

FINANCE COMMITTEE

Tuesday, 16 February 2021

Minutes of the meeting of the Finance Committee held at Guildhall, EC2 on Tuesday, 16 February 2021 at 1.45 pm

Present

Members:

Jeremy Mayhew (Chairman)	Paul Martinelli
Deputy Jamie Ingham Clark (Deputy Chairman)	Andrew McMurtrie
Munsur Ali	Deputy Robert Merrett
Rehana Ameer	Hugh Morris
Randall Anderson	Benjamin Murphy
Nicholas Bensted-Smith	Susan Pearson
Deputy Roger Chadwick	William Pimlott
Graeme Doshi-Smith	James de Sausmarez
Alderman Sir Peter Estlin	Deputy John Scott
Alderman Prem Goyal	Deputy James Thomson
Michael Hudson	Mark Wheatley
Deputy Wendy Hyde	Deputy Philip Woodhouse
Angus Knowles-Cutler	Deputy Catherine McGuinness (Ex-Officio Member)
Tim Levene	Sheriff Christopher Hayward (Ex-Officio Member)
Alderman Nicholas Lyons	Deputy Tom Sleigh (Ex-Officio Member)

Officers:

John Cater	-
Bob Roberts	- Director of Communications
Simon Latham	- Town Clerk's Department
Peter Kane	- Chamberlain
Caroline Al-Beyerty	- Chamberlain's Department
Christopher Bell	- Chamberlain's Department
Michael Cogher	- Comptroller and City Solicitor
Paul Wilkinson	- City Surveyor
Karen Atkinson	- Chamberlain's Department
Sean Green	- Chamberlain's Department
Nicholas Richmond-Smith	- Chamberlain's
Sonia Virdee	- Chamberlain's Department
Mark Jarvis	- Chamberlain's Department
Oliver Bolton	- Town Clerk's Department
Sanjay Odedra	- Communications Team

1. **APOLOGIES**

Apologies for absence were received from Dominic Christian, Oliver Lodge, Catherine McGuinness, Benjamin Murphy, and Ian Seaton.

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

There were no declarations of interest.

3. **MINUTES OF THE PREVIOUS MEETING**

RESOLVED – That the public minutes of the meeting held on 19th January be approved as an accurate record.

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

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

RESOLVED – that the Committee noted the Report.

5. **REPORT OF THE WORK OF THE SUB-COMMITTEES**

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

RESOLVED – that the Committee noted the report.

6. **DRAFT PUBLIC MINUTES OF THE JOINT MEETING OF THE EFFICIENCY AND PERFORMANCE SUB-COMMITTEE AND THE RESOURCE ALLOCATION SUB-COMMITTEE HELD ON 21 JANUARY 2021**

RESOLVED – that the public minutes of the joint meeting of the Efficiency & Performance Sub-Committee and the Resource Allocation Sub-Committee held on 21st January be approved as an accurate record.

7. **TOMLINSON REVIEW UPDATE - APPOINTMENT OF FINANCE COMMITTEE MEMBERS TO THE CITY GRANTS EDUCATION SPENDING (CGES) WORKING PARTY**

The Committee considered a Report of the Town Clerk concerning the City Grants Education Spending (CGES) Working Party.

RESOLVED – that the Committee endorsed Jamie Ingham Clark as Finance Committee's representative on the CGES Working Party.

8. **RISK MANAGEMENT - TOP RISKS**

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

Members were encouraged to see the positive direction of travel for the Police Funding Risk; it was anticipated that the risk would be reduced to amber over the medium term.

A Member queried whether we needed to be more cautious about the likelihood of the CR35 (Unsustainable Medium-Term Finances) Risk being reduced to amber in the short-medium term; there were many external unknowns that could prove very damaging to the Corporation's finances.

RESOLVED – that the Committee noted the report.

9. **P9 BUDGET MONITORING**

The Committee received a Report of the Chamberlain concerning period 9 Budget Monitoring.

RESOLVED – that the Committee noted the Report.

10. **CITY FUND 2021/22 BUDGET**

The Committee considered a Report of the Chamberlain concerning the 2021/22 City Fund Budget.

The Chamberlain opened the discussion by stressing that, despite significant external and internal challenges (not least concerning rental income and the Barbican Centre's finances), good progress was being made in our efforts to balance the books - both over the short and medium term. He commended Members for their constructive and collegiate approach in ensuring that the 12% savings targets were baked into the 2021/22 Budget; adding that the recent Member-officer bilateral meetings displayed a very encouraging sense of collaboration and collective endeavour which bode well for the Corporation's efforts in sticking to the medium-term "flight path". In short, we were in good place, but a great deal of hard work was still required.

The Chairman thanked the Chamberlain and his team for their hard work in delivering the Budgets. He emphasised that whilst he was instinctively a low tax politician, this year, in particular, was a bad one to increase tax; given the damage to livelihoods and economic activity over the past 12 months, it would be extremely hard to tell residents and businesses that we were raising the level of the core Council Tax and Business Rates.

However, he pointed out that, given the huge challenges facing the most vulnerable, and by extension, the Corporation's Department for Communities and Children's Services, a 3.00% increase to the Adult Social Care Precept was justified, and would be a prudent and sensible intervention which took into account the pressures on the most vulnerable.

Several Members expressed their firm support for these proposals.

In response to a query the Chairman confirmed that, when it came to the Core Council Tax bills, the City would remain the third lowest of all local authorities across Greater London (Wandsworth and Westminster had lower average Council Tax bills)

Turning to the Treasury Management Statement, a Member expressed their concern about the proposal to widen the list of institutions in which the

Corporation could place funds; namely, to those with a long term credit rating of A- (the previous policy was A and above). Given the likelihood of significant economic turbulence over the next 18 months, we needed to tread carefully and exercise caution when it came to exposure. The Chamberlain responded that, whilst the list of institutions had broadened to include A- so as to assist with diversification of our holdings, officers took on board completely the concerns around risk and exposure

The Chairman suggested that, going forward, the respective Chairmen and Deputy Chairman of the Finance Committee and Financial Investment Board are forewarned before we place funds with any A- institutions and/or institutions we have funds with are downgraded from A to A- (or A- to BBB+). Several Members cautioned that, whilst scrutiny was to be welcomed, we should not over elaborate the process. The Chairman stressed that whilst he didn't want to slow things down, any potential risks of this nature should be monitored, and he asked the Chamberlain to come back with a proposal for Members to consider.

RESOLVED – that the Committee:

- Noted the overall budget envelopes incorporate the 12% savings (or 6% in the case of social care and children's services), as agreed by Resource Allocation Sub Committee, and are consistent with the approved savings flight path.
- Agreed to continue to monitor COVID income risk during 2021/22, and maintain a COVID contingency fund, not releasing £30m of general fund reserves for major project spend.
- Approved the overall financial framework and the revised Medium-Term Financial Strategy (paragraph 18 in the Report)
- Approved the Treasury Management Strategy Statement and Annual Investment Strategy for 2021/22, including the treasury indicators.
- Approved the City Fund Net Budget Requirement of £153.6m (paragraph 40 in the Report)

Council Tax

- Approved an increase in the Adult Social Care Precept of 3.00% (paragraph 25).
- Considered whether to freeze council tax (paragraph 27)
- Determined the amounts of Council Tax for the three areas of the City (the City, the Middle Temple, and the Inner Temple), to which are added the precept of the Greater London Authority (GLA) – (appendix A of the Report).

- Determined that the relevant (net of local precepts and levies) basic amount of Council Tax for 2021/22 will not be excessive in relation to the requirements for referendum.
- Determined the current 100% discount awarded to unoccupied and unfurnished and uninhabitable dwellings is continued at zero (0%) for the financial year 2021/22.
- Determined that the premium levied on long-term empty property for 2021/22 of 100% and 200% is continued and that for properties that have been empty for over ten years, a premium of 300% is levied.
- Having given regard to the government guidance issued, agreed that the Chamberlain be given the discretion, delegated to the Head of Revenues, to reduce or waive the long-term empty premium charge in exceptional circumstances.
- Approved that the cost of highways, street cleansing, waste collection and disposal, drains and sewers, and road safety functions for 2021/22 be treated as special expenses to be borne by the City's residents outside the Temples (appendix A of the Report).

Business Rates

- Set a Non-Domestic Rate multiplier of 52p and a Small Business Non-Domestic Rate Multiplier Rate of 50.7p for 2021/22.
- Noted that, in addition, the GLA is levying a Business Rate Supplement in 2021/22 of 2.0p in the £ on properties with a rateable value of £70,000 and above (paragraph 47).
- Delegated to the Chamberlain the award of discretionary rate reliefs under Section 47 of the Local Government Finance Act 1988 (paragraphs 48-52).

Capital Expenditure

- Approved the Capital Strategy (appendix E).
- Approved the funding of the court element of the Salisbury Square project from City's Cash, rather than City Fund - to better equalise the call on the Corporation's investment assets and to protect the local authority fund. (paragraph 22)

- Approved the Capital Budgets for City Fund and the allocation of central funding from the appropriate reserves to meet the cost of the 2021/22 new bids. Release of funding being subject to approval at the relevant gateway and specific agreement of the Resource Allocation Sub Committee at gateway 4(a) (paragraph 53)
- Approved the allocation of central funding in 2021/22 to provide internal loan facilities for the police and the HRA, currently estimated at £4.9m and £19.2m respectively.
- Approved the Prudential Code indicators (appendix C).
- Approved the authorised limit for external debt (which is the maximum the City Fund may have outstanding by way of external borrowing) at £237.5m for 2021/22; and the Minimum Revenue Provision (MRP) for 2021/22 at £1.1m (MRP policy was included within appendix D – Treasury Management Strategy Statement and Investment Strategy Statement 2021/22 - appendix 2).

Treasury Management Strategy Statement and Investment Strategy Statement

2021/22 (Appendix D)

- Approve the following changes to the creditworthiness policy to ensure the Corporation can continue to access a wide enough range of counterparties of suitable credit standing when investing cash balances under the Treasury Management Strategy (appendix D, paragraphs 8.2 to 8.6):
 - Change the minimum acceptable Long Term credit rating for banks and other financial institutions from “A” to “A-” (appendix D, paragraph 8.2);
 - Change the minimum acceptable sovereign credit rating for approved counterparties from “AAA” to “AA+” (appendix D, paragraph 8.5);
 - Add an overall limit of £250m for outstanding lending to local authorities as a whole at any given time (appendix D, paragraph 8.6).

Chamberlain’s Assessment

- Took account of the Chamberlain’s assessment of the robustness of estimates and the adequacy of reserves and contingencies (paragraphs 64-67 and appendices B and G respectively).

11. **2021/22 CITY'S CASH BUDGETS AND MEDIUM-TERM FINANCIAL PLAN**

The Committee considered a Report of the Chamberlain concerning the 2021/22 City's Cash Budgets and medium-term financial plan.

RESOLVED – that the Committee:

1. Noted the latest revenue budgets for 2020/21 (paragraphs 18 to 25 in the Report).

2. Agreed the 2021/22 revenue budgets, including the following measures:

- Note the **overall budget envelope** for City Cash incorporates 12% savings as agreed by Finance Committee in December and are consistent with approved savings flight path.

- **Unfunded additional revenue bids:** To be avoided during 2021/22 - 2024/25 and carry forwards from 2020/21 to be minimised.

- **Grants:** Application of 12% savings, unless agreed co-funding arrangement.

3. Approved the 2021/22 Capital and Supplementary Revenue Project Budgets for City's Cash amounting to £33.3m (paragraph 27).

4. Approved the allocation of central funding of up to £17.7m for City's Cash to meet the cost of the 2021/22 capital schemes. Release of such funding being subject to approval at the relevant gateway and specific agreement of the Resource Allocation Sub-Committee at Gateway 4(a) (paragraph 29).

5. Approved the allocation of central funding to provide an internal loan facility of up to £15.6m for the City of London School (CLSG) to progress its masterplan – release of such funding being subject to approval at the relevant gateway and separate approval of the loan terms and conditions (paragraph 30).

6. Delegated authority to the Chamberlain to determine the final financing of capital and supplementary revenue project expenditure.

7. Endorsed this report for onward approval to the Court of Common Council.

12. **BRIDGE HOUSE ESTATES (BHE) - REVENUE BUDGET 2021/22 AND MEDIUM-TERM FINANCIAL PLAN**

The Committee considered a Report of the Chamberlain concerning the Bridge House Estates (BHE) Revenue Budget for 2021/22 and the Medium-Term Financial Plan.

RESOLVED – that the Committee:

1. Noted the latest revenue forecast for 2020/21 (paragraphs 6 to 7 in the Report).
2. Approved the 2021/22 revenue budget and Medium-Term Financial Plan for period 2022/23 – 2024/25 (paragraphs 8 to 10).
3. Approved that the additional allocation of income reserves available for charitable funding be held at £180m, a reduction of £20m from the sum allocated in March 2020, until a further forecast is presented for review (paragraph 12).
4. Approved that free reserves are maintained at between £33-55m over and above the agreed policy of £35m across the period of the Medium-Term Financial Plan as a mitigation against the uncertain period in which the charity is operating (paragraph 11).
5. Approved the 2021/22 capital and supplementary revenue project budgets (paragraph 16).
6. Noted that a revised Medium-Term Financial Plan for the charity will be presented for approval, should the power for total return accounting for endowed charities be granted by Supplemental Royal Charter currently under consideration by the Privy Council's Office – timing to be confirmed (paragraph 15).
7. Endorsed this report for onward approval to the Court of Common Council.

13. ADMINISTRATION COSTS AND RESERVES POLICIES AS APPLICABLE TO THE SUNDRY TRUSTS AND OPEN SPACES CHARITIES

The Committee considered a Report of the Chamberlain concerning the administration costs and reserves policies as applicable to the Sundry Trusts and Open Spaces Charities.

RESOLVED – that the Committee:

- 1) Approved the change in policy such that each of the Sundry Trusts and Open Spaces charities listed in Appendix A bear the legitimate and reasonable costs and expenses incurred by the City Corporation in administering each charity, whether as charity trustee itself or where all the trustees are individuals appointed by, or as a consequence of their position with, the City Corporation (paragraph 6 to 7).
- 2) Noted the change in policy by the City Corporation as charity trustee in each case, and approve the revised Reserves Policies for the charities as listed in Appendix B Table B.1 (paragraphs 8 to 13)
- 3) Delegated authority to the Chamberlain to determine with reference to the Charity's SORP and the particular circumstances in each case, the appropriate

target level of free reserves for each of the charities listed in Appendix B Table B.1.

Noted that decisions for those charities listed in Appendix A Tables A.2 and A.3, and Appendix B Tables B.2 and B.3 as relevant, will be referred to the responsible decision-making body in each case.

14. HOUSING REVENUE ACCOUNT

The Committee considered a Report of the Chamberlain concerning the Housing Revenue Account.

The Chamberlain introduced the Report and reminded Members that, in general, the HRA should be self-supporting and it cannot use other City Fund resources of the Corporation to fund revenue expenditure. Additionally, the HRA is not permitted to borrow to cover revenue expenditure and there is currently no national compensation package forthcoming for lost HRA income, although this was requested by the Local Government Association as a response to the local government settlement in 2020-21.

Following a detailed discussion, a number of concerns were raised about the risk of setting a precedent around the City using City's Cash funds to support the HRA; it was decided that further consideration was required and, therefore, Members agreed to provide the Town Clerk, in consultation with the Chairman and the Deputy Chairman of Finance Committee, delegated authority to approve the support for the HRA, once they were content with the proposal.

RESOLVED – that the Committee:

Agreed to provide the Town Clerk, in consultation with the Chairman and the Deputy Chairman of Finance Committee, delegated authority to approve the support for the HRA, once they were content with the proposal.

15. ANNUAL ON-STREET PARKING ACCOUNTS 2019/20 AND RELATED FUNDING OF HIGHWAY IMPROVEMENTS AND SCHEMES

The Committee received a Report of the Chamberlain concerning the Annual On-Street Parking Accounts 2019/20 and Related Funding of Highway Improvements and Schemes.

RESOLVED – that the Committee:

Noted the contents of this report for their information before submission to the Mayor for London.

16. GOVERNANCE PROPOSAL FOR FRAUD AND CYBER CRIME REPORTING AND ANALYSIS SERVICE (FCCRAS)

The Committee considered a Report of the Town Clerk concerning the Court Submission on a new Committee for Next Generation Fraud and Cyber Crime Reporting and Analysis Service Project.

RESOLVED – that the Committee:

Endorsed the creation of a new stand alone, time-limited committee to oversee the FCCRAS project and for Finance Committee to pass on its decision-making responsibilities on this project to the new committee. Submission of the proposal to the Court of Common Council will be subject to consultation with, and approval from, the relevant committees referenced in paragraph 15.

17. CITY PROCUREMENT QUARTERLY PROGRESS REPORT (FEBRUARY 2021)

The Committee received a Report of the Chamberlain concerning the work of City Procurement.

RESOLVED – that the Committee noted the Report.

18. CENTRAL CONTINGENCIES

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

The Chairman informed Members that the International Disaster Fund still had a balance of £25,000. He proposed that, should we avoid a further call on the Fund before the end of the financial year, the £25,000 is donated to City Harvest to support the ongoing Livery Kitchen Initiative. Members endorsed this proposal.

RESOLVED – that the Committee noted the report.

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

There were no questions.

20. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT

There were no urgent items.

21. EXCLUSION OF THE PUBLIC

RESOLVED - That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items on the grounds that they involve the likely disclosure of exempt information as defined in Part I of Schedule 12A of the Local Government Act.

22. NON-PUBLIC MINUTES OF THE PREVIOUS MEETING

The non-public minutes of the meeting held on 19th January were approved as an accurate record.

23. REPORT OF THE WORK OF THE SUB-COMMITTEES - NON-PUBLIC ISSUES

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

24. **DRAFT NON-PUBLIC MINUTES OF THE JOINT MEETING OF THE EFFICIENCY AND PERFORMANCE SUB-COMMITTEE AND THE RESOURCE ALLOCATION SUB-COMMITTEE HELD ON 21 JANUARY 2021 RESOLVED** – that the non-public minutes of the joint meeting of the Efficiency & Performance Sub-Committee and the Resource Allocation Sub-Committee held on 21st January be approved as an accurate record.
25. **INCREASE IN CONTRACT VALUE FOR THE PROVISION OF MECHANICAL AND ELECTRICAL MAINTENANCE AND BUILDING REPAIRS AND MAINTENANCE SERVICES**
The Committee considered a Joint Report of the Chamberlain and the City Surveyor concerning Mechanical and Electrical Maintenance and Building Repairs and Maintenance Services.
26. **EXTENSION OF MANAGED SERVICE TEMPORARY AGENCY RESOURCE CONTRACT**
The Committee considered a Report of the Director of Human Resources concerning an extension to the Managed Service Temporary Agency Resource Contract.
27. **CENTRAL CONTINGENCIES - NON-PUBLIC APPENDIX**
The Committee noted the non-public appendix to ITEM 18 (Central Contingencies)
28. **NON-PUBLIC DECISIONS TAKEN UNDER DELEGATED AUTHORITY AND URGENCY PROCEDURES**
The Committee noted a report of the Town Clerk detailing a non-public decision taken under urgency procedures since the last meeting.
29. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
Members considered a non-public question relating to the work of the Committee.
30. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**
There were no items of urgent business.

The meeting ended at 3.45 pm

Chairman

Contact Officer: John Cater
tel. no.: 020 7332 1407
john.cater@cityoflondon.gov.uk