## **Reduce Frictions**

14. The International Regulatory Strategy Group (IRSG) is shaping the agenda through our reports and responses to consultations – across multiple thematic areas. These have included:
  - a. Through the Environmental, Social and Governance (ESG) workstream, it published “Recommendations for reviewing the EU Taxonomy for UK application” (May), a report with KPMG on “Accelerating the S in ESG: a roadmap for global progress on social standards” (June), and a response to the IOSCO consultation on “ESG ratings and data product providers” (September).
  - b. The Global Regulatory Coherence Standing Committee also published “Financial Services Priorities for the UK's G7 Presidency” (June).

These reports are produced in partnership with the FPS sector and help to inform the regulatory and policy framework, focusing on opportunities to support areas of innovation and potential growth.

15. Since the launch of the socio-economic diversity taskforce in November 2020, 30 taskforce members have been appointed alongside 80 representatives on an Advisory Board and three Working Groups. Ministers John Glen and Lord Grimstone attended the inaugural taskforce meeting in May. The taskforce's goal is to improve socio-economic diversity in UK FPS and strengthen available talent

to UK based FPS. Work is progressing on three workstreams, co-chaired by Sandra Wallace, Alderman Vincent Keaveny and Andy Haldane. The workstreams are focused on: an industry consultation and roadmap on how employer action can be incentivised; development of a peer network; and a productivity analysis.

### **Attract and Retain**

16. The Corporation has a vital role in promoting UK FPS internationally. We quickly switched to virtual visits after the start of the pandemic. The experience gleaned now allows us to deploy virtual, physical or hybrid visits. Members have supported a focus on the most impactful markets, in particular N America, Europe, India, China and Japan.
17. TheGlobalCity.UK acts as the Corporation's key digital platform for promoting UK financial services globally, working with partners such as TheCityUK, DIT, Innovate Finance and London and Partners. Having an established platform for digital engagement was particularly important during the pandemic, hosting our promotional material – reports, videos, infographics, case studies – on key sectors and competitive strengths and enabling targeted social media campaigns across the year accompanying new report releases, and in target areas like sustainable finance.
18. A major new initiative this year has been the publication of our new annual competitiveness benchmarking report – 'Our Global Offer to Business: London and the UK's Competitive Strengths in a Changing World'. Assessing London and the UK's competitive position relative to other major global financial centres – New York, Singapore, Frankfurt, Hong Kong and Tokyo. This is a key evidence base for London and the UK's leading offer across the innovative ecosystem, access to talent, business environment, financial reach, and business infrastructure, and fully integrated into the GlobalCity site. Published in January 21, the report for January 22 is well underway – and is forming the basis of a new partnership with HMT for new work assessing changes in the UK's FS offer.
19. The UK's asset management (AM) industry is the anchor tenant of our financial and professional services ecosystem and creates demand for related FPS, including investment banking, legal, consulting services and tech. Managing £9.9tn in assets for clients around the world, the industry directly employs 40,000 and indirectly employs an additional 70,000 in the UK. Historically, our depth of AuM has attracted asset management firms from around the world to open UK offices. In turn, this has created demand for talent – a key reason for our ongoing competitiveness. Our depth of talent is the driving force behind product innovation, such as ESG, which is the foundation of future competitiveness.
20. Faster economic growth elsewhere means savings in other jurisdictions are becoming more globally significant than UK savings. In turn, this is attracting firms and talent. This risks undercutting a key driver of UK competitiveness in portfolio management. European regulators preference for funds to be managed within the EU poses a threat to capital flight and associated job loss.



21. Extensive engagement with players across the asset management ecosystem the need for promotional campaign for AM. The City Corporation has led the way with the Department of International Trade (DIT) and the Investment Association (IA) on a joint venture to deliver this campaign and meet short, medium and long-term targets. We have commissioned KPMG to compile intelligence to inform and underpin the campaign. The campaign will formally launch in February 2022, running for three years and the first annual summit for investors will be held in Guildhall in summer next year.

### **The Future of the City**

22. Cross-cutting these dimensions, we have been looking at how London and FPS businesses are adapting to the challenges of the pandemic and can remain world-leading. This has included initiatives such as [London Recharged](#): Our Vision for London in 2025; and the conclusions of the cross-Corporation Recovery Taskforce, [Square Mile: Future City](#).

23. Our programme of work around *Return to the Office*, has meant we are speaking to major City firms to understand how they returning employees to work in the City, how ways of working are evolving. We are sharing best practice amongst City firms, and informing initiatives like the *Square Smile* campaign, and *Destination City*, looking at how the City can maintain its offer as a location and destination.

### **Conclusion**

24. Members are asked to note the actions taken and the activities underway to mitigate Corporate Risk 02: Loss of Business Support for the City.

**Giles French**

**Director of External Relations – Innovation and Growth**

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<b>Committee(s):</b> Digital Services Sub Committee – For information Audit and Risk Committee	<b>Date(s):</b> 4 <sup>th</sup> November 2021 30 <sup>th</sup> November 2021
<b>Subject:</b> Information Management Programme Progress Update and Deep Dive	<b>Public</b>
<b>Report of:</b> The Chief Operating Officer	<b>For Information</b>
<b>Report author:</b> Sean Green – IT Director	

## Summary

This report provides a brief update on the progress being made by the Information Management Programme in helping to realise the Information Management Strategy agreed by the Corporation in 2019. The programme brings together several projects, therefore this report presents progress project by project before identifying common themes and trends.

## Recommendation(s)

It is recommended that Members note the progress update contained in this report and continue to support delivery of the programme in principle, standing ready to intervene practically when requested.

## Main Report

### Background

1. The Information Management Programme was set up in January 2020 to help implement the Information Management Strategy agreed and adopted by the Corporation and Police in 2019.
2. Key principles from the IM Strategy that were agreed are detailed in Appendix 1.
3. The programme is particularly focused on mitigating the corporate risk CR29 relating to information management (see Appendix 2):

**CR29 Information Management** - Risk Owner is the Town Clerk. This risk relates to the City Corporation's IM Strategy (2018-2023) not being fully and effectively implemented. The potential impacts of this include not being able to use relevant information to draw insights and intelligence and support good decision-making; vulnerability to personal data and other information rights breaches and non-compliance with possible ICO fines or other legal action; and a waste of resources storing information beyond usefulness.

4. The programme's approach to implementing the strategy and mitigating the risk is based on sufficiently improving the understanding of the benefits and principles of proper information management across the Corporation and Police and providing the means for staff to effectively and efficiently put that understanding into practice through improved skills and tools.
5. Various tactical projects had already been identified as necessary in the information management arena; the programme is intended to bring these projects together in a strategically coherent way to better identify and manage their dependencies and synergies and thus better realise their strategic benefits.
6. The programme is governed through the Information Management Board, which is chaired by the Comptroller & City Solicitor and includes senior representatives from the Corporate Strategy team, IT Division and Police alongside senior others from C&CS.

### **Current Position**

7. The Information Management Programme continues to improve the understanding and the means of information management (IM) across the City of London, starting with the projects listed below (paragraphs 9-17). It should be noted that in some cases, the programme is seeking only to get ongoing processes defined and started rather than completed, therefore in such cases, activity will continue after the programme ends.
8. The committee should note the programme momentum is likely to be impacted by the lack of dedicated resources with funding for the programme lead previously provided from the IT revenue budget. With the current savings required from the IT revenue budget this is no longer possible.
9. **IM Awareness Campaign:** To improve staff understanding of IM, an awareness campaign was started in February 2020. The next campaign is planned for December 2021 with a refresh on information handling and protective marking. .
10. **IM Policies & Roles:** To set staff expectations of their roles in IM, the IM policy framework has been strengthened and negotiations are under way with HR to clarify IM responsibilities in relevant job descriptions; IM improvements to JDs is expected to be a gradual process, being undertaken as and when a JD requires an update during the TOM.
11. **Information Classification/Protective Marking:** To enable and encourage basic IM good practice, a feature has been introduced in Word, Excel, PowerPoint and Outlook that lets staff tag documents and emails for information sensitivity and thus appropriate handling; the features were introduced in late 2020.
12. To date this has had a slow take up with only 0.2% of emails having had protective marking applied and 0.7% use with other MS Office documents. We will track improvements with the next communications campaign and use the

Local Information Manager network to promote the appropriate use of protective marking.

13. In addition IT are implementing an upgrade to our E5 licences in the next few months which will add intelligence into documents and files. This alerts the user if sensitive information exists in a document that they should apply protective marking.
14. **Information Assets Register:** To enable and encourage proper management of City of London information assets and the development of new, value-adding uses for them, we are working with all departments to identify, describe and track all such assets via a corporately-shared Information Assets Registry; noting that the register will continually evolve as assets and what we wish to know about them change, the first version is in place with further updates expected in December.
15. **Local Information Manager (LIM):** To help facilitate and embed the benefits of the projects outlined in paragraphs 7-10 above, the role of Local Information Manager has been created within each department; this does not mean creating new posts but rather asking staff in existing posts to take on the role's additional responsibilities; different departments have determined that different posts are the best home for these responsibilities and the staff in those posts are being supported in taking on the new role; staff are expected to be established in the role by December. Networking events occur with the LIM's every quarter.
16. **Migration from Shared Drives to SharePoint:** To help better manage documents as commonly used repositories of information, all relevant shared documents are being migrated from shared drives to SharePoint, where they can be made available for collaboration while remaining secure, and eventually have retention and other compliance rules applied to them; full scoping of this work and securing of approval/funding for it are still ongoing; the work will almost certainly require procurement of consultancy services and/or migration tools. Given the financial envelope within IT, it is unlikely that this will be able to be procured without additional project funding as it is not supported by existing budgets.
17. **Information Retention Management:** To help comply with record retention policies and reduce information clutter, a tool and associated processes are being implemented to analyse the information content of databases in the context of retention policies, thus identifying information to be deleted or archived, and then to take the relevant action effectively and efficiently; work on this is in its early days with Microsoft tools being compared with software from other vendors.
18. **Information Audit:** An information audit was carried out in the Summer of 2021. The findings and actions from the audit have been reviewed and will be actioned by the IT Director and the Comptroller.

## **Corporate & Strategic Implications**

19. The IM programme is in place to mitigate the IM Corporate risk CR29 and support the following Corporate Priorities.

- We are digitally and physically well-connected and responsive.
- We inspire enterprise, excellence, creativity and collaboration.

## **Summary**

20. The key to information management success is making it an intrinsic and beneficial part of everyday behaviour, rather than treating it as an afterthought or overhead.

21. The City of London Corporation will use the principles above alongside recognised good practice standards, policies, processes, technologies and leadership to support and encourage the behaviours we need. The built-in continual improvement ethos will ensure that these keep pace with changing business needs.

## **Appendices**

- Appendix 1 – IM Principles
- Appendix 2 – IM Risk

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## **Appendix 1 – IM Principles**

**Information acquired by any part of the City Corporation becomes an asset for all the organisation.**

Information will be open, transparent and available across the organisation. Our staff are custodians of our information assets. We only restrict information for legal, commercial or privacy reasons.

**Information is stored securely once and kept up to date while needed and safely disposed of afterward.**

We will educate, encourage and enable staff to store a single version of information that can be added to and amended. We will discourage duplication and encourage information reuse and repurposing. We will insist on safe disposal of information when no longer needed.

**We share information appropriately across the organisation, with partners and with the public.**

We will enable staff to easily share our information by developing common standards and processes.

**Authorised people have easy access to information and to the tools and skills to get the most out of it.**

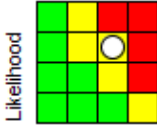
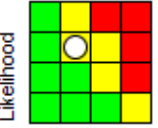

We will provide the information required – securely, quickly, easily, accurately, conveniently, consistently, and transparently. Systems will be procured, designed and developed to enable effective information sharing, analysis and presentation.

**We promote the culture and leadership needed to look after, share and use information wisely.**

We will develop and nurture new information management values and behaviours, including a drive to continually improve based on experience and research. We will encourage an approach of curiosity and challenge in the use of our information. Departments will be given the skills and capability to lead and champion this ambition.

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## Appendix 2 – CR29 IM Risk

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/Risk Approach	Current Risk score change indicator
CR29 Information Management  08-Apr-2019 John Barradell	<p><b>Cause:</b> Lack of officer commitment and investment of the right resources into organisational information management systems and culture.</p> <p><b>Event:</b>The City Corporation’s IM Strategy (2018-2023) is not fully and effectively implemented</p> <p><b>Effect:</b></p> <ul style="list-style-type: none"> <li>• Not being able to use relevant information to draw insights and intelligence and support good decision-making</li> <li>• Vulnerability to personal data and other information rights breaches and non-compliance with possible ICO fines or other legal action</li> <li>• Waste of resources storing information beyond usefulness</li> </ul>	 <p>Likelihood</p>	12	<p>New business intelligence dashboards continue to be developed for improved decision making by the Corporate Strategy and Performance team • An updated An Information Management Asset register has been populated for the organisation.</p> <p>Plan being developed for moving unstructured data from Shared Drives to Sharepoint is being developed</p> <p>There is no dedicated resources to support Information Management and data analysis in the organisation. Unless resourcing is reviewed under the new TOM this situation will not change</p> <p><b>28 Sep 2021</b></p>	 <p>Likelihood</p>	6	31-May-2022	
							Reduce	

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CR29a	Ensure that CoL has the necessary awareness, tools and, skills to manage information effectively	Information Management Campaign successfully deployed. Work on the role of IM in the new TOM has begun with the TOM consultants.	Sean Green	28-Sep-2021	30-Mar-2022
CR29f	Ensure officers can implement the data retention policy and data discovery requirements from GDPR	Gateway paper being prepared for the Data Discovery tool.	Sean Green	28-Sep-2021	31-Dec-2021

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<b>Committee(s):</b> Audit and Risk Committee – For Information	<b>Dated:</b> 30 <sup>th</sup> November 2021
<b>Subject:</b> City of London Police -Annual review of HMICFRS Inspections and reports	<b>Public</b>
<b>Which outcomes in the City Corporation’s Corporate Plan does this proposal aim to impact directly?</b>	1 - People are safe and feel safe.
<b>Does this proposal require extra revenue and/or capital spending?</b>	<b>No</b>
<b>If so, how much?</b>	<b>N/A</b>
<b>What is the source of Funding?</b>	<b>N/A</b>
<b>Has this Funding Source been agreed with the Chamberlain’s Department?</b>	<b>N/A</b>
<b>Report of:</b> Commissioner of Police	<b>For Information</b>
<b>Report author:</b> Stuart Phoenix, Head of Strategic Development	

## Summary

This report provides Members with an overview of Her Majesty’s Inspectorate of Constabulary, Fire and Rescue Services (HMICFRS) continuing programme of inspections and published reports, together with the City of London Police (CoLP) response where relevant.

During the reporting period (October 2020 – November 2021) HMICFRS published 11 reports relevant to the City of London Police:

<b>National Reports</b>	
8 <sup>th</sup> December 2020	Pre-charge bail and released under investigation: Striking a balance
26 <sup>th</sup> February 2021	Disproportionate use of police powers
21 <sup>st</sup> March 2021	Getting the balance right: an inspection of how effectively the police deal with protests
20 <sup>th</sup> April 2021	Police response to the coronavirus pandemic during 2020
23 <sup>rd</sup> June 2021	Review of policing domestic violence during the pandemic
16 <sup>th</sup> July 2021	Joint thematic inspection of the Police and Crown Prosecution Service’s response to rape
5 <sup>th</sup> August 2021	A review of Fraud: Time to choose
17 <sup>th</sup> September 2021	Police Response to violence against women and girls – Final inspection report

<b>Super-complaints<sup>1</sup></b>	
17 <sup>th</sup> December 2020	Police data sharing for immigration purposes
26 <sup>th</sup> May 2021	Joint report on Hestia's super-complaint on the police response to victims of modern slavery
24 <sup>th</sup> August 2021	Police use of restorative measures in cases involving violence against women and girls
<b>City of London Police Reports</b>	
None	

Members are asked to note that none of the reports published have resulted from a physical inspection of the City of London Police, with all being assessed against data returns and self-assessments. All reports together with details of progress against recommendations and areas for further improvement are reported in detail for scrutiny and oversight to the quarterly Strategic Planning and Performance (Police) Committee, a sub-committee of the Police Authority Board.

### **Recommendation**

Members are asked to receive this report and note its contents.

### **Main Report**

#### **Background**

1. This report provides Members with an overview of Her Majesty's Inspectorate of Constabulary, Fire and Rescue Services (HMICFRS) continuing programme of inspections and published reports, together with the City of London Police (CoLP) response where relevant. It also provides assurance that the recommendations from reports are being addressed by the Force.
2. HMICFRS use the terms 'recommendation' and 'area for further improvement' (AFI) to denote specific levels of concern. A recommendation is only made where in HMICFRS's assessment there is a significant underlying cause for concern. Where there is no such concern but where HMICFRS feel general improvements can be made, areas for further improvement are identified.

#### **Current Position**

3. During the reporting period (October 2020 – November 2021) HMICFRS published 11 reports relevant to the City of London Police. This is an increase in the number of reports published during the pandemic (7) and is an indication that inspection activity is returning to pre-covid levels. There follows at

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<sup>1</sup> Super-complaints were introduced by the Policing and Crime Act 2017. They allow for designated organisations to raise issues or concerns on behalf of the public about a feature of policing which is, or appears to be, harming the interests of the public. They are not force-specific.

paragraph 5 *et seq* summaries of all the inspections conducted by HMICFRS relevant to CoLP during the reporting period.

4. Members are asked to note that none of the reports published have resulted from a physical inspection of the City of London Police, with all being assessed against data returns and self-assessments. All reports together with details of progress against recommendations and areas for further improvement are reported in detail for scrutiny and oversight to the quarterly Strategic Police Performance Committee, a sub-committee of the Police Authority Board

#### **Pre-charge bail and released under investigation: Striking a balance (national joint report of HMICFRS, HMCPSI<sup>2</sup> and CPS<sup>3</sup> published December 2020)**

5. This inspection examined the Police and CPS's response to pre-charge bail changes and the use of released under investigation (RUI) provisions, particularly with regard to how forces identify and manage vulnerability where a suspect has been RUI. Data to inform the inspection was supplied by all forces, but only 6 forces were physically inspected.
6. The report made 10 recommendations but only 2 related directly to forces (the remainder were all for the Home Office, College of Policing and National Police Chiefs' Council (NPCC). Of the 2 recommendations, 1 is complete, the other is nearing sign-off pending a compliance review in December 2021.

#### **Disproportionate use of police powers (national report of HMICFRS published 26<sup>th</sup> February 2021)**

7. This national report focuses on how effectively forces use stop and search powers. It requires forces to be able to explain disproportionate use of the power on those from Black, Asian and minority Ethnic backgrounds, based on published data. The inspection was informed by assessing force level data from 2019/20, the findings from HMICFRS's own Integrated PEEL Assessments covering police effectiveness, efficiency and legitimacy, and a review of 10,000 records which looked at the strength and reasonableness of the reasons stops were made.
8. The report made 6 recommendations, 4 of which have been delivered, 2 remain in progress.

#### **Getting the balance right: an inspection of how effectively the police deal with protests (national report by HMICFRS published 11<sup>th</sup> March 2021)**

9. This national report held that a modest 'reset' was required to properly balance the rights of protesters and rights of residents, businesses and those holding opposing views. It found that all too often when forces failed to assess accurately the level of disruption caused or likely to be caused by a protest, the balance may tip too readily in favour of the protesters.

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<sup>2</sup> Her Majesty's Crown Prosecution Service Inspectorate

<sup>3</sup> Crown Prosecution Service

10. The report made 5 recommendations, all of which have been implemented.

**Police response to the coronavirus pandemic during 2020 (national report of HMICFRS, published 20<sup>th</sup> April 2021)**

11. As the title suggests, this report looked in detail at how forces responded to the rapidly changing policing landscape that was brought about by the pandemic. This included rebalancing priorities to adapt to changing patterns of criminality, how the lockdown rules were being policed/enforced, the impact on the vulnerable, and the impact on staff and officers of the forces themselves. Whilst a number of areas for improvement were identified, the report concluded that policing responded well to the particular challenges presented by the pandemic.

12. The report made 5 recommendations for forces, all of which have been implemented by CoLP.

**Review of policing domestic violence during the pandemic (national report of HMICFRS, published 23<sup>rd</sup> June 2021)**

13. This national report was the fifth in a series of thematic domestic abuse publications since HMICFRS's first report in 2014. Similar to the preceding report, this inspection looked in detail at how the police responded to the unique challenges the Covid-19 pandemic placed on preventing and responding to domestic abuse. The report found that the police were largely proactive in keeping people safe and worked well with partner organisations to make good use of technology and innovated to support victims.

14. The report made 3 recommendations, all of which have now been implemented by the Force.

**Joint thematic inspection of the Police and Crown Prosecution Service's response to rape (national joint report of HMICFRS and HMCPSI<sup>4</sup>, published 16<sup>th</sup> July 2021)**

15. This national report is the first of two inspection reports that considers the response, decision-making and effectiveness of the police and Crown Prosecution Service at every stage of a rape case – from first report through to finalisation of the case. This report focuses on those cases where either the police or the CPS made the decision to take no further action (that is, not to proceed with the case). The second report, considering cases from charge to disposal, will be published later this year.

16. The report made 7 recommendations for forces. 4 of the recommendations have been implemented, 3 remain in progress.

**A review of 'Fraud: Time to choose' (national report of HMICFRS published 5<sup>th</sup> August 2021)**

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<sup>4</sup> HMCPSI- Her Majesties Crown Prosecution Service Inspectorate



17. This inspection revisited a previous inspection to assess forces' response to the recommendations made in the original 'Time to Choose' report published in April 2019. Whilst the report praised CoLP in its role as national lead force in this area, it found that all too often forces continue to treat fraud as a low priority or 'victimless' crime. HMICFRS notes that fraud is an area that continues to expand and should be prioritised by forces given its impact on victims and the vulnerable.

18. Three new recommendations were made in the report, 2 are complete and 1 (which is specifically for the National Coordinator for Economic Crime) is in progress. It should be noted that as well as regular updates to the Strategic Planning and Performance (Police) Committee, updates on this have also been regularly submitted to the Economic and Cyber Crime (Police) Committee.

**Police response to violence against women and girls (VAWG) - Final inspection report (national report of HMICFRS published 17<sup>th</sup> September 2021).**

19. This report was commissioned by the Home Secretary following the murder of Sarah Everard in March 2021. The inspectorate carried out a root and branch review of the policing response to VAWG from prevention work in schools to the management of the most dangerous offenders. HMICFRS concluded that a new system approach is needed to end the epidemic of such violence as too many women and girls saw their cases closed without charge, with major gaps in the data recorded on VAWG offences.

20. The report made 2 recommendations directly relevant to police forces, 1 is complete and the other is in progress. Members should be aware that this area was recently subject of 'deep dive' assurance report that was submitted to the Strategic Planning and Performance (Police) Committee and Police Authority Board.

**Super-complaints**

**Police data sharing for immigration purposes (national joint report of HMICFRS, College of Policing and Independent Office for Police Conduct (IOPC) published 17<sup>th</sup> December 2020).**

21. This investigation into what information is shared by agencies for immigration purposes concluded that immediate action by government and police was necessary to ensure vulnerable migrant victims of crime can confidently report issues to the police. Forces should restrict the sharing with immigration enforcement of information about vulnerable victims of crime, such as domestic abuse.

22. The report made 4 recommendations. 1 is complete, the remaining 3 are all dependent on the Home Office and NPCC completing actions before the Force can progress them.

**The Hidden Victims - Report on Hestia's super-complaint on the police response to victims of modern slavery (national joint investigation report of HMICRS, College of Policing and Independent Office for Police Conduct (IOPC) published 26<sup>th</sup> May 2021.**

23. This super-complaint examined the policies and practices of all police forces in England and Wales with respect to the standard of support that victims of modern slavery receive. The report found that practices across forces could cause harm to the public interest in this area.

24. The report made 3 recommendations, 1 is complete and 2 remain in progress.

**A duty to protect: Police use of restorative measures in cases involving violence against women and girls (national report of HMICFRS published 24<sup>th</sup> August 2021).**

25. This complaint, submitted by the Centre for Women's Justice, raised concerns that the police fail to use protective measures (e.g., pre-charge bail with conditions and restraining orders) in cases involving violence against women and girls. The report concluded that the police should change their approach to using protective measures to safeguard women and girls as despite evidence of dedicated officers working to protect victims, practices were inconsistent, and powers not always used effectively.

26. The report made 7 recommendations, 3 are complete and 4 in progress, although it is anticipated they will be delivered by the end of January 2022.

## **Conclusion**

27. The Force continues to work with the HMICFRS, in order to continuously improve the service it provides to the public and victims of crime. All progress on HMICFRS inspections is reported quarterly to the Strategic Planning and Performance Committee of the Police Authority Board which scrutinises the Force's performance in this area.

## **Appendices**

None

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