



## Finance Committee

**Date:** TUESDAY, 13 APRIL 2021

**Time:** 1.45 pm

**Venue:** VIRTUAL PUBLIC MEETING (ACCESSIBLE REMOTELY)

**Members:**

Jeremy Mayhew (Chairman)	Oliver Lodge
Deputy Jamie Ingham Clark (Deputy Chairman)	Alderman Nicholas Lyons
Munsur Ali	Paul Martinelli
Rehana Ameer	Andrew McMurtrie
Randall Anderson	Deputy Robert Merrett
Nicholas Bensted-Smith	Hugh Morris
Deputy Roger Chadwick	Benjamin Murphy
Dominic Christian	Susan Pearson
Graeme Doshi-Smith	William Pimlott
Alderman Sir Peter Estlin	James de Sausmarez
Alderman Prem Goyal	John Scott
Caroline Haines	Ian Seaton
Michael Hudson	Sir Michael Snyder
Deputy Wendy Hyde	Deputy James Thomson
Deputy Clare James	Mark Wheatley
Alderman Gregory Jones QC	Deputy Philip Woodhouse
Angus Knowles-Cutler	Deputy Catherine McGuinness, Policy and Resources Committee (Ex-Officio Member)
Gregory Lawrence	Sheriff Christopher Hayward, Policy and Resources Committee (Ex-Officio Member)
Tim Levene	Deputy Tom Sleight, Investment Committee (Ex-Officio Member)

**Enquiries:** John Cater  
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john.cater@cityoflondon.gov.uk

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

<https://youtu.be/riKg295xtBo>

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

**John Barradell**  
Town Clerk and Chief Executive

# **AGENDA**

## **Part 1 - Public Agenda**

1. **APOLOGIES**
2. **MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA**
3. **MINUTES OF THE PREVIOUS MEETING**  
To agree the public minutes of the meeting held on 16<sup>th</sup> February 2021.  
  
**For Decision**  
(Pages 1 - 12)
4. **FINANCE COMMITTEE'S FORWARD PLAN**  
Report of the Chamberlain.  
  
(Pages 13 - 14)
5. **REPORT OF THE WORK OF THE SUB-COMMITTEES**  
Report of the Town Clerk.  
  
**For Information**  
(Pages 15 - 18)
6. **RISK MANAGEMENT - TOP RISKS**  
Report of the Chamberlain.  
  
**For Information**  
(Pages 19 - 28)
7. **DEEP DIVE REVIEW OF CR35 - UNSUSTAINABLE MEDIUM-TERM FINANCES**  
Report of the Chamberlain.  
  
**For Information**  
(Pages 29 - 36)
8. **REVIEW OF THE FINANCIAL REGULATIONS**  
Report of the Chamberlain.  
  
**For Decision**  
(Pages 37 - 106)
9. **OPTIONS TO PROMOTE SUPPLIER DIVERSITY**  
Report of the Chamberlain.  
  
**For Decision**  
(Pages 107 - 112)

10. **HIGHWAY CONSTRUCTION & MAINTENANCE TERM CONTRACT TENDER**

Report of the Director of Built Environment.

**For Decision**  
(Pages 113 - 128)

11. **IRRECOVERABLE NON-DOMESTIC RATES AND COUNCIL TAX**

Report of the Chamberlain.

**For Information**  
(Pages 129 - 134)

12. **IT DIVISION - MEMBER UPDATE**

Report of the Chamberlain.

**For Information**  
(Pages 135 - 142)

13. **CENTRAL CONTINGENCIES**

Report of the Chamberlain.

**For Information**  
(Pages 143 - 146)

14. **DECISIONS TAKEN UNDER DELEGATED AUTHORITY AND URGENCY PROCEDURES**

Report of the Town Clerk.

**For Information**  
(Pages 147 - 152)

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

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

17. **EXCLUSION OF THE PUBLIC**

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

**For Decision**

**Part 2 - Non-Public Agenda**

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

To agree the non-public minutes of the meeting held on 16<sup>th</sup> February 2021.

**For Decision**  
(Pages 153 - 154)

19. **REPORT OF THE WORK OF THE SUB-COMMITTEES - NON-PUBLIC ISSUES**  
Report of the Town Clerk.
- For Information**  
(Pages 155 - 156)
20. **WAIVER FOR THE EXTENSION OF THE ACTION AND KNOW FRAUD SERVICES CONTRACT BEYOND ITS CONTRACTED TERM**  
Report of the Commissioner of the City of London Police.
- For Decision**  
(Pages 157 - 162)
21. **NEW FINANCIAL SYSTEM AND ERP PROJECT**  
Report of the Chamberlain.
- For Decision**  
(Pages 163 - 186)
22. **INSURANCE - PROPERTY: PROCUREMENT STAGE 1 STRATEGY**  
Report of the Chamberlain.
- For Decision**  
(Pages 187 - 194)
23. **CENTRAL CONTINGENCIES - NON-PUBLIC APPENDICES**  
Non-Public Appendices to ITEM 13 (Central Contingencies)
- For Information**  
(Pages 195 - 202)
24. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
25. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**

## FINANCE COMMITTEE

**Tuesday, 16 February 2021**

Draft 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)  
Deputy Jamie Ingham Clark (Deputy  
Chairman)  
Munsur Ali  
Rehana Ameer  
Randall Anderson  
Nicholas Bensted-Smith  
Deputy Roger Chadwick  
Graeme Doshi-Smith  
Alderman Sir Peter Estlin  
Alderman Prem Goyal  
Michael Hudson  
Deputy Wendy Hyde  
Angus Knowles-Cutler  
Tim Levene  
Alderman Nicholas Lyons

Paul Martinelli  
Andrew McMurtrie  
Deputy Robert Merrett  
Hugh Morris  
Benjamin Murphy  
Susan Pearson  
William Pimlott  
James de Sausmarez  
John Scott  
Deputy James Thomson  
Mark Wheatley  
Deputy Philip Woodhouse  
Deputy Catherine McGuinness (Ex-Officio  
Member)  
Sheriff Christopher Hayward (Ex-Officio  
Member)  
Deputy Tom Sleigh (Ex-Officio Member)

#### **Officers:**

John Cater  
Peter Kane  
Bob Roberts  
Simon Latham  
Caroline Al-Beyerty  
Christopher Bell  
Michael Cogher  
Paul Wilkinson  
Karen Atkinson  
Sean Green  
Nicholas Richmond-Smith  
Sonia Virdee  
Mark Jarvis  
Oliver Bolton  
Sanjay Odedra

- Committee Clerk
- Chamberlain
- Director of Communications
- Town Clerk's Department
- Chamberlain's Department
- Chamberlain's Department
- Comptroller and City Solicitor
- City Surveyor
- Chamberlain's Department
- Chamberlain's Department
- Chamberlain's
- Chamberlain's Department
- Chamberlain's Department
- Town Clerk's Department
- 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 19<sup>th</sup> 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 21<sup>st</sup> 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 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 a good place for now, 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.

Members gave their unanimous approval to these tax 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 Chairmen of the Finance Committee and Financial Investment Board are warned i) before we place funds with any A- institutions and ii) when institutions we have funds with are downgraded from A to A- (or, in the future, A- to BBB+). Several Members cautioned that, whilst scrutiny was to be welcomed, we should not over-complicate the process. The Chairman stressed that whilst he did not 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 equalise better 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 the 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 for 2020/21 still had a balance of £25,000. He proposed that, if there wasn't 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 19<sup>th</sup> 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 21<sup>st</sup> 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**

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Chairman

**Contact Officer: John Cater**  
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# FINANCE COMMITTEE – WORK PROGRAMME 2021 – changes from February 2021 iteration highlighted in yellow

	May-21	Jun-21	Jul-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22
Budget Setting Process & Medium-Term Financial Planning			Update on Budget setting approach for 22/23			The Finance Committee's Estimate Report	Capital Funding- Prioritisation of 2022/23 Annual Capital Bids  Autumn Budget-local government		City Fund Budget Report & MTFP Strategy  City's Cash Budget Report & MTFP Strategy  BHE Budget Report & MTFP Strategy
Effective Financial Management Arrangements for The City Corporation	Interest Rates on Internal Loan Requests - Update & Review		Capital Outturn Report  Q1 Budget monitoring  Provisional outturn report	City Re Limited – Performance Monitoring  Provision for Bad and Doubtful Debts	Q2 Budget monitoring	Capital Projects-Forecasting		Q3 Budget monitoring	Capital Projects-Forecasting
Financial Statements			Draft city fund and pension fund statement of accounts	City Fund and Pension fund financial statements – Audit completion  (Dependent on Audit delivery- risk flagged by BDO)	Draft BHE Annual Report & Financial Statements	City's Cash Financial Statements  Open Spaces and sundry trust annual reports and financial statements			
Finance Committee as a Service Committee	Central Contingencies Risk Management Monthly Report FSD Quarterly Update Business plan update	Central Contingencies Risk Management – Quarterly Report City Procurement Q Update	Central Contingencies Risk Management - Monthly Report IT Division Q Update	Central Contingencies Risk Management Monthly Report FSD Quarterly Update Business plan update	Central Contingencies Risk Management – Quarterly Report City Procurement Q Update	Central Contingencies Risk Management - Monthly Report IT Division Q Update	Central Contingencies Risk Management Monthly Report FSD Quarterly Update CHB 22-23 Business Plan	Central Contingencies Risk Management – Quarterly Report City Procurement Q Update	Central Contingencies Risk Management - Monthly Report IT Division Q Update

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<b>Committee(s)</b>	<b>Dated:</b>
Finance Committee	13 April 2021
<b>Subject: Report of the Work of the Sub-Committee(s)</b>	<b>Public</b>
<b>Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?</b>	N/A
<b>Does this proposal require extra revenue and/or capital spending?</b>	Y/N
<b>If so, how much?</b>	N/A
<b>What is the source of Funding?</b>	N/A
<b>Has this Funding Source been agreed with the Chamberlain's Department?</b>	N/A
<b>Report of: Town Clerk</b>	<b>For Information</b>
<b>Report author:</b> John Cater, Committee Clerk, Finance Committee	

## Summary

On 19 July 2016, the Finance Committee agreed that, in addition to draft minutes of Sub-Committee meetings, short reports be provided to advise the Committee of the main issues considered by the Sub-Committees at recent meetings. This report sets out some of the main public issues considered by the following Sub Committees since 16<sup>th</sup> February 2021:

### Digital Services Sub-Committee – 26<sup>th</sup> March 2021

#### **Modern.gov App - Digital Access to Committee Documentation**

The Sub Committee considered a joint report of the Town Clerk and the Chamberlain considering proposals to enhance user participation at committee meetings and support paperless working and electronic access to committee documents.

Members were supportive of a pilot to test the enhanced functionality of the Modern.gov app but had reservations in respect of:

- The availability of non-public/confidential papers
- The user interface for non-CoL Members
- Access on non-CoL devices
- The likelihood that Local Authority business could no longer be conducted at virtual meetings beyond 6<sup>th</sup> May 2021.
- There would be occasions when hard copies of agenda packs would be required

It was also felt that the pilot should not be restricted to Digital Services Sub Committee Members only.

The Sub Committee has agreed that

- All CoL Members (including Co-optees), be invited to participate in a three month pilot;
- A status updates be provided to future meetings;

- If necessary, the pilot is extended and findings reported to the Sub Committee before any final recommendations are made to your Committee and the Court of Common Council.

### **Efficiency & Performance Sub-Committee – 30<sup>th</sup> March 2021**

The Sub-Committee held an extensive discussion concerning our future ways of working.

In summary, several points/actions were raised:

#### **Coordination between Officer Groups and Members**

It was critical that all Members played a central role in helping to shape the Corporation's post-pandemic plans for different ways of working; as a starting point, the Sub-Committee asked the Committee Clerk to produce, and distribute to all Court Members, a briefing note outlining the Sub-Committee's views and concerns around the medium-to-long term outlook for our future ways-of-working.

In the meantime, the Chamberlain would liaise with the (officer composed) 'Return to the Office Working Group' and other relevant Chief Officers, to highlight the Sub-Committee concerns and ensure that Member views were being embedded in the Corporation's planning.

#### **Property, IT and people**

It was clear that any proposals that emerge had to be predicated on the need to be cognizant of:

- the scope of what we are physically able to do in the current operational buildings (e.g. social distancing);
- how we can build upon the really positive contribution that our IT infrastructure has made during the response to the pandemic, as well as recognising the limits of IT enabled remote working; and
- the vital need to bring our workforce with us by recognising that there will be different requirements (that may require us to examine incentives and/or changes to the actual physical space in Guildhall), and contrasting experiences of the past 12 months which will shape attitudes to future ways of working.

#### **What benefits can we capture**

Whilst Members were keen that a meaningful shift back to Guildhall (and other operational buildings) took place as the Govt began to lift restrictions, it was vital that we learn the lessons of the past 12 months and capture efficiencies and better ways of working for the longer term. It was also apparent that, post-covid, our space requirements would be permanently reduced which could deliver significant savings and commercial opportunities further down the line.

#### **Timeline for Strategy – pace plan of the actions that we need to take**

Members cautioned that the strategy would take time to develop and implement. Whilst we needed to avoid rushing into introducing multiple new measures all at the same time, they would be very interested to see a broad 12-18 month timeline developed which

could serve as a roadmap. Officers would consult with relevant colleagues and come back to the Sub-Committee in due course.

**Procurement Sub Committee – 12<sup>th</sup> April 2021**

PSC Meeting will be held after the publication of the FC agenda pack – a summary note will be circulated to FC Members in advance of our meeting on 13/04.

**Recommendations**

The Committee is asked to note the report.

**John Cater**

Senior Committee Services Officer, Town Clerk's Department

[john.cater@cityoflondon.gov.uk](mailto:john.cater@cityoflondon.gov.uk)

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<b>Committee(s)</b>	<b>Dated:</b>
Finance Committee	13 April 2021
<b>Subject:</b> Chamberlain's Department Risk Management – Monthly Report	<b>Public</b>
<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> Chamberlain	<b>For Information</b>
<b>Report author:</b> Leah Woodlock, Chamberlain's Department	

## Summary

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

There is currently one RED risk on the Corporate Risk Register within the responsibility of Chamberlain's Department, there are no RED risks currently listed on the departmental risk register. Please see the RED corporate risk listed below:

- **CR23 – Police Funding**

It is now proposed to reduce the risk to amber, while continuing to monitor as a Corporate risk for the next 6 months, which allows for re-escalation if further mitigations are required.

## Recommendation(s)

Members are asked to note the report.

## Main Report

### Background

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

### Current Position

2. This report provides an update on the current RED risk that exists in relation to the operations of the Chamberlain's department and any risks that have been reduced from red since the last update.

### **CR23 – Police Funding (Current Risk: Amber – proposed change)**

3. Audit and Risk Management Committee in January 2021 undertook a deep dive on CR23. While CoLP financial risks will require continued monitoring, a balanced budget is being set for 21/22, including the additional 12% savings requirement. It is therefore proposed to reduce the risk to ‘amber’ and continue to monitor as a corporate risk for the next 6 months, allowing for re-escalation if further mitigations are required. Then, subject to financial management being assessed as on a sustainable footing, to incorporate relevant elements into the Corporation’s Medium-Term Financial Plan risk (CR35) and devolve it to the Police Authority Board risk register.

### **CR35 – Unsustainable Medium-Term Finances (Current Risk: Amber – reduced from Red)**

4. A deep dive report of CR35 (circulated as a separate report) was taken to March Audit & Risk Management Committee, where Members agreed to de-escalate this risk score from a red (24) to the target score of amber (12) following a recommendation from the Chamberlain.

### **Conclusion**

5. Members are asked to note the actions taken by Chamberlain’s Department to manage the one RED finance risk. Actions aim to continue monitoring and reducing the risk level and will be reported on at future Finance Committees.

### **Appendices**

- Chamberlain’s Department Risk Register

### **Background Papers**

Appendix 1 - CHB Corporate and Departmental Risk Register

### **Leah Woodlock**

Chamberlain’s Department

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

**Report Author:** Leah Woodlock

**Generated on:** 24 March 2021

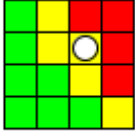
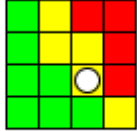



Rows are sorted by Risk Score

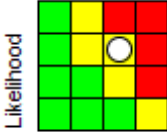
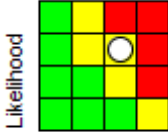

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Updated Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
R23 Police Funding 21-Nov-2016	<b>Cause:</b> Reduction in government funding, workforce costs and growing demand in Policing services leading to pressures for the City Fund -Police. <b>Event:</b> Reduction in government funding. Failure to deliver VfM savings. Budget deficit forecast for next 5 years requiring action to balance the budget <b>Effect:</b> Potential impact on security and safety in the City as need to make savings, prioritise activity, review funding City of London Police will be unable to maintain a balanced budget and current service levels as reflected in their Medium Term Financial Plan.	 Likelihood Impact <i>Proposed</i>	12	<ul style="list-style-type: none"> <li>Updated MTFP prepared for February Police Authority Board in light of 21/22 Home Office settlement and the CoLC 12% savings requirement. Assumes that future funding settlements not inflation linked and use of £4m underspend to advance repayment of Action Fraud loan. Balanced budget being set for 21/22. In subsequent years MTFP shows growing deficits across medium-term.</li> <li>Key risks to Police finances include future Action Fraud costs, savings identification and delivery, reduction in Counter-Terrorism funding and potential COVID 19 impacts on commercial income sources and Business Rate Premium intake.</li> </ul>	 Likelihood Impact	12	31-Mar-2021	

Ian Dyson; Peter Kane							Reduce	Decreasing
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Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CR23g	Implement sustainable medium-term financial settlement for CoLP: - Revenue position, Capital financing	Loan based capital financing model implemented for 20/21. Balanced budget being set for 21/22 Savings plans need to be developed for future year deficits, plus Action Fraud and other pressures / risks.		24-Mar-2021	31-Mar-2021

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
<b>CR16 Information Security (formerly CHB IT 030)</b>  10-May-2019 Peter Kane	<b>Cause:</b> Breach of IT Systems resulting in unauthorised access to data by internal or external sources. Officer/ Member mishandling of information. <b>Event:</b> The City Corporation does not adequately prepare, maintain robust (and where appropriate improve) effective IT security systems and procedures. <b>Effect:</b> Failure of all or part of the IT Infrastructure, with associated business systems failures. Harm to individuals, a breach of legislation such as the Data Protection Act 2018. Incur a monetary penalty of up to €20M. Compliance enforcement action. Corruption of data. Reputational damage to Corporation as effective body.	 Likelihood	<b>12</b>  <b>Impact</b>	Regular security updates have been provided to relevant people throughout COVID.  All Staff Mandatory Security training to be held in March. Submitted to the Cabinet Office.  <b>07 Mar 2021</b>	 Likelihood	<b>8</b>  <b>Impact</b>	30-Jun-2021	 Constant
							Reduce	

Action no	Action description	Latest Note		Action owner	Latest Note Date	Due Date
CR16j	CR16j An update IT Security Roadmap has been developed which has informed work activity for 20/21 and a capital bid for new security tools.	The staff training and awareness of IT security continues during 20/21 under the oversight of the Information Management Board led by our SIRO Michael Cogher. Security campaign to be run in Oct 2020. During COVID regular security messages being sent out. The NCSC training to be rolled out to all staff.		Gary Brailsford-Hart	07-Mar-2021	31-May-2021
CR16k	Final stages of completing information security projects which will mean that we can assure Members that the City of London Corporation has implemented all the national government recommended security practices and technology achieving a maturity level of 4.	New Security Projects being planned to fit the funding of £250K that was allocated. Gateway paper will be submitted		Gary Brailsford-Hart	07-Mar-2021	31-May-2021

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
<b>CR35</b> <b>Unsustainable Medium-Term Finances</b>  19-Jun-2020 Caroline Al-Beyerty  Page 24	<b>Causes:</b> Anticipated decline in public sector funding (local government and Police), increasing demands (revenue and capital) and an ambitious programme of major project delivery threaten our ability to continue to deliver a vibrant and thriving Square Mile Normal course of business unable to function due to COVID 19 restrictions BREXIT compounding market uncertainty and exacerbating the economic downturn. Major contraction in key income streams and increase in bad debts. In particular that lower occupancy levels in city properties reduce investment property income over the medium term. Police Transform programme fails to realise the budget mitigations anticipated Reduction in the value of investments- property and securities- reduces available capital for major project financing. <b>Event:</b> Inability to contain financial pressures within year (2020/21) and compensatory savings and/or income generation to meet the Corporation's forecast medium term financial deficit will not be realised. <b>Effects:</b> Additional savings over and above those identified through the Fundamental Review to meet this challenge are required and/or closure in some areas reserves are utilised and/or services stopped. The City Corporation's reputation is damaged due to failure to meet financial objectives or the need to reduce services / service levels to business and community. Being unable to set a balanced budget which is a statutory requirement for City Fund. Spend is not aligned to Corporate Plan outcomes resulting in suboptimal use of resources and/or poor performance. Capital projects stalled due to COVID restrictions. Stakeholders experiencing reduced services and service closures.	 Likelihood Impact	12	The A&RMC agreed to de-escalate this risk score from a red 24 to an amber 12 following a recommendation from the Chamberlain. (see A&RMC report of 23 March 2021)  <b>23 Mar 2021</b>	 Likelihood Impact	12	31-Mar-2021	  Decreasing
							Accept	

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CR 35a	A reduction in key income streams and increase in bad debt	This is being monitored monthly, with action being taken to reduce spend where possible. Budget forecast for 21/22 includes reduced income, with recovery profiled across the medium term.	Sonia Virdee	24-Mar-2021	31-Mar-2021
CR 35b	To reduce strain on cash flow.	<ul style="list-style-type: none"> <li>The Corporation remains very liquid and the outlook for near term cash flows is robust.</li> <li>Cash flowing modelling for major commitments is being carried out. Next tranche, £200m, of private placement monies for City's Cash will be in July 2021.</li> </ul>	James Graham; Sonia Virdee	24-Mar-2021	31-Mar-2021
CR 35c	Increased expenditure related to COVID measures- maximise recovery from government	<ul style="list-style-type: none"> <li>Maximising recovery from government- spend is being coded and monitored. Estimated claim of up to £11.7m for loss of fees &amp; charges on City Fund. Total claim made to date is £5.3m (£1.5m received for qtr1 and £3.8m pending).</li> <li>Furloughing workers where appropriate has been done recovering £4m to end of January</li> </ul>	Sonia Virdee	24-Mar-2021	31-Mar-2021
CR 35d	Inability of occupiers to pay rates as their income falls as business models are damaged. A reduction in demand for office space in the square mile, leading to lower occupation and business rate income. The Corporation is currently benefitting from growth in business rates retained income of c£40m. Non-payment of rates across London leading to difficulties in meeting cash flow payments as host of the pool.	<ul style="list-style-type: none"> <li>Monthly monitoring in place. The impact of COVID-19 has been to lower the collection rate for business rates. Collection now 4.9% below previous year, an improvement from 6% in December.</li> <li>The Govt has recognised the cashflow impacts of business rates and has deferred its share for April-June, which has been re-profiled over the remainder of the year. The Govt is also allowing authorities to spread the impact of business rate deficits over 3 years.</li> <li>The impact of business rate appeal linked to COVID could be significant. Not clear what the approach will be from the VoA. Liaising with MHCLG on potential solutions. Impacts will continue to be monitored.</li> </ul>	Phil Black	24-Mar-2021	31-Mar-2021
CR 35e	Impact on investments: securities/property	<ul style="list-style-type: none"> <li>The values of the three main financial investment portfolios have continued to grow steadily</li> <li>COL's Pension Fund contributions are fixed until 2023, providing some protection, whilst the diversified asset allocation strategies and use of active management across all three funds should continue to deliver some stability if general market moves become extreme again.</li> <li>Our voids have not increased significantly, the latest vacancy report, as at 1st December, showed our vacancy rate was 2.52%, which was lower than the City vacancy rate of 5.1% and the West End vacancy rate of 5.9%. There was a slight increase of 15,232 sq ft in vacant space from 1st June to 1st December.</li> </ul>	Nicholas Gill; James Graham	24-Mar-2021	31-Mar-2021
CR 35f	Impact on the MTFP	<ul style="list-style-type: none"> <li>Lower investment income modelled into MTFP and business rate reset in 22/23.</li> <li>Sums to mitigate risk are being held in Reserves- £30m on City Fund and £20m on BHE. Already drawing down on City's Cash Reserves by £526m across the planning horizon to 2024/25 (which is sustainable given modelling of balance sheet recovery)</li> </ul>	Caroline Al-Beyerty	24-Mar-2021	31-Mar-2021

		<ul style="list-style-type: none"> <li>• FR proposals affecting staff put into abeyance during CoLC's response to Covid-19.</li> <li>• FR proposals affected by COVID have been reprofiled.</li> </ul>			
CR 35h	To implement the Fundamental Review project plan-TOM	<ul style="list-style-type: none"> <li>• FR proposals affecting staff put into abeyance during CoLC's response to Covid-19.</li> <li>• The Flexible Retirement Scheme for those aged 60+ is currently being implemented.</li> <li>• Other savings relating to organisation design and an associated reduction in headcount are expected to begin from the new financial year, with full year impact in 2022/23.</li> </ul>	Chrissie Morgan	24-Mar-2021	31-Mar-2021

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
<b>CHB IT 004 Business Continuity</b>  30-Mar-2017 Sean Green <b>Page 27</b>	<b>Cause:</b> A lack of robust infrastructure and restore procedures are not in place on aging infrastructure. Secondly, there is a lack of resilient or reliable Power services or Uninterruptable Power Supply (UPS) provision in multiple Comms rooms and datacentres in COL and COLP buildings. <b>Event:</b> The IT Division cannot provide assurance of availability or timely restoration of core business services in the event of a DR incident or system failure. There will be intermittent power outages of varying durations affecting these areas/buildings. <b>Effect:</b> The disaster recovery response of the IT Division is unlikely to meet the needs of COL leading to significant business interruption and serious operational difficulties. • Essential/critical Systems or information services are unavailable for an unacceptable amount of time • Recovery of failed services takes longer than planned • Adverse user/member comments/feedback • Adverse impact on the reputation of the IT division/Chamberlain's Department	 Likelihood Impact	8	All but one critical services have no been migrated to Microsoft Azure, providing greater resilience therefore Business Continuity and recovery from a DR event.  Part of the Agilisys Contract requires Agilisys to provide a BC/DR plan by the end of March, which will form the basis of the wider IT BCDR Plan and should provide clarity of the procedures for COL and COLP's critical services.  <b>12 Mar 2021</b>	 Likelihood Impact	4	30-Jun-2021	 Constant

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB IT 004k	RPO and RTO of Critical Apps	Following the Migration into Azure of COL's applications and services, the RPO and RTO capabilities will be redefined once optimisation and consolidation has taken place. COL IT Believe these new capabilities will exceed the current requirements, but these will be confirmed with the business owner for each Critical application and adjustments made where required.	Matt Gosden	12-Mar-2021	30-Jun-2021
CHB IT 004l	Gateway paper to be drafted to release funds for UPS work	Gateway 1-4 paper approved at Committee in December 2020. GW5 in progress following kick off meeting with relevant supplier.	Matt Gosden	12-Mar-2021	30-Jun-2021
CHB IT 004m	Repurpose GJR Comms Room	Spatial and CBIS have been successfully migrated from IAAS/GJR, work is ongoing on the telephony solution	Kevin Mulcahy	12-Mar-2021	30-Apr-2021
CHB IT 004n	Produce IT-wide BC/DR Plan	Based on the Agilisys-specific plan to be delivered by end Match 2021, develop an IT-wide BCDR Plan, including at least three critical services.	Matt Gosden	12-Mar-2021	31-Oct-2021





<b>Committees:</b> Audit & Risk Management Committee – For Decision Finance Committee – For Information	<b>Dated:</b> 23 March 2021 13 April 2021
<b>Subject:</b> Deep Dive Review of CR35 - Unsustainable Medium-Term Finances	<b>Public</b>
<b>Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?</b>	7
<b>Does this proposal require extra revenue and/or capital spending?</b>	N
<b>If so, how much?</b>	N/A
<b>What is the source of Funding?</b>	N/A
<b>Has this Funding Source been agreed with the Chamberlain's Department?</b>	N/A
<b>Report of:</b> Chamberlain	<b>For Information</b>
<b>Report author:</b> Caroline Al-Beyerty, Deputy Chamberlain	

## Summary

This deep dive report updates the CR35 risk on the Corporation's Medium-Term Finances. This is timely as the Court on 4 March agreed the budget plans for 2021/22 and the medium-term financial plan (MTFP) and aligns with the target risk date of end March for reviewing and moving the Risk from Red 24 to Amber 12.

Although significant challenges lie ahead in terms of savings implementation (including from TOM implementation), income loss (from rental, Business Rate and Barbican income) and external threats, the key mitigations are nonetheless in place, which means that Members can now revisit the RAG status of the risk.

The officer review process which precedes a recommendation to the Audit and Risk Management Committee has been completed, but is supportive of a move from Red to Amber on the understanding that it could be re-escalated to Red in the event of changes to the external environment and delays in internal mitigations, which will be tracked by the Efficiency & Performance Sub-Committee.

The January Audit and Risk Management Committee undertook a deep dive on the Police funding risk (CR23). Proposed next steps for this risk are firstly to retain it as a separate corporate risk for the next 6 months and then to consider whether to incorporate relevant elements into the Corporation's Medium-Term Financial Plan risk (CR35) and devolve it to the Police Authority risk register.

## Recommendations:

FC Members are asked to:

- Note the Report

A&RM Members are asked to:

- endorse the officer recommendation to adjust the RAG status from Red to Amber, in line with the target risk score, following the adoption of key mitigations.
- note the proposal to retain the Police funding risk as a separate corporate risk for the next 6 months and then to consider whether to integrate into the wider finance risk, subject to progress on moving to sustainable budget plans.

## **Main Report**

### **Background**

1. The CR35 Unsustainable Medium-Term Finances risk was endorsed by the Audit & Risk Management Committee in July 2020; the purpose of the risk was to consolidate and clearly capture the risk exposure to the City Corporation's finances both in the short and medium-term. CR35 highlights a number of key areas of risk and mitigating actions have been put in place.

### **Current Position**

2. The CR35 Unsustainable Medium-Term Finances Risk has had a risk score of red 24, prior to meeting the target score of 12 by 31 March 2021.
3. **In year position:** Budget adjustments of £29.9m across all funds were agreed by the Court of Common Council in December 2020 - comprising £17.2m to local risk budgets and £12.7m for anticipated investment income losses. Mitigations include spend reduction; furloughing of staff not able to work; and recovery of lost City Fund income from the government's compensation scheme expected to be £11.7m. Against the revised budget, the anticipated year end position is an overspend of £1.8m, mainly in City's Cash.
4. **Across the medium-term horizon**, the greatest risks to financial sustainability are loss of investment income on all funds; volatility in retained business rate income in City Fund from appeals; and delays in flight-path savings. Sums to mitigate risk are being held in Reserves - £30m on City Fund and £20m on BHE (on a holding basis only). The City Corporation is already drawing down on City's Cash Reserves by £526m across the planning horizon to 2024/25, which is sustainable over the medium term, but not if that rate of drawdown is continued in the longer 10-year horizon.
5. **Actions/Mitigations:** there are seven key actions that were assigned to mitigate this risk by the target date.

### **CR 35a - Tracking and where possible limiting the negative impact on key income streams and bad debt**

6. Income streams and debt levels are being monitored on a monthly basis; and the key income streams regarding investment property and business rates are covered in more detail below. The Budget for 21/22 includes reduced income from both rents and business rates, with recovery profiled across the medium term.

**CR 35b – Securing flight path savings and understanding service impacts**

7. Scrutiny/monitoring of flight path savings was approved by the Efficiency and Performance Sub Committee on 26<sup>th</sup> February. To provide reassurance to Members that the flight path savings remain on track, officers are seeking to track information, at departmental and corporate levels, regarding performance against the Fundamental Review programme, the 12% savings target and the Target Operating Model programme, so appropriate mitigating action can be taken where necessary.

**CR 35c - To reduce strain on cash flow.**

8. The cash flow position is holding up well. The City Corporation remains liquid and the outlook for near term cash flows is robust. Cash flow modelling for major commitments is being carried out and will be reported to Financial Investment Board in May 2021. The next tranche of private placement monies, £200m, for City's Cash will be received in July 2021.

**CR 35d – Maximising the recovery from government of increased expenditure related to COVID measures**

9. Covid related spend is being coded and monitored, with an estimated claim of up to £10m for loss of fees & charges on City Fund. Total claim made to date is £5.3m (£1.5m received for qtr1 and £3.8m pending). The use of the furlough scheme has resulted in the recovery of £4m to end of January.

**CR 35e – Mitigating the impact of Business Rate income shortfall**

10. The impact of COVID-19 has been to lower the collection rate for business rates. Collection is now 4.9% below previous year, an improvement from 6% in December. Modelling a more pessimistic view on retained business rates income in 2021/22 removes almost all of the current £27m growth - pushing City Fund into an estimated £19m deficit.
11. Central Government has recognised the cashflow impacts of business rates and has deferred its share for April-June, which has been re-profiled over the remainder of the year. The Government is also allowing authorities to spread the impact of business rate deficits over 3 years.
12. However, the impact of business rate appeals linked to COVID could be far more significant. It is currently unclear what the approach from the Valuation Office will be, nor has the interaction with wider business rate income issues been clarified. But moves for potentially large-scale reductions in rateable value appear to be on hold for now. The Deputy Chamberlain, with the Society of London Treasurers, is liaising with MHCLG on the severity of the potential impact across the whole of local government financing with a view to establishing a funding solution.

**CR 35f – Managing the impact on our investment assets**

13. The values of the City's Cash and BHE financial investment portfolios have continued to grow steadily following the downturn in financial markets in March 2020. As at 31 December 2020, the City's Cash and BHE financial investment portfolios have an estimated value of £874m and £837m, respectively. Consequently, both portfolios have fully recovered the losses experienced during

March's disruptive market conditions, and both portfolios now exceed their pre-Covid (December 2019) valuations by 9%. Future performance over 2021 will likely be determined by virus-related developments; the pace and extent of the global economic recovery; and the ability of the Corporation's appointed specialist fund managers to meet their individual objectives. The Financial Investment Board (which oversees the Corporation's financial investment activity) manages this uncertainty by diversifying sources of risk and return amongst and within major asset classes and by maintaining vigilant oversight of individual asset managers' capacity to add value and enhance performance.

14. On investment properties: arrears stand at 15.86% against a target of 1% which is equivalent to £28.8m, most of which is rent. Of these £28.8m arrears £7.4m relates to deferred rent due to be repaid, monthly, over the coming year. £25m relate to rent service charges.
15. The main effort is to ensure that the portfolio remains tenanted. Rent concessions (rent frees and rent deferrals) together with turnover rents for retail and food & beverage are aimed at retaining as many tenants as possible. If tenants default, there is a high risk of long periods (void marketing/letting period and rent free incentives totalling up to 24 months) before properties are income producing again. Although some tenants have gone into administration, our voids have not increased significantly. The latest vacancy report, as at 1st December, showed our vacancy rate was 2.52%, which was lower than the City vacancy rate of 5.1% and the West End vacancy rate of 5.9%. There was a slight increase of 15,232 sq ft in vacant space from 1st June to 1st December.

#### **CR 35g – Managing the Impact on the MTFP**

16. For 2021/22, the City Corporation is responding to the financial challenge in two ways:
  - a general budget reduction of 12% in 2021/22 for the local authority City Fund and City's Cash; and
  - making organisational efficiencies through a new target operating model which will make an increasing contribution over the medium term.
17. These measures put the City Corporation on track for a sustainable Medium-Term Financial Plan. But with a global pandemic and worsening economic position, pressures and risks for the City Corporation's finances will continue into the 2021/22 fiscal year. The task to secure the future savings 'flight path' remains and there is a need to manage the significant remaining COVID risks and unprecedented range of external challenges e.g. Local Government and Police Spending Reviews and Business Rates income fluctuations. Lower levels of investment income, with a recovery period and a business rate reset in 2022/23 have been modelled to stress test the impact on the MTFP. Further work will be needed to identify savings that meet the full extent of the financial gap over the medium-term and provide a build back better/new priorities fund for new policy initiatives, principally the Climate Action Strategy. For this reason, £30m is being held within City Fund reserves to mitigate the above risks.
18. Bridge House Estates has also been hard hit by COVID income losses and £20m of the £200m unrestricted funds previously allocated for charitable funding will be

retained until such time as the charity is able to confirm the original allocation can be supported.

#### **CR 35h - Reassessing the Fundamental Review project plan**

19. Action migrated into CR 35i below.

#### **CR 35i Implementing Target Operating Model and FR Savings**

20. Fundamental Review proposals affecting staff were put into abeyance during the City Corporation's response to Covid-19. The Flexible Retirement Scheme for those aged 60+ is currently being implemented. Other savings relating to organisation design and an associated reduction in headcount are expected to begin from the new financial year, with full year impact in 2022/23. Performance monitoring will be undertaken by the Efficiency and Performance Sub Committee to ensure delivery of flight path savings and impact on service delivery.

#### **Conclusion**

The measures and mitigations outlined in this report put the City Corporation on track for a sustainable Medium-Term Financial Plan. But with a global pandemic and uncertain economic position, pressures and risks for the City Corporation's finances will continue into the 2021/22 fiscal year and beyond. It is therefore recommended that the risk be moved from Red to Amber by the end March target date, on the understanding that it could be re-escalated again in the event of a material change in the external environment or delays in internal mitigations.

#### **Appendices**

- Appendix 1 – CR35 Risk

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

**Report Author:** Leah Woodlock

**Generated on:** 11 March 2021



Rows are sorted by Risk Score

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
CR35 Sustainable Medium Term Finances	<p><b>Causes:</b></p> <p>Anticipated decline in public sector funding (local government and Police), increasing demands (revenue and capital) and an ambitious programme of major project delivery threaten our ability to continue to deliver a vibrant and thriving Square Mile</p> <p>Normal course of business unable to function due to COVID 19 restrictions</p> <p>BREXIT compounding market uncertainty and exacerbating the economic downturn.</p> <p>Major contraction in key income streams and increase in bad debts. In particular, that lower occupancy levels in city properties reduce investment property income over the medium term.</p> <p>Police Transform programme fails to realise the budget mitigations anticipated.</p> <p>Reduction in the value of investments- property and securities- reduces available capital for major project financing.</p>	<p>Likelihood</p> <p>Impact</p>	24	<p>Budget adjustments of £29.9m across all funds agreed by Court on December 2020- comprising £17.2m to local risk budgets and £12.7m for anticipated investment income losses. Mitigations include spend reduction; furloughing of casual staff and permanent staff not able to work; and recovery of lost City Fund income from the government's compensation scheme expected to be £11.7m. Post changes- anticipated year end overspend of £1.8m, mainly in City's Cash.</p> <p>Cash flow position is holding up well.</p> <p>Balance Sheet- valuers are currently estimating property valuations for year end.</p>	<p>Likelihood</p> <p>Impact</p>	12	31-Mar-2021	Reducing 

Page 35 19-Jun-2020 Caroline Al-Beyerty	<p><b>Event:</b> Inability to contain financial pressures within year (2020/21) and compensatory savings and/or income generation to meet the Corporation's forecast medium term financial deficit will not be realised.</p> <p><b>Effects:</b>  Additional savings over and above those identified through the Fundamental Review to meet this challenge are required and/or closure in some areas reserves are utilised and/or services stopped.  The City Corporation's reputation is damaged due to failure to meet financial objectives or the need to reduce services / service levels to business and community.  Being unable to set a balanced budget which is a statutory requirement for City Fund.  Spend is not aligned to Corporate Plan outcomes resulting in suboptimal use of resources and/or poor performance.  Capital projects stalled due to COVID restrictions.  Stakeholders experiencing reduced services and service closures.</p>			<p>Securities portfolio- after an initial drop has largely recovered the Dec 2019 valuation.</p> <p>Medium term horizon- greatest risks are loss of investment income on all funds; and volatility in retained business rate income in City Fund from appeals. Sums to mitigate risk are being held in Reserves- £30m on City Fund and £20m on BHE.  Already drawing down on City's Cash Reserves by £526m across the planning horizon to 2024/25 (which is sustainable given modelling of balance sheet recovery).</p> <p>Performance monitoring undertaken by Efficiency and Performance Sub Committee to ensure delivery of flight path savings and impact on service delivery.</p> <p>Target risk met.</p> <p><b>5 March 2021</b></p>					Constant

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CR 35a	A reduction in key income streams and increase in bad debt	This is being monitored monthly, with action being taken to reduce spend where possible. Budget forecast for 21/22 includes reduced income, with recovery profiled across the medium term.	Sonia Virdee	11 Mar 2021	31-Mar-2021
CR 35b	To reduce strain on cash flow.	<ul style="list-style-type: none"> <li>The Corporation remains very liquid and the outlook for near term cash flows is robust.</li> <li>Cash flowing modelling for major commitments is being carried out. Next tranche, £200m, of private placement monies for City's Cash will be in July 2021.</li> </ul>	James Graham; Sonia Virdee	11 Mar 2021	31-Mar-2021

CR 35c	Increased expenditure related to COVID measures- maximise recovery from government	<ul style="list-style-type: none"> <li>• Maximising recovery from government- spend is being coded and monitored. Estimated claim of up to £11.7m for loss of fees &amp; charges on City Fund. Total claim made to date is £5.3m (£1.5m received for qtr1 and £3.8m pending).</li> <li>• Furloughing workers where appropriate has been done recovering £4m to end of January</li> </ul>	Sonia Virdee	11 Mar 2021	31-Mar-2021
CR 35d	Inability of occupiers to pay rates as their income falls as business models are damaged. A reduction in demand for office space in the square mile, leading to lower occupation and business rate income. The Corporation is currently benefitting from growth in business rates retained income of c£40m. Non-payment of rates across London leading to difficulties in meeting cash flow payments as host of the pool.	<ul style="list-style-type: none"> <li>• Monthly monitoring in place. The impact of COVID-19 has been to lower the collection rate for business rates. Collection now 4.9% below previous year, an improvement from 6% in December.</li> <li>• The Govt has recognised the cashflow impacts of business rates and has deferred its share for April-June, which has been re-profiled over the remainder of the year. The Govt is also allowing authorities to spread the impact of business rate deficits over 3 years.</li> <li>• The impact of business rate appeal linked to COVID could be significant. Not clear what the approach will be from the VoA. Liaising with MHCLG on potential solutions. Impacts will continue to be monitored.</li> </ul>	Phil Black	11 Mar 2021	31-Mar-2021
CR 35e	Impact on investments: securities/property	<ul style="list-style-type: none"> <li>• The values of the three main financial investment portfolios have continued to grow steadily</li> <li>• COL's Pension Fund contributions are fixed until 2023, providing some protection, whilst the diversified asset allocation strategies and use of active management across all three funds should continue to deliver some stability if general market moves become extreme again.</li> <li>• Our voids have not increased significantly, the latest vacancy report, as at 1st December, showed our vacancy rate was 2.52%, which was lower than the City vacancy rate of 5.1% and the West End vacancy rate of 5.9%. There was a slight increase of 15,232 sq ft in vacant space from 1st June to 1st December.</li> </ul>	Nicholas Gill; James Graham	11 Mar 2021	31-Mar-2021
CR 35f	Impact on the MTFP	<ul style="list-style-type: none"> <li>• Lower investment income modelled into MTFP and business rate reset in 22/23.</li> <li>• Sums to mitigate risk are being held in Reserves- £30m on City Fund and £20m on BHE. Already drawing down on City's Cash Reserves by £526m across the planning horizon to 2024/25 (which is sustainable given modelling of balance sheet recovery)</li> <li>FR proposals affecting staff put into abeyance during CoLC's response to Covid-19.</li> <li>• FR proposals affected by COVID have been reprofiled.</li> </ul>	Caroline Al-Beyerty	11 Mar 2021	31-Mar-2021
CR 35h	To implement the Fundamental Review project plan-TOM	<ul style="list-style-type: none"> <li>• FR proposals affecting staff put into abeyance during CoLC's response to Covid-19.</li> <li>• The Flexible Retirement Scheme for those aged 60+ is currently being implemented.</li> <li>• Other savings relating to organisation design and an associated reduction in headcount are expected to begin from the new financial year, with full year impact in 2022/23.</li> </ul>	Chrissie Morgan	11 Mar 2021	31-Mar-2021



<b>Committee:</b> Finance Committee	<b>Dated:</b> 13 <sup>th</sup> April 2021
<b>Subject:</b> Review of the Financial Regulations	<b>Public</b>
<b>Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?</b>	9,10
<b>Does this proposal require extra revenue and/or capital spending?</b>	N
<b>If so, how much?</b>	N/A
<b>What is the source of Funding?</b>	
<b>Has this Funding Source been agreed with the Chamberlain's Department?</b>	N/A
<b>Report of: Chamberlain</b>	<b>For Decision</b>
<b>Report author:</b> John James, Chamberlain's Department	

## PUBLIC

### Summary

The City's Financial Regulations set out procedures for officers to follow when managing the City's financial affairs. The regulations are maintained by Finance Committee and were last reviewed in 2018. This report is the subject of a recent review undertaken by the Chamberlain's department, which makes recommendations of a number of changes to update the regulations and deal with gaps and inconsistencies.

During the review attention was also given to streamlining the regulations, making amendments or deletions, where appropriate. The simple act of bringing the two sets of regulations together into one document has also helped this considerably.

The updated draft regulations for consideration are attached at Appendix A together with a matrix, attached at Appendix B, which details the changes made to the existing regulations.

Going forward it is proposed to review these regulations on a more frequent basis with proposed changes coming to your committee at least on an annual basis. This will assist the process of streamlining of the regulations as it will allow them to be further honed over time.

### Recommendations

Members are asked to

1. Critically examine and if satisfied agree the revised Financial Regulations set out in Appendix A;

2. Agree a delegation to the Chamberlain to amend the regulations in respect of any changes in the title or responsibilities of any chief officer named in the regulations arising from the Target Operating Model.
3. Agree a delegation to the Chamberlain to amend the regulations to reflect any changes of committee responsibilities arising from the establishment of the Bridge House Estates Board and the consequent revisions to other committees' terms of reference; and
4. Note that in future the regulations will be regularly reviewed, and proposed changes presented to Finance Committee on an annual basis.

## **Main Report**

### **Background**

1. The City's Financial Regulations are governed by Standing Order 49 of Court of Common Council which states that:
  - i. The Financial Regulations form part of the City's overall system of financial management, accountability and control and shall be complied with by all City of London Corporation staff.
  - ii. The Financial Regulations are maintained by the Finance Committee.
2. These regulations were last reviewed in 2018 and a working party established by the Chamberlain's Department has recently undertaken a review. The working party consisted of Chamberlain's Financial Services Division staff together with a representative from City Procurement and from the Town Clerk's Corporate Programme Monitoring Office.
3. Financial regulations lay down the procedures that officers should apply when managing the City's financial affairs. It is therefore, important the Financial regulations are clear and kept up to date.
4. The review had three key aims.
  - a. To identify gaps and inconsistencies in the current regulations, to streamline the regulations where appropriate, and to improve consistency, efficiency and clarity.
  - b. To bring all the regulations together in one document. The current regulations are split into two documents, part one and part two, which makes them more difficult for officers to use.

- c. To check the interrelationship with City regulations and procedures such as Standing Orders; Procurement Regulations; and the Project Procedures, to ensure there is consistency.
5. In undertaking this work, in addition to the members of the working party, advice was sought from a number of teams including Internal Audit, City Revenues, HR, Payroll, Accounts Payable, Insurance, and IT. Their comments have been incorporated into the revised regulations

## **Current Position**

6. The draft regulations are set out at Appendix A. Due to the significant number of changes a matrix is attached at Appendix B which provides full details of the changes made.
7. Many of the changes are presentational or are as a result of merging the part 2 regulations with part 1 into a single document. However, some areas have more significant changes. These include
  - *Section 2 Resource Allocation Revenue Estimates and Capital Budgets* which includes new guidance on managing capital and revenue budgets.
  - *Section 4 Internal Audit* which includes additional wording on responsibilities of chief officers to provide information requested by Internal Audit.
  - *Section 6 Treasury Management* includes updated wording on chief officer responsibilities.
  - *Section 8 Procurement* includes an increase on P Card limits to £1,000 per transaction.
  - *Section 9 Payment of Accounts* includes a number of changes to bring the regulations in step with best practice.
  - *Section 12 Custody and Security of Assets* includes new wording to clarify that acquire assets with a value in excess of £50k is now subject to the Corporate Project Procedure.
  - *Section 17 Grant- Making* includes clarification that non charitable grant funding for works to achieve corporate outcomes requires authority from either Policy or Capital Buildings committees.
  - *Section 19 Inventories* includes wording to clarify that receipts from the disposal of assets acquired as part of a capital project shall accounted for centrally and not used to supplement local risk budgets.
  - *Section 21 Motor Vehicles* includes new wording on the treatment of proceeds from the disposal of vehicles.

8. Members should also note that in Section 2 wording has been included to reflect the recent decision to allow the ringfencing of Open Spaces fundraising income. This means donations and legacies to the Charities, where necessary, will be allowed to be carried forward in the relevant ring-fenced Charitable reserve for each Charity.

## **Delegations for Changes**

9. At the time of preparing these updated regulations the terms of reference for the new Bridge House Estates Board, and the consequent impact on the terms of reference for other committees, had yet to be finalised. No changes have therefore been reflected in the draft regulations before your committee. It is requested that the Chamberlain is given delegated authority, once the terms of reference for committees are finalised, to reflect these changes in the updated regulations.
10. A similar delegation is being requested in respect of any changes that may be made as part of the Target Operating Model to reflect any changes in title or responsibilities of any chief officer named in the regulations.
11. It should further be noted that other procedures, such as the Procurement Regulations, are currently being reviewed. If changes to these documents impact on the Financial Regulations, it may be necessary to come back to your committee with further changes later in the year.

## **Annual Review**

12. Although the regulations were only reviewed three years ago, this report details a considerable number of proposed changes. It is therefore intended that in the future the regulations will be reviewed periodically with proposed changes brought to your committee on an annual basis.

## **Appendices**

- Appendix A – Draft Financial Regulations
- Appendix B – Matrix of Amendments made to the existing regulations

## **John James**

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# City of London Corporation

## FINANCIAL REGULATIONS

Approved by the  
Finance Committee  
April 2021



## Contents

SECTION I. INTRODUCTION.....	3
SECTION II. RECENT VERSION HISTORY .....	3
SECTION 1. GENERAL .....	4
SECTION 2. RESOURCE ALLOCATION, REVENUE ESTIMATES AND CAPITAL BUDGETS .....	6
SECTION 3. ACCOUNTING .....	11
SECTION 4. INTERNAL AUDIT.....	13
SECTION 5: RISK MANAGEMENT .....	15
SECTION 6. TREASURY MANAGEMENT .....	17
SECTION 7. INVESTMENTS, BORROWING AND TRUST FUNDS .....	19
SECTION 8. PROCUREMENT .....	20
SECTION 9. PAYMENTS OF ACCOUNTS .....	21
SECTION 10. IMPREST ACCOUNTS (PETTY CASH) .....	24
SECTION 11. TRAVELLING AND SUBSISTENCE CLAIMS.....	26
SECTION 12. CUSTODY AND SECURITY OF ASSETS .....	28
SECTION 13. INSURANCE .....	30
SECTION 14. SECURITY AND DATA PROTECTION .....	31
SECTION 15. INCOME & BANKING ARRANGEMENTS .....	33
SECTION 16. PARTNERSHIPS .....	36
SECTION 17. GRANT-MAKING .....	37
SECTION 18. SALARIES, WAGES AND PENSIONS .....	39
SECTION 19. INVENTORIES.....	40
SECTION 20. STOCKS AND STORES .....	42
SECTION 21. MOTOR VEHICLES .....	43
SECTION 22. ENTERTAINMENT & HOSPITALITY .....	44
SECTION 23. DOCUMENT RETENTION .....	45
SECTION 24. VERIFICATION OF CONTRACTORS AND CONSULTANTS FINAL ACCOUNTS.....	53



## SECTION I. INTRODUCTION

Standing Order 49 of Court of Common Council of the City of London Corporation (the City) states that:

1. The Financial Regulations form part of the City's overall system of financial management, accountability and control and shall be complied with by all City of London Corporation staff.
2. The Financial Regulations are maintained by the Finance Committee.

This version of the Financial Regulations was approved by the Finance Committee on XX April 2021.

All staff have a general responsibility for taking reasonable action to provide for the security of the assets under their control, and for ensuring that the use of these resources is legal, is properly authorised, provides value for money and achieves best value.

Failure to follow Financial Regulations may result in action under disciplinary procedures.

## SECTION II. RECENT VERSION HISTORY

These Regulations builds on and replaces the January 2018 version of the Financial Regulations Part 1 & Part 2 and is intended to be a high-level document that provides a framework to support the City's statutory responsibility for managing its finances.

It also allows the City to further strengthen and improve its approach to finance management enhancing its ability to deliver its corporate aims and objectives successfully.

These regulations should be regularly updated to reflect changes within other policy areas and reference to these Financial Regulations should be made when replacing or updating other policy covered by these regulations.

Date	Comments
<b>October 2005</b>	Updated Financial Regulations
<b>September 2009</b>	Updated Financial Regulations and split Regulations into Part 1 & Part 2
<b>January 2018</b>	Updated Financial Regulations and Financial Regulations Part 2 developed into the Finance Manual.
<b>April 2021</b>	Updated Financial Regulations with Part 1 and part 2 Regulations consolidated into one document.

## SECTION 1. GENERAL

- 1.1 Any report to the Court of Common Council, its committees or its partners which has financial implications should be prepared in consultation with the Chamberlain who shall incorporate in the report such comments as considered necessary. Reports relating to financial matters shall be provided to the Chamberlain in sufficient time for consultation no less than 28 days before the date of the first meeting due to consider the report. The Chamberlain reserves the right to delay the submission of any report with Financial Implications which has not been submitted in time for adequate consideration.
- 1.2 These Financial Regulations use Local Authority compliance as the benchmark for all funds under the City's control, except where otherwise expressly provided for.
- 1.3 For all charities for which the City is Trustee, regard must be had to guidance issued by the Charity Commission in complying with reporting and regulatory requirements.
- 1.4 These Financial Regulations should be read in conjunction with any other instructions relating to financial management, accountability and control, particularly:
  - Standing Orders of the Court of Common Council
  - The Scheme of Delegation
  - Corporate Project Procedures
  - Procurement Code and Rules
  - Employee Handbook
  - Data Protection Policies and Procedures
- 1.5 The Deputy Chamberlain as Head of Profession for Finance in the City shall ensure these Regulations are kept up to date, and report to the Finance Committee recommending any changes considered necessary.
- 1.6 The Deputy Chamberlain shall be consulted in any cases involving the interpretation of the Financial Regulations and their decision, as to their meaning and application shall be final, providing such decision does not have the effect of altering the meaning of a Standing Order or other regulation or contract approved by a Committee or the Court of Common Council.
- 1.7 Notwithstanding the relaxation of certain Financial Regulations relating to the Barbican Centre Managing Director's local risk budget and the execution of the Police Authority's Policing Plan, the Chamberlain reserves the right to demand from the Managing Director and the Commissioner of Police such additional information as is required to fulfil their statutory obligations and their overall financial monitoring responsibilities.
- 1.8 All sums referred to in these Regulations are exclusive of Value Added Tax (VAT) unless specifically stated
- 1.9 All Information Technology (IT) expenditure and development work must conform to the IT Strategy and to standards and other guidance issued by the City's IT Director as Head of

## Profession for IT in the Corporation.

- 1.10 The City's IT Director as Head of Profession for IT shall define the corporate IT standards to be followed by Chief Officers and is to be consulted on related matters such as IT staffing and their remuneration. The corporate IT strategy is to encompass these standards and any other E-business or E-government strategy agreed by the City's IT Director. Each Chief Officer shall ensure that a written departmental IT strategy is produced which conforms to the corporate IT strategy, (and to the corporate E-business and E-government strategies) and that this is submitted annually for the approval of the City's IT Director in the form requested. Expenditure on IT equipment, software and services which does not conform to the approved departmental strategy shall be the subject of a prior written proposal for the approval of the City's IT Director.
- 1.11 Chief Officers are responsible for ensuring that all staff in their departments are aware of the existence and content of the Financial Regulations and that they comply with them.
- 1.12 All City staff have a responsibility to maintain the integrity and security of information which is under their control by virtue of their employment (including confidential and personal information, held in any format). All staff shall comply with the requirements of the Data Protection Act, UK GDPR and the City's policies and procedures in relation to data protection which can be found on the Information Management Strategy.

## **SECTION 2. RESOURCE ALLOCATION, REVENUE ESTIMATES AND CAPITAL BUDGETS**

- 2.1 Standing Order 48 sets out the governance arrangements for resource allocation, revenue estimates and capital budgets. The Chamberlain is responsible for notifying Chief Officers on the timetable and processes for the preparation of the forthcoming year's resource allocation, revenue estimates, and capital budgets. Chief Officers shall supply such information to the Chamberlain as may be required so as to comply with the timetable and processes stipulated and prepare revenue estimates of income and expenditure in accordance with the budget policy determined by the Policy and Resources Committee and in consultation with the Chamberlain who shall critically scrutinise the estimates before submission to Service Committees.
- 2.2 Service Committee budgets are prepared within the resources allocated by the Policy and Resources Committee and, with the exception of the Policy and Resources Committee, such budgets do not include any contingencies. The budgets directly overseen by the Finance Committee therefore include central contingencies to meet unforeseen and/or exceptional items that may be identified across the City Corporation's range of activities. Requests for allocations from the contingencies should demonstrate why the costs cannot, or should not, be met from existing provisions.

### Revenue Budget Management – Objectives

- 2.3 Budget management ensures that resources allocated by members are used for their intended purposes and that these resources are properly accounted for. Budgetary control is a continuous process enabling the City Corporation to review and adjust its budget targets throughout the financial year.
- 2.4 Committee budgets are set for both local and central risk within the City Corporations overall budget. Local risk expenditure and income is deemed to be directly controllable by Chief Officers. Examples of local risk items includes most employee costs, regularly scheduled maintenance checks, utility costs, cleaning and stationery. Central risk are items of spend or income that can be affected by external factors such that Chief Officers are not held directly accountable for budgetary performance. Recharge risk budgets relate in the main to support services and functions that are recharged on an appropriate apportionment basis to front line services to enable the total cost of service to be calculated. Central and recharge risk items include levies and precepts, investment income (including property), capital charges, central support costs, insurance, rating revaluation changes, grants/support earmarked for specific organisations/themes and centrally controlled and recharged IT expenditure.
- 2.5 By identifying and explaining variances against budgetary targets, the City Corporation can identify changes in trends and resource requirements at the earliest opportunity. To ensure that the City Corporation does not overspend, each Committee is required to manage its own local risk income and expenditure within its resource envelope.

## Revenue Budget Management – Key Controls

- 2.6 Budget holders will be responsible for income and expenditure on cost centre budgets for which they have been assigned responsibility on Oracle and that this responsibility should be aligned as closely as possible to the decision making that commits the expenditure.
- 2.7 Budget holders follow the approved commitment accounting workflow for all expenditure.
- 2.8 Income and expenditure are properly recorded and accounted for.
- 2.9 Business Plan key performance indicators are monitored in conjunction with the budget and necessary action taken to align service outputs with the budget.

## Revenue Budget Management

- 2.10 The Chamberlain is responsible for establishing an appropriate framework of budgetary management and control through business partnering that enables the following:
  - a. Budget management by Committee being exercised within the annual resource envelopes allocated to it unless the Court determines otherwise.
  - b. Each Chief Officer having available timely and accurate information on income and expenditure for each cost centre to enable managers to fulfil their responsibilities.
  - c. All officers responsible for committing expenditure and generating income complying with corporate financial guidance.
  - d. Significant variances from approved budgets being reviewed promptly by Chief Officers.
  - e. Regular forecasts on income and expenditure compared to the approved budget being prepared and reported to Finance Committee.
- 2.11 The Chief Officers for services are responsible for:
  - a. Ensuring spending remains within agreed resource envelopes by regular monitoring of the budget.
  - b. To ensure that the business plan is regularly monitored in conjunction with the budget to ensure the delivery of service objectives and any corrective action taken.
  - c. To work alongside the Chamberlains business partners to provide regular monitoring information to committee with appropriate explanations and corrective actions required as necessary.
  - d. To ensure prior approval of any new initiative not included in the business plan or budget that could have one off or ongoing financial consequences.
  - e. To ensure compliance with the scheme of virement (see Paragraph 2.17).

- f. To consult with relevant Director or Chief Officer where it appears a budget proposal will impact on another Directors / Chief Officers service or level of activity.

2.12 Where a Chief Officer is unable to contain expenditure within their existing local risk resources due to essential growth (for example to meet a new legislative requirement) or a one off additional cost, a business case for a budget increase should initially be discussed with the Chamberlain to agree the potential funding strategy. A report will then be submitted to the relevant spending committee and Resource Allocation Sub Committee for approval.

2.13 No officer should commit the Corporation to expenditure more than any approved estimate without either first seeking the appropriate approval or making an appropriate virement as described in paragraph 2.17 below, in accordance with SO 48(9).

### Treatment of Year End Balances

2.14 Any deficit on the total of a Chief Officers local risk budgets is required to be carried forward and recovered from within the department's budget allocation for the following year unless specifically waived by the Finance Committee. Subject to the prior approval of the Chairman and Deputy Chairman of the Resource Allocation Sub (Policy and Resources) Committee (RASC) surpluses on a department's local risk budgets may also be carried forward provided that these do not include any fortuitous savings outside the control of the Chief Officer, and, any cumulative underspending which is to be carried forward is limited to 10% of the Chief Officer's local risk budget, up to a general maximum of £500,000 or £1,000,000 in the case of the City Surveyor. Applications for carry- forwards will be assessed by the following criteria:

- i. Carry forward requests can be up to 10% or £500k (whichever is the lesser) of the final agreed local risk budget excluding budgets brought forward from the previous year. However, the City Surveyor may carry forward up to £1m and the Chamberlain and Director of IT may each carry forward a maximum of £500k.
- ii. In respect of the above the City Schools, Police, the Barbican Centre (local risk budget), Open Spaces Charities (fundraising budgets), Bridge House Estates (charitable funding commitments), the Cemetery, and the Housing Revenue Account, are excluded as separate carry forward arrangements apply. In the case of the Barbican Centre Managing Director's financial target, surpluses of up to 15% of the local risk budget may be carried forward and the Managing Director of the Barbican Centre may incur a deficit of up to £500,000 at any one time, to be repayable in the following financial year. This deficit should be by exception and should not be on a continual basis from one financial year to the next. The reasonableness of this arrangement will be reviewed annually.
- iii. In respect of the Police Authority's Policing Plan budget, unspent balances, excluding variations in capital financing costs, shall be carried forward, subject to periodic review as to the level of balances.
- iv. In respect of Open Spaces, fundraising income relating to donations and legacies to the Charities shall be ring-fenced and where necessary, carried forward in the relevant ring-fenced Charitable reserve for each Charity.

- v. Fortuitous savings clearly outside the control of Chief Officers should not be eligible for carry forward; instead it should be demonstrated that underspends are the result of planned/managed strategies.
- vi. Carry forward requests should be approved to fund a specific purpose.
- vii. Each individual agreed carry forward is ring-fenced to the purpose specified.
- viii. Unspent balances should generally only be carried forward and applied in the Fund in which they were generated.

2.15 Any requests for carry-forward from Central Risk budgets are required to be requested at first point from the Chamberlain. If approved, all such requests would then be provided to the Chairman and Deputy Chairman of the Resource Allocation Sub (Policy and Resources) Committee (RASC) for their consideration and potential approval.

### Reserves

2.16 No earmarked reserve, designated fund or other balance sheet provision shall be created without first consulting with the Assistant Director, Strategic Finance who will advise on whether the proposal can be supported and the further approvals that are required.

### Scheme of Virement

2.17 The scheme of virement is as follows:

- a) Virement is the transfer of budget from one budget line, as a result of savings or additional income, to another budget line to facilitate spending on that budget line. No Virement will be permitted between funds in the year, nor is virement normally allowed in respect of Central Risk budget lines.
- b) Chief Officers, or nominated Officers previously notified to the Chamberlain, are authorised to approve virements within funds for Local Risk budget estimates. These virements are generally only allowed up to a total of £500,000 in one financial year, but in the case of the City Surveyor this financial limit is £1,000,000 in one financial year. This being subject to the savings utilised not arising from any specific amount approved from the Finance Committee contingencies, or any sums specifically approved by the Policy and Resources Committee for Policy Initiatives. Chief Officers shall advise the appropriate Committee and Finance Committee of any significant virements and gain prior approval if they raise significant policy issues or will result in total virements of any Chief Officer exceeding £500,000 (or £1,000,000 in the case of the City Surveyor).
- c) The Barbican Centre Managing Director may authorise all virements between those costs and incomes which comprise the annual local risk budget, and the Commissioner of Police may authorise virements between all heads within the Policing Plan Budget, with the exception of financing and support costs, and subject to prior consultation with the Deputy Chamberlain where virement is proposed from a non-staffing to a staffing budget.

## Managing Capital and Supplementary Revenue Project Budgets

- 2.18 Capital and Supplementary Revenue Project budgets (“project budgets”) are generally approved and managed in accordance with the Corporate Project Procedure via the gateway process and associated guidance. However, the City’s Major Projects are not required to follow the gateways and are under the direct control and management of the Capital Buildings or Policy and Resources Committees.
- 2.19 Capital projects are major one – off expenditures (>£50k) relating to the acquisition, creation or enhancement of an asset that yields benefits to the authority and the service it provides for a period of more than one year. For example, cyclical replacements of major components (e.g. windows, roofs, M&E infrastructure) are capital but cyclical repairs are not. The “Supplementary Revenue Project” (SRP) classification was created to cover project expenditure controlled in the same way as capital projects that does not meet the accounting definition of capital expenditure, e.g. preliminary project costs at feasibility and option appraisal stages and one-off major repairs (>£50k). Classification of expenditures between capital and SRP is an accounting decision which lies with the Chamberlain.
- 2.20 Project budgets approved via the gateways must be supported by a confirmed source of funding before they can progress. Central funding of projects is allocated via the annual capital bid process, requiring the approval of the Resource Allocation Sub and Policy and Resources Committees.
- 2.21 Project budgets are not generally specific to a financial year unless the source of funding is restricted by time (e.g. external grant funding).
- 2.22 Project expenditure is recorded within the City’s Project Accounting module and must not be charged to local or central risk codes, with the exception of staff time which is recharged from revenue to project budgets on a regular basis.
- 2.23 Capital expenditure and capital income is subject to approval in accordance with the Corporate Project Procedure and must be accounted separately. Expenditure in excess of £50k which meets the definition of Capital/ Supplementary Revenue projects as set out in the Corporate Project Procedure must be accounted separately from local or central risk revenue expenditure.

## Virement of Capital and Supplementary Revenue Project Budgets

- 2.24 Virements within approved project budgets are permitted, provided the overall approved project sum is not exceeded and the scope remains unaffected. Movement between budget heads (e.g. from fees to works) requires approval of Chief Officer and Head of Finance.
- 2.25 Increases to an approved project sum must be agreed in accordance with the Project Procedure. Project Budgets cannot be vired between projects.



## SECTION 3. ACCOUNTING

- 3.1 All accounting procedures and financial records shall be determined by the Chamberlain, and any changes require the prior approval of the Chamberlain.

### Separation of Duties

- 3.2 So far as possible, in the allocation of accounting duties, the following principles shall be observed: -

- (a) The duties of providing information regarding sums due to or from the City and of calculating, checking and recording these sums, shall be separated as completely as possible from the duty of collecting or disbursing them;
- (b) Officers charged with the duty of examining and checking the accounts of cash transactions shall not themselves be engaged in any of these transactions.

### Assets:

- 3.3 The City owns and is otherwise responsible (whether or not as charity trustee) for a wide range of assets. For assets to appear on the balance sheet as qualifying items (or groups of items such as Cars) must be valued at £50,000 or more. Low monetary value assets may hold other important value and security must also be ensured on these items such as laptops and mobile phones.

### Financial Statements:

- 3.4 Each Chief Officer shall make returns of outstanding expenditure and income in the form and by the date specified by the Chamberlain in the programme for the closure of the annual accounts as are referred to in 3.5.
- 3.5 Procedures for the audit and publication of Financial Statements to the Court shall be as follows:
- (a) The financial year shall run from 1<sup>st</sup> April to 31<sup>st</sup> March.
  - (b) (i) The Auditors of the City's Cash, Bridge House Estates and Sundry Trust Funds Financial Statements are elected by Common Hall on Midsummer Day.  
(ii) The Auditors of City Fund and Pension Fund Financial Statements shall be appointed by the Court of Common Council.
  - (c) The Auditors shall report to the Court of Common Council or Common Hall as appropriate, in writing upon completion of their audits.
  - (d) The Chamberlain shall submit the Financial Statements, duly certified, to the Finance Committee in accordance with statutory requirements, but within reasonable timescales as soon as business permits.
  - (e) The audited and published City Fund and Pension Fund Financial Statements should be presented to the Court of Common Council in accordance with the statutory deadline.

All other Charitable Trusts of which the City is Trustee should present their Financial Statements to the Court of Common Council when available, where the Charity Commission requires these to be produced. Bridge House Estates and City's Cash present their Financial Statements to the Court of Common Council in accordance with the deadlines set by either Audit and Risk Management Committee or with statutory and other requirements. All three Financial Statements are published on the website as well as the Sundry Trusts.

### I.T. Systems

- 3.6 The Chief Officer concerned shall ensure that all financial information held on IT systems is properly maintained and capable of easy reconciliation to the central financial accounting system. IT systems should be brought together into combined systems where possible in accordance with the common systems principles outlined in the Information Management Strategy.
- 3.7 Any IT system that is used to hold and/or organise personal data must be notified to the City's IT Information Officer and the Information Compliance Team.
- 3.8 Details of the City Corporation Finance Information System can be found on the Oracle pages of the intranet.

## SECTION 4. INTERNAL AUDIT

- 4.1 In accordance with The Accounts and Audit Regulations 2015, the City Corporation must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, in accordance with the Public Sector Internal Audit Standards (PSIAS). Responsibility for ensuring this is delegated by the Court of Common Council to the Audit and Risk Management Committee. The Chamberlain as Section 151 Officer is responsible under statute for the proper administration of the financial affairs of the City Corporation including compliance with the statutory requirements for Internal Audit.
- 4.2 The Audit and Risk Management Committee shall approve the annual audit plans and receive regular reports on assurances provided and progress on the implementation of recommendations. The Audit and Risk Management Committee will also review the effectiveness of the Internal Audit service and the Head of Audit and Risk Management will ensure that a good working relationship with Members is established and maintained.
- 4.3 While the Head of Audit and Risk Management reports operationally to the Chamberlain, to maintain organisational independence, an unrestricted reporting line exists to the Town Clerk and Chief Executive and the Chairman of the Audit and Risk Management Committee.
- 4.4 As required by the PSIAS, the Internal Audit function has unrestricted access to all City records and information, both manual and computerised, cash, stores and other City property or assets it considers necessary to fulfil its responsibilities. Audit may enter property of the organisation and has unrestricted access to all locations and officers where necessary on demand and without prior notice. Right of access to other bodies funded by the City should be set out in the conditions of funding. Internal Audit will require and receive such information and explanations as are necessary concerning any matters under examination.
- 4.5 Officers are required to provide all information requested by Internal Audit and Chief Officers shall consider and respond promptly to recommendations made by Internal Audit and ensure that any agreed actions are implemented in a timely and efficient manner.
- 4.6 Departmental policy for the retention or destruction of financial records shall be approved by the Deputy Chamberlain subject to the overriding requirements of the Director of London Metropolitan Archives. Details of the minimum periods for which certain records are to be retained, and guidance as to microfilming and the electronic storage of data, are provided at section 23 of the Financial Regulations.
- 4.7 Further details on the Internal Audit function are provided in the Internal Audit Charter.

### Preventing fraud and corruption

- 4.8 The Chamberlain is responsible for developing and maintaining the Corporate Anti- Fraud & Corruption Strategy, and ensuring that effective internal controls are in place to minimise the risk of fraud, corruption or other financial irregularity.
- 4.9 All Members and Officers must ensure that they comply with the City's Corporate Anti- Fraud & Corruption Strategy, and Anti-Money Laundering guidelines.

- 4.10 Any Member, Officer or contractor of the City, who suspects fraud, corruption or other financial irregularity, must ensure that this is reported promptly to the Head of Audit & Risk Management, in order to ensure that evidence is secured and the matter is considered for further investigation.
- 4.11 Where any individual feels unable to report concerns of fraud, corruption or other financial irregularity directly to the Head of Audit & Risk Management or their line manager, they should report those concerns via the City's whistleblowing channels. Those reporting genuine concerns under the Whistleblowing Policy will not be at risk of suffering any form of retribution as a result of the disclosure.
- 4.12 The Head of Audit & Risk Management must consider whether an investigation is appropriate, and, if so decided, must arrange for such an investigation. The Head of Audit & Risk Management will report the findings of any criminal, civil or disciplinary investigation to the Chamberlain and relevant Chief Officer.
- 4.13 Management should not attempt to interview staff suspected of perpetrating a fraud, corruption or other financial irregularity, unless expressly asked to do so by the Head of Audit & Risk Management, as this may prejudice any disciplinary or police investigation and/or subsequent legal proceedings.
- 4.14 The Head of Audit & Risk Management will, in consultation with the Chamberlain and/or Town Clerk and the relevant Chief Officer, report matters of a criminal nature to the Police for consideration of criminal investigation, where considered appropriate to do so.
- 4.15 The Head of Audit & Risk Management will maintain a register of all reported incidents of fraud, corruption or other financial irregularity. These will be reported periodically to the Audit & Risk Management Committee.
- 4.16 Any employee who suspects money laundering activity must report this promptly to the Head of Audit & Risk Management, who is designated as the City's Money Laundering Reporting Officer (MLRO).

## SECTION 5: RISK MANAGEMENT

- 5.1 The Accounts and Audit Regulations 2015 (as amended) require that the City ensures that its financial management is adequate and effective and that there is a sound system of financial control that facilitates the effective exercise of the City's relevant functions and that includes risk management arrangements.
- 5.2 Under the Local Government Act 1999, the City (as a local authority and police authority) is under a general Duty of Best Value "to secure continuous improvement in the way in which its functions are exercised, make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness". The application of risk management supports this statutory duty.
- 5.3 The CIPFA "Delivering good governance in Local Government Framework 2016 Edition" identifies risk management as one of seven core principles in the overall effective governance of a local authority.
- 5.4 The Charity Commission sets out the expectations for charities and risk management, within its guidance. Those charities for which the City is Trustee are required to have regard to this guidance.
- 5.5 The City must consider this guidance in the development of its approach to risk management for each of the charities for which it is Trustee. In addition, unless in conflict with charity law and regulatory requirements or considered not to be in a charity's best interests, the City's Corporate Risk Management Strategy and governance processes must be followed.
- 5.6 The City is committed to establishing an effective risk management framework and culture to enable management at all levels to deliver their objectives in the light of those risks. This commitment is set out in the Policy Statement together with the risk management formal process in the City's Risk Management Strategy. This Strategy is approved by the Audit and Risk Management Committee.
- 5.7
- (a) The Chamberlain is the lead Chief Officer for Risk Management within the City and responsible for preparing, maintaining and promoting the Risk Management policy and strategy, securing approval of the Audit and Risk Management Committee and maintaining the corporate risk register.
  - (b) The Chamberlain may also issue requirements and /or guidance to Chief Officers to maintain or improve the City Corporation's risk management framework.
  - (c) The Chamberlain will regularly report to the Audit and Risk Management Committee corporate and top red departmental risks as well as providing an annual assessment of the overall effectiveness of the corporate risk management framework (this will usually be reported in the Annual Governance Statement).
- 5.8
- (a) Chief Officers must have regard to the requirements and /or guidance issued by the Chamberlain and adhere to the City's risk management policy and strategy.

(b) Specifically, Chief Officers are responsible for:

- Ensuring that risk management is integrated into business planning, programme and project management and finance planning.
- Ensuring that there are appropriate management arrangements for the continuous identification, assessment, mitigation, monitoring and reporting of risk within the department.
- Maintaining corporate and departmental, service, team risks on the corporate risk system and use system generated reports for management and Committee reporting purposes.
- Reporting their corporate and departmental level risks to their relevant Committee(s) in accordance with the Guidance on reporting risk information to Grand Committees.
- Appointing a senior officer to act as the departmental risk co-ordinator to promote effective risk management within the department, liaise with the corporate risk advisor and ensures it complies with the City Corporations risk management policy and strategy.
- Reducing the risk of significant service disruptions by ensuring that they have in place appropriate and robust business continuity plans.

## **SECTION 6. TREASURY MANAGEMENT**

- 6.1 The Court of Common Council adopts the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management. This regulation shall include management of monies in connection with cash and funding resources of the City as Police Authority.
- 6.2 A Treasury Management Strategy Statement and Annual Investment Strategy setting out the City's strategy and procedures is adopted annually by the Court of Common Council and includes the following scheme of delegation for the operation of treasury policy:

### **The Court of Common Council**

- Receiving and reviewing reports on treasury management policies, practices and activities.
- Approval of annual strategy

### **The Financial Investment Board and Finance Committee**

- Approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices.
- Budget consideration and approval.
- Approval of the division of responsibilities.
- Receiving and reviewing regular monitoring reports and acting on recommendations.
- Approving the selection of external service providers and agreeing terms of appointment.

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

- Reviewing the treasury management policy and procedures and making recommendations to the responsible body.

### **The Chamberlain**

- Application of approved strategy
  - Treasury dealing with counterparties
  - Authorisation of cash transfers
  - Borrowing and lending documentation.
- 6.3 All money in the management of the City shall be aggregated for the purposes of Treasury Management and shall be under the control of the Chamberlain.
- 6.4 All executive decisions on borrowing, investment or financing shall be delegated to the Chamberlain or through their staff, who shall be required to act in accordance with the Treasury Management Code.
- 6.5 The Chamberlain shall report to the Financial Investment Board not less than twice in each financial year on the activities of the Treasury Management operation and on the exercise of the Treasury Management powers delegated to him. One such report shall comprise an Annual Report on Treasury Management of the succeeding financial year.

- 6.6 Trustee Reports provided for Charitable Funds managed by the City are compliant with Charities (Accounts and Reports) Regulations 2008 and make a risk management statement in their trustee's report.



## **SECTION 7. INVESTMENTS, BORROWING AND TRUST FUNDS**

- 7.1 All borrowing or investments of money shall be made in accordance with the orders of the Court of Common Council or as delegated to the Finance Committee, Investment Committee, Financial Investment Board or Social Investment Board and the Chamberlain.
- 7.2 All securities for money shall be held by the Chamberlain or their nominees, except where legal requirements necessitate their being held elsewhere.
- 7.3 The Chamberlain shall maintain records of all borrowing of money.
- 7.4 All Members and Officers acting as trustees by virtue of their official positions shall deposit all securities relating to the trust with the Chamberlain, or their nominees, unless the deed otherwise provides.
- 7.5 In addition to the matters set out at 7.1 – 7.4 above, all investments of charitable funds must comply with the relevant charity's governing documents, the Trustee Act 2000, the Charities Act 2011 and other regulatory requirements.

## **SECTION 8. PROCUREMENT**

- 8.1 In accordance with Standing Order 51 all procurement and contracts activity must be undertaken by Officers in accordance with the agreed Procurement Code.
- 8.2 Chief Officers shall be responsible for all procurement originating from their service for the execution of any works, supply of goods, materials and services and shall ensure that the selection of firms to be invited to tender shall be in accordance with the procedures detailed in the Procurement Code and Corporate Project Procedures.
- 8.3 No City contract shall be issued unless its terms have been previously approved by the Comptroller and City Solicitor and be consistent with the requirements as laid down in Standing Orders, Procurement Code and these Financial Regulations.
- 8.4 The use of corporate purchase cards (P-card) is restricted to authorised staff that must follow the rules of the Purchase Card Policy. Where appropriate, a P-card should be used for all expenditure up to £1000 per transaction. Card users are responsible for entering information onto the P-card system which is clear and accurate, avoiding the use of terms which may be open to misinterpretation. The Purchase Card Policy lays out further detail on P-Card use.
- 8.5 Purchase orders must be raised through City Finance System and in compliance with the Procurement Code.
- 8.6 Where contractors are engaged for works that fall within the scope of the Construction Industry Scheme (CIS), City Procurement shall confirm whether the contractor holds a valid Unique Tax Reference (UTR) number and verify whether the contractor is registered with HM Revenue & Customs (HMRC) for CIS, ensuring that tax is deducted from payments at the appropriate rate.
- 8.7 Prompt notification shall be given to the Chamberlain's Insurance and Risk Management Team of any alteration to the Corporation's insurance status resulting from the award or completion of any contract.
- 8.8 All ex gratia and non-contractual claims from contractors shall be referred to the Deputy Chamberlain and to the Comptroller and City Solicitor for comments before settlement is reached. They will further advise on whether approval of Finance Committee needs to be sought prior to settlement.
- 8.9 The Deputy Chamberlain shall, to the extent he/she considers necessary, examine the final accounts or interim valuations for contracts and shall be entitled to make all such enquiries and receive such information and explanations as may be required to satisfy the accuracy of the accounts (see section 24 of the Financial Regulations for further details).

## SECTION 9. PAYMENTS OF ACCOUNTS

- 9.1 Payments shall be made, wherever possible, through City Finance System and by the Bank Automated Clearance System (BACS). Where payment by BACS is not possible or feasible then payment shall normally be made by cheque drawn through the City Finance System or, in the case of payments of £1m or more, by the Clearing House Automated Payment Systems (CHAPS). Any payment of £1m or more paid via BACS or cheque must be authorised by the Corporate Treasurer in addition to the standard approvals.
- 9.2 Any payments where timing is crucial (e.g. certain property transactions) or where use of BACS would not be appropriate may be processed by CHAPS or Faster Payment. This process should not be used for regular creditor payments. Payment by CHAPS or Faster Payment is available from the Chamberlain's Financial Services Division.

Payments in foreign currency, or sterling payments to a non-UK bank account, shall be made as International payments via internet banking using the beneficiary's International Bank Account Number (IBAN) where possible together with their Bank Identifier Code (BIC, also known as a SWIFT code).

Payment requests in foreign currency or a sterling payment to a non-UK bank account should be made using the standard form which is available from the Chamberlain's Financial Services Division and submitted to the relevant accountant in that Financial Services Division.

- 9.3 No officer shall be able to approve a requisition or purchase order that he/she has raised in the City Finance System. The appropriate separation of duties is/shall be ensured by the maintenance of relevant responsibilities and purchase order approval hierarchies within the City Finance System with the exception of system administrators.
- 9.4 The City Procurement Data Team shall be responsible for maintaining and updating the purchase order approval hierarchy in the City Finance System and authorised signatories for PO exempt payments, however departments and service areas shall be responsible for informing the City Procurement Data Team of required changes to the hierarchy/list.
- 9.5 The person named as the Requestor on the relevant purchase order is responsible for Goods Receipting in the City Finance System to confirm that the goods/services/works have been delivered.
- 9.6 Payments for will follow the receipt of a valid/undisputed invoice and where the goods, services, or works have been delivered in full. Where officers consider it to be in the best interests of the City to make a payment in advance, such payments shall only be made if the appropriate authorisation below has been provided in writing:

<b>Cost of works, goods or services (exc. VAT)</b>	<b>Authorisation Required</b>
Up to £49,999	Head of Finance and Corporate Treasurer
£50,000 to £99,999	Deputy Chamberlain
£100,000 to £199,999	Chamberlain
£200,000 or above	Finance Committee

- 9.7 Before requesting advance payment, a short business case including the risks should the company not deliver is to be included with request for advanced payment.
- 9.8 Payments in advance may be made by Purchase Cards (P-cards) without further authorisation provided P-cards are used in accordance with the P- card Policy.
- 9.9 Compliance with the P-card Policy is mandatory and non-compliance in certain circumstances may result in disciplinary action.
- 9.10 The Accounts Payable Team is responsible for the payment of all invoices for goods and services. Invoices should be sent directly to the Accounts Payable team. Any invoices received by departmental officers must be forwarded to the Accounts Payable Team without delay.
- 9.11 All undisputed invoices must be paid within 30 days of receipt, but contractual terms may oblige the City to pay certain invoices sooner.
- 9.12 Where contracts, valued more than £250,000 for payments to be made by instalments, all payments to contractors shall made on receipt of a valid VAT invoice and be accompanied by a certificate issued and signed by the Corporation's designated officer or consultant which confirms the value of work completed. Those contracts not subject to the issue of certificates, may be paid on invoices.
- 9.13 Receipting a purchase order (PO) or authorising payment of accounts (by way of approval workflow) in the City's Finance System will release invoices matched to that PO for payment on the due date. Before receipting a PO, officers must determine that:
- a) The works, goods or services to which the account relates have been received, examined, are fit for purpose and, where appropriate, comply with pre-determined standards.
  - b) The receipt amount reflects the ordered value of services provided/goods received.
  - c) Appropriate entries have been made in inventories or store records.
  - d) Proper internal check procedures have operated in the examination of the account.
  - e) The account has not been previously paid and is a proper liability of the City.
- 9.14 Before authorising payment of accounts by way of the City Finance Systems approval workflow or email/signature (Authorised Signatories List) for services that are purchase order exempt, Authorisers or other appropriate officers shall determine that:
- a) The works, goods or services to which the account relates have been received, examined, are fit for purpose and, where appropriate, comply with pre-determined standards.
  - b) The amount reflects the ordered value of services provided/goods received.
  - c) Prices, extensions, calculations, discounts, other allowances and credits are correct, as expected or are otherwise reasonable.
  - d) The expenditure has been properly incurred and is within the relevant estimated provision.

e) The account has not been previously paid and is a proper liability of the City.

9.15 All supplies of unused cheques are to be properly recorded and securely held by the City Procurement team, then issued for processing via secure cheque printing software. Following each payment run, all surplus unused cheques capable of re-use should immediately be taken back into stock and the records adjusted accordingly. Those cheques which are spoilt, defaced or unused, but not capable of re-use, must be recorded, cancelled and destroyed by the City Procurement Team.

## **SECTION 10. IMPREST ACCOUNTS (PETTY CASH)**

- 10.1 The Deputy Chamberlain shall provide Imprest accounts and may arrange for bank accounts to be opened for use by holders of Imprest accounts but are not generally encouraged. Such bank accounts shall not be overdrawn.
- 10.2 No sums received on behalf of the City may be paid into an imprest account but shall be banked separately or paid to the City promptly as may be directed. Income and change floats shall be kept separately from the imprest cash at all times and shall not be used to fund cash expenditure.
- 10.3 Payments from imprest accounts shall be limited to minor items, the maximum value of which shall be £100; larger figures require the prior approval of the Chamberlain's Internal Audit Section.
- 10.4 Claimants should use the petty cash claim form that can be found on the intranet.
- 10.5 All imprest/petty cash claims should be approved by a second officer (either the Head of Finance or their nominated officer) prior to reimbursing the claimant. This ensures a separation of duties is maintained between the person claiming the money and the person approving that payment can be made for appropriate spend.
- 10.6 All payments shall be supported by vouchers and all receipts, including a VAT receipt wherever appropriate. Payments made on behalf of the Commissioner of Police in pursuit of their operational responsibilities may exceed the maximum figure where specifically authorised by the Commissioner of Police.
- 10.7 Imprest holders shall provide the Chamberlain with certificates annually which must be sent to their departmental finance unit promptly after the end of the appropriate financial year.
- 10.8 A reconciliation of imprest accounts should be completed on a monthly basis by each Department. As part of the annual closing process, Corporate Accountancy will circulate an imprest account/petty cash certificate to all Heads of Finance/Group Accountants who should complete the certificates, ensure that they reconcile to the general ledger and return them to Corporate Accountancy.
- 10.9 Reimbursements of imprest accounts shall be made through the City Finance System ordinarily at monthly intervals, following a full reconciliation of the imprest account and, in any event, frequently enough for the relevant bank account to remain in credit until the reimbursement cheque is deposited and cleared.
- 10.10 If an imprest holder leaves the City's service, he or she shall account to the Deputy Chamberlain for the amount advanced.
- 10.11 Disbursements shall be limited to minor items of expenditure, and specifically should not include expenditure which should form part of the payroll system, (e.g. clothing and car allowances), nor shall they include the encashment of personal cheques and the advancing of loans.
- 10.12 The only bank charges which should be incurred, in respect of imprests operated via a

bank account, are those in the normal course of operation of the account.

- 10.13 All Departments holding petty cash should ensure that, at all times, cash is adequately secured. As a minimum this should be in a cash box within a lockable drawer. Amounts in excess of £100 should be kept in a safe overnight.
- 10.14 Whenever any matter arises which involves or may suggest irregularities affecting a petty cash/imprest account, the Chief Officer concerned shall notify the Deputy Chamberlain or Head of internal Audit forthwith. This also applies in the event of any loss from the imprest account identified during reconciliation.

## **SECTION 11. TRAVELLING AND SUBSISTENCE CLAIMS**

- 11.1 All claims for reimbursement of travelling, subsistence and minor personal expenses shall be made via the payroll system (self-service through the HR/Payroll System). Each claim shall be promptly submitted for payment through the HR system detailing the expenditure incurred, supported by receipts, dated, coded, and approved electronically by the appropriate authorising officer. Items or services purchased on behalf of the City must not be reimbursed through the HR System and instead where possible a Purchase Card (P-card) should be used to avoid the need for a claim. If it is not possible to make a payment using a P-card then the only alternative would be for a payment request claim to be processed via Accounts Payable within the City Finance System. Officers making purchases on behalf of the City using their own funds should ensure they have prior approval otherwise this is at their own risk and it does not guarantee the claim will be paid out. Claims for reimbursement of travelling, subsistence and minor personal expenses should be submitted on a regular monthly basis and within three months of the date the expenditure was incurred. The reimbursement of claims falling outside of this timeframe will require the permission of the Chamberlain. Such permission will only be given following Chief Officer justification for the late submission of the claim. Claims for expenses, where more than six months has lapsed since the expenditure was incurred, will not be allowed.
- 11.2 Travel should be booked in accordance with the City Corporation's Travel Policy. The preferred method of payment for any business travel expenditure outside of a Corporate Contract or to be re-imbursed through Payroll up to £1000 is a (P-Card) in line with Section 8.4 of these regulations and the P-Card Policy.
- 11.3 Claims with a total value of less than £100 (inclusive of VAT) may be reimbursed from petty cash where use of a P-card would be unsuitable or a P-card is unavailable i.e. outside of office hours or for one off expenditure.
- 11.4 Copies of claims and VAT receipts must be kept by the claimant for audit and accounting purposes.
- 11.5 Every Officer who receives a car loan or car allowance, whether casual or essential, must produce to their Chief Officer the registration document of the car, a valid certificate of insurance and an assurance to take all reasonable steps to maintain the car in an efficient and roadworthy condition. The Chief Officer shall be promptly informed of any subsequent changes to the above details.
- 11.6 All car allowances are to be paid through the payroll system.
- 11.7 The certification by or on behalf of the Chief Officer shall be taken to mean that the certifying officer is satisfied that the journeys were authorised, the expenses properly and necessarily incurred and all the requirements of the appropriate City scheme have been observed.
- 11.8 All travelling allowances paid shall be in accordance with the current provisions laid down by the City in the Business and Travel Expenses Scheme. All subsistence allowances paid shall be in accordance with the current provisions laid down by the City in the Employee Handbook.



11.9 The payment of fees for individual membership of professional bodies shall be the responsibility of the member of staff to whom the individual membership relates. Consistent with the Subscriptions to Professional Bodies, Societies and Business Interest Groups employee policy, staff can, through the HR System, reclaim membership fees for approved professional bodies, a list of which can be found on SharePoint. Fees for corporate membership of professional bodies shall be paid by the Chamberlain's Accounts Payable Team.

## **SECTION 12. CUSTODY AND SECURITY OF ASSETS**

- 12.1 Chief Officers are responsible for maintaining proper security and stewardship over all assets under their control in accordance with Standing Order 55.
- 12.2 Chief Officers are responsible for the maintenance of registers for City Fund, City's Cash and Bridge House Estates assets as follows:
- Property (Buildings and Land) - City Surveyor
  - Police Vehicles - Commissioner of Police
  - Other Vehicles - Director of Built Environment
  - Exhibits - Assistant Town Clerk and Cultural Hub Director
  - Barbican Centre - Managing Director, Barbican Centre
  - Infrastructure - Director of Built Environment
- 12.3 All Chief Officers shall ensure that any information requested from them by the above registrars, for the purposes of maintaining the above asset registers, is provided rapidly and freely. Any acquisitions or disposals of assets (other than furniture and equipment) should be notified to the relevant registrar at the appropriate time.
- 12.4 Asset registers are required to itemise all City Fund assets which cost in excess of £1,000 and for those assets acquired since 1st April 1990, the date and cost of acquisition. In respect of all assets other than land and buildings, the information should be capable of being extracted from inventories. Although the Chamberlain is the statutory registrar for items of furniture and equipment, it is the responsibility of each Chief Officer to maintain inventories for all furniture and equipment within their control (There is no longer a requirement to provide separate registers of furniture and equipment items costing in excess of £1,000).
- 12.5 The authority to acquire new or add to/enhance existing assets with a value in excess of £50,000 is subject to the Corporate Project Procedure or as otherwise required in accordance with standing orders.
- 12.6 A terrier (a record system for the City's land and property holdings) shall be maintained by the City Surveyor's for all City properties, whether owned or leased. This should supplement the information required to maintain property asset registers for all Funds.
- 12.7 The Comptroller and City Solicitor is responsible for the safe custody of all deeds and lease agreements in respect of all properties owned or leased by each of the City's Funds.
- 12.8 For acquisition of property a completed acquisition statement shall be provided by the Comptroller to the Chamberlain prior to the transaction being completed

### **Disposal of Assets**

- 12.9 Assets with a value in excess of £5,000 require approval of the relevant service committee or board before disposal. In addition, there is specific governance relating to the disposal of property within standing orders. Where acquisition of a number of assets has been aggregated into a capital project (e.g. fleet vehicles, personal IT devices such as laptops etc)

then disposal proceeds should be likewise considered on an aggregated basis. Disposal proceeds generally accrue back to the centrally held reserves – they may not be used to supplement local risk budgets or be reallocated to supplement project budgets without specific member approval.

- 12.10 Assets should be disposed of at Fair Value – any proposal to dispose of an asset at below fair (market) value must be in consultation with the Chamberlain and Comptroller and City Solicitor and requires specific member approval.
- 12.11 The Chamberlain must be advised of the disposal of capital assets before the year-end to ensure the accuracy of the City's published accounts.

## SECTION 13. INSURANCE

- 13.1 The City maintains insurance cover to limit the financial impact of the consequences of an incident giving rise to the loss or damage to the City's assets or a claim being made against the City.
- 13.2 The Chamberlain shall affect and maintain all appropriate insurance policies and will manage all claims within the policies, in consultation with other officers as necessary.
- 13.3 Chief Officers shall notify the Chamberlain's Insurance and Risk Management Team promptly of all new risks, assets or material changes relevant to the City's insurance policies. This may include, but not be limited to:
- Significant organisational changes, responsibilities and practices e.g. major in/outsourcing.
  - Additions, loans and disposals of assets, including properties, vehicles, works of art etc.
  - Contract works, changes of use and occupancy of properties.
  - Major events, collaborations.
- 13.4 Chief officers shall maintain and provide up to date insurance values for the assets insured.
- 13.5 Chief Officers shall immediately notify the Chamberlain's Insurance and Risk Management Team of any loss, liability or damage to third parties or to City property that may lead to a claim and take appropriate action to prevent further losses occurring. All officers and staff must comply with the relevant terms and conditions of the insurance policies and provide assistance in the investigation of any claim within the specified timescales, as required. No admission of liability or offers of payment should be made that may prejudice the assessment of liability in respect of any insurance claim.
- 13.6 No Chief Officer shall enter into any indemnity which the City is required to give unless the terms thereof have been approved by the Deputy Chamberlain and Comptroller and City Solicitor or their named delegated officer.
- 13.7 The Chamberlain's Insurance and Risk Management Team shall be notified immediately that any valuables belonging to a private individual are taken into the Corporation's possession so that directions may be given as to their recording and safe keeping. The term "valuables" shall include watches, jewellery, cash, documents, goods, chattels or any other items of intrinsic value. It does not apply to "lost property" of a low value.

## SECTION 14. SECURITY AND DATA PROTECTION

- 14.1 Each Chief Officer is responsible for maintaining proper security at all times for all buildings, stocks, stores, furniture, equipment, cash, information etc. under their control (see also Financial Regulations concerning Inventories Section 19). In this respect, he or she shall inform the Deputy Chamberlain or Head of Audit & Risk Management and the Security Board where appropriate, immediately where security is thought to be defective or where it is considered that special security arrangements may be needed.
- 14.2 Maximum limits for cash holdings shall be agreed with the Chamberlain's Head of Audit & Risk Management and shall not be exceeded without their express permission.
- 14.3 Keys to safes and similar receptacles are to be the responsibility of designated Officers and are to be kept secure at all times. Loss of any such keys must be reported to the Deputy Chamberlain or Head of Audit & Risk Management forthwith. Duplicate keys to all safes are to be held in a place approved by the Chamberlain's Head of Audit & Risk Management and locked away for use in the case of emergency only.
- 14.4 Chief Officers should ensure that all staff are aware of the arrangements which the City has in place for the proper control and management (including retention) of all information owned by, or otherwise under the control and management of, the City and held in any format (e.g. paper, electronic, microfiche, etc.). Chief Officers should ensure that all members of their Department are aware that information concerning secret and confidential matters or personal information must not be disclosed in any way except to persons entitled to receive such information. All staff are expected to be familiar with the Employee Handbook, have completed relevant mandatory training (including IT security and data protection training), and be familiar with their own department's policies and procedures.
- 14.5 All staff, including temporary, contract or agency staff, are required to comply fully with the requirements of the Data Protection Act (DPA) and the United Kingdom General Data Protection Regulations (UK GDPR). Chief Officers, (who are each "Responsible Officers" for the purposes of the DPA and UK GDPR) each have particular responsibility for implementing appropriate measures and maintaining proper safeguards to ensure the security and the appropriate degree of privacy of all personal data held within their departments, whether electronically or in other formats. The City's IT Director and the City's IT Information and Security Director (who are each "Responsible Officers" for the purposes of the DPA and UK GDPR) each have similar obligations relevant to their role.
- 14.6 In Particular, Responsible Officers are required to implement "privacy by design and default", to comply with the six data protection principles under the UK GDPR, and to maintain appropriate records, including Records of Processing Activities (ROPA) and, where appropriate, undertake Privacy Impact Assessments (PIA). Where processing is contracted out to third parties then the requirements for data processors must also be complied with.
- 14.7 The City's IT Director shall agree with Chief Officers, consulting as appropriate with the Chamberlain's IT Audit Manager, the degree of privacy and security to be applied to IT Systems. The IT Information and Security Director shall then be responsible for maintaining proper security and the agreed control of access the systems to maintain the privacy or confidentiality the information held on those systems where he is responsible for

development, support or operation of those systems. Chief Officers are responsible for maintaining such standards within their own departments.

- 14.8 Chief Officers should ensure that all staff within their department who use IT and communication storage devices (e.g. Desktop PCs, Laptops, PDAs, Smart Phones, Mobile phones, etc.) are aware of, and adhere to, the current IT Security requirements and Internal Audit Guidelines. All new employees should be briefed as to the security policies and procedures that are applicable to them, including the implications of relevant legislation.
- 14.9 Prior to the employment of temporary contract, or agency staff, each Chief Officer should ensure that they receive written confirmation from such staff that they understand and agree to conform to the Rules for the Use of City Information Technology Systems (IT) Facilities. System access will be provided by the IT Service Desk. Line of Business Application (LOB) access may require authority to access the specific information from the relevant business system administration team.

## **SECTION 15. INCOME & BANKING ARRANGEMENTS**

- 15.1 The systems effecting the collection of all money due to the City shall be approved by the Chamberlain.
- 15.2 All banking arrangements shall be made by or subject to the prior approval of the Chamberlain.
- 15.3 The Chamberlain shall be notified promptly of any event where income potential will arise to the City. In such instances the Chamberlain shall be consulted prior to any contracts, leases and other agreements and arrangements being entered into which involve the receipt of money by the City, and the Chamberlain has the right to inspect any document or other evidence in this connection as he may decide.
- 15.4 Each Chief Officer shall ensure the use of City Finance System for the raising of debtor invoices and the recording of data in respect of miscellaneous invoiced income, unless otherwise directed by the Deputy Chamberlain.
- 15.5 Departments shall ensure that arrangements are in place for the regular and frequent reconciliation of amounts collected to the general ledger.
- 15.6 All income must be accounted for separately and never credited to an expenditure code. In particular, proceeds from the disposal of assets are not to be off set against expenditures.
- 15.7 All income, whether cheques, notes or coins received by an officer on behalf of the City shall, without delay, be recorded including a reference to the related debt, such as the receipt number, the name of the debtor, details of any cheques or other indication of the origins of the income, and (unless otherwise directed by the Comptroller and City Solicitor) paid intact into a designated bank account. This shall be done at regular intervals and in a manner as directed by the Deputy Chamberlain.
- 15.8 Every officer who banks money shall enter on the paying-in slip their name, their contact telephone number and/or email address, and the number of cheques being paid in (if any). Every officer paying in money should also ensure that the standard electronic form is completed and submitted to the Chamberlain's Income Allocation Team (In Corporate Treasury) on the day of banking to facilitate the correct coding of the banked monies.
- 15.9 Cash payments are not encouraged, except where necessary and Officers must ensure that cash payments are not accepted for individual transactions which exceed the threshold of 10,000 euros (set by the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 which came into force on 26 June 2017).
- 15.10 Departmental procedures for accepting cash, cheques or credit cards tendered in respect of the sale of goods, materials or services by the City shall be agreed by the Deputy Chamberlain.
- 15.11 All cheques and similar documents (but excluding cheques drawn on authorised imprest

accounts) shall be ordered only on the authority of the Deputy Chamberlain, who shall make proper arrangements for their safe custody.

- 15.12 Cash holdings on premises shall be kept to a minimum, in safes or locked receptacles appropriate for the value being held with regard to the insurance limits. The average and maximum values held in safes must be notified to the Insurance and Risk Management team.
- 15.13 Money held on behalf of the City shall be kept separately from personal funds and shall not be used in any way for personal purposes.
- 15.14 Every transfer of official money from one member of staff to another will be evidenced in the records of the departments concerned by the signature of the receiving Officer.

#### VAT

- 15.15 Chief Officers shall ensure that the form of any sundry debtor invoice, or other equivalent document used in the collection of VAT, is approved by the Deputy Chamberlain prior to use.
- 15.16 For all new income streams advice should be sought from the City's VAT Accountant to determine the appropriate VAT liability. A guide for VAT can be found on the intranet.

#### Irrecoverable debts

- 15.17 No debt shall be written off without first obtaining the approval of the Chamberlain's Head of Revenues and the required level of authority (see Standing Order 52). Write offs may be approved for a variety of reasons, among the more usual are:
- (a) insufficient legal proof of the debt or liability for the charge.
  - (b) probable expense of legal action in excess of amount to be recovered.
  - (c) debtor cannot be traced.
  - (d) debtor with insufficient means or assets.
  - (e) the debt represents the balance outstanding after a final dividend has been paid in bankruptcy or insolvency cases.

Chief Officers shall maintain relevant documentation to support the validity of the write-off, confirming that action has been taken to mitigate the loss. Where a series of debts are proposed to be written off at the same time, their aggregate value shall be used when considering authority required for the write-off under Standing Order 52.

#### Fees and Charges

- 15.18 When determining fees and charges to persons or external organisations, all departments should recover full costs, or submit reasons to the appropriate Service Committee when that objective is not met. The Duty to recover costs must be subject to any other overriding statutory provision e.g. Freedom of Information Act 2000.
- 15.19 Charges and the charging rationale should be reviewed regularly (e.g. annually). The



review of charges should be reported to Committee unless discretion is specifically awarded to Chief Officers.

- 15.20 Should consideration be given to offering goods or services in the form of a benefit-in-kind to a third party, the relevant policy on benefits-in-kind should be followed both prior to making the decision to provide goods or services at a reduced or nil charge, and in subsequent monitoring of this decision.

#### Charitable Grant/Voluntary Income

- 15.21 For all charities for which the City is Trustee regard must be had to the current version of the Charities SORP in relation to the acceptance of grants or other forms of voluntary income. Such income is classified as a 'non-exchange' transaction.
- 15.22 The recognition of grant/voluntary income within the accounts of each charity must follow the general rules of recognition, considering the criteria of entitlement, probability and measurement (SORP 5.8)
- 15.23 Recipients of such income must be mindful as to whether it can be used for any purpose of the charity or is restricted to a specific purpose. Advice should be obtained from the Charities Finance Team and Comptrollers and City Solicitors where either restrictions are being considered or any other form of agreement is to be held with a donor(s).

## **SECTION 16. PARTNERSHIPS**

- 16.1 When entering into collaborative arrangements, be they partnering, partnership agreements, or other forms of sponsorship, each Chief Officer shall undertake an initial due diligence exercise to ascertain which form of collaboration is being proposed. Based on this initial scoping exercise, the relevant collaboration proposal will need a risk management appraisal to ensure that the City's interests are protected and appropriate financial (including fiscal) and legal advice needs to be sought from both the Chamberlain and the Comptroller and City Solicitor. Chief Officers shall ensure that: -
- (a) staff are aware of the Audit Guidelines on partnering and adhere to these where it is possible to do so;
  - (b) Involve City Procurement where appropriate and necessary select routes to choose an appropriate partner, this is especially important if the partnership could result in a contract.
  - (c) Consult with the Chamberlain to ensure expenditure and income transactions are correctly accounted.
  - (d) an appropriate exit strategy is in place.
  - (e) where necessary, proposed contractual and other relevant agreements are approved by the appropriate Service Committee, and where the Town Clerk considers necessary, approval is also received by the Finance and/or Policy and Resources Committees, prior to the conclusion of any negotiations with external bodies; and
  - (f) details of each collaborative arrangement must be forwarded to the Town Clerk for inclusion within a corporate database.
- 16.2 Within three years of the start of a collaborative arrangement (partnering or partnership agreement or sponsorship agreement as the case may be), each Chief Officer shall ensure that the ongoing costs, benefits and risk management issues are reported to the appropriate Service Committee with reference to applicable corporate objectives and agreed project outputs. Further reporting is to be carried out at intervals of three years for as long as the relevant arrangements remain active.
- 16.3 Further information on the Concession Contracts can be found in Rule 18 of the Procurement Code - please see both Part 1 (Rules) and Part 2 (Guidance).

## SECTION 17. GRANT-MAKING

17.1 Grants made by the City Corporation are frequently voluntary payments made to further the purposes of a grant-making charity. Grants can be made to either fund the general purposes of the recipient or for a specific activity or service. A grant may be unconditional, or subject to conditions which must be met before the recipient is entitled to the payment.

17.2 All grants awarded from charitable funds managed by the City shall be made in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice (SORP) applicable to charities preparing accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland. This requires the full value of a grant award/commitment to be recorded as expenditure when a constructive obligation exists. Such an obligation exists when the grant-making charity creates a valid expectation on the part of the recipient that the full grant will be paid. Although grants are non-contractual, a liability still arises if the charity has no realistic alternative but to provide the funding.

17.3 Evidence of constructive obligation for a grant exists where:

- a) The commitment made by the charity is specific i.e. an amount is approved to fund particular services/activities to a named organisation.
- b) The commitment is communicated directly to the recipient before our financial year-end (31 March). Such communication is expected to be a formal offer in writing, approved in line with the relevant delegations of authority operated by the Service Committee involved.
- c) There is an established pattern of practice by the grant-making charity that it will meet its commitments.
- d) Where a grant commitment is payable over a period of more than one year, a liability must be recognised for the full amount of the grant, unless conditions exist for payments falling due after the financial year-end. Grant awards/commitments can be made which give the funding charity the discretion to avoid future payments based on their assessment of whether the conditions attached to the full commitment will be/have been met by the grantee. The inclusion of any such conditions must be communicated to and agreed with the grantee at the original point of the commitment.
- e) Not all conditions attached to a grant award/commitment create a situation that gives the grant-making charity discretion to withdraw from its funding obligation. A requirement for a grantee to provide ongoing reports throughout the life of the project being funded is not sufficient to prevent future years' funding from being recorded upfront as expenditure. Where payments for later years are subject to performance-related conditions, that would allow the funding charity to legitimately withdraw from its commitment if these are not met, this would enable the funder to recognise part of the grant only at the initial point of approval.

An example being 4-year grant of £400,000 approved, payable evenly across the grant period:

- a) Only condition is that annual management accounts for the project are provided – accounting treatment: full £400,000 recorded as expenditure in the month of approval by the relevant Service Committee.
- b) Condition states that at the end of year 2, performance of the grant will be reviewed externally. Satisfactory results will need to be achieved against the stated objectives for the grant to continue – accounting treatment: £200,000 recorded as expenditure in the month of approval by the relevant Service Committee, with the remaining £200,000 recorded as expenditure if/when satisfactory results are approved against objectives.
- c) The payments that are made against grants awarded/ committed will be coded to a balance sheet liability account. At any point in the lifetime of a grant, the amount still due to be paid to the grantee will be recorded in the finance system as an outstanding liability.
- d) Any amounts not paid out at the end of a grant - i.e. balances left as an outstanding liability – should be written-back against grant expenditure. Confirmation of write-backs should be approved by the relevant Service Committee.
- e) Reconciliations of grant liabilities to underlying systems/data should be produced on a regular basis, determined by the value and volume of grants being committed. Discussions on the validity of outstanding liabilities should be held with the relevant service department, with adjustments agreed in line with department held grant-making policies.

17.4 All grants awarded from non-charitable funds managed by the City should aspire to follow recommended practice as established within the Charities SORP, with reasons submitted to the appropriate service committee when this practice is not followed. Advice should be taken from the Central Grants Unit (CGU) if consideration is being given to not following the SORP guidance.

17.5 The City Corporation also makes grants from its non-charitable funds to other organisations to undertake works that deliver a corporate outcome, such as capital grant funding to the Museum of London to relocate to the Smithfield Market site. Approval to such funding requires the authority of the Policy and Resources Committee or Capital Buildings Committee as appropriate.

## **SECTION 18. SALARIES, WAGES AND PENSIONS**

- 18.1 The payment of all salaries, wages, pensions, compensation and other emoluments to all employees and pensioners of the City shall be made by the Chamberlain or under arrangements approved by him.
- 18.2 Each Chief Officer, or their authorised representatives, shall notify the Chamberlain's Payroll Manager as soon as possible, and in the prescribed form, of all matters affecting the payment of such emoluments, and in particular; -
- (a) Appointments, resignations, dismissals, suspensions, secondments and transfers.
  - (b) Absences from duty for sickness or other reason, apart from approved leave, as laid out in the Employee Handbook.
  - (c) Changes in remuneration, and pay awards and agreements of general application.
  - (d) Information necessary to maintain records of service for superannuation, national insurance, income tax, etc.
- 18.3 All appointments of permanent employees shall be made in accordance with the regulations of the City and the approved establishments, grades and rates of pay. The creation or re-designation of any post requires prior approval in accordance with the Schemes of Delegation as published by the Town Clerk, for City Corporation Departments and the three City Schools. Any changes to existing or new posts made in line with this regulation must be notified to the appropriate HR Business Unit to be entered on the HR system.
- 18.4 All pay amendments and time records shall be in a form approved by the Chamberlain's Payroll Manager. The names of the officers authorised to sign such records shall be sent to the Chamberlain's Payroll Manager by each Chief Officer together with specimen signatures. Changes shall be notified to the Chamberlain's Payroll Manager as they occur.
- 18.5 All Line Manager's engaging on behalf of the City are required to complete the HMRC's Employment Status Service tool. The tool must also be used to ascertain the employment status of other off payroll workers who do not fall under IR35 but should be engaged on a fixed term contract or variable contract due to the nature of the work.

## SECTION 19. INVENTORIES

- 19.1 Chief Officers shall ensure that Inventories of all assets are maintained by their Department. An inventory is a detailed list of assets. "Assets" shall be taken to mean furniture, fittings and equipment, plant, machinery and the City's Treasures. Assets that are being rented or leased on a long-term basis, or such that the responsibilities of stewardship lie with the Department, should also be included in the inventory. Generally, items with a lifespan longer than one year should be included, unless they are already recorded on a formal stock record system.
- 19.2 The inventory should be in the form of a permanent document. It is important to ensure that the inventory is complete and that all parts of it are kept together. The inventory can be in any media, except index cards.
- 19.3 The inventory should provide the following information for each item:
- a. Location, but if the item is moved between locations, note the general area. (A separate record of location may well be necessary).
  - b. Full description
  - c. Serial and Code numbers, if relevant
  - d. Date of purchase and cost of acquisition
  - e. Estimated current replacement value (for insurance purposes), which should be reviewed annually; and
  - f. Date of disposal and the proceeds
  - g. The total of all the estimated current replacement values should be shown, so that the information is readily available for insurance purposes.
- 19.4 Where practical, the inventory should be updated each time there is an acquisition or disposal. This will produce a more accurate record than if all the amendments are done at the end of the year.
- 19.5 Each Chief Officer is responsible for ensuring that an annual check is carried out of all items on the inventory and for taking action in relation to surpluses and deficiencies. If any discrepancies are found when checking the inventory, these should be followed up until reasons have been found. If the result of these findings is that an item has to be removed from the inventory, then the appropriate authorisation should be sought. If the item concerned is valued at more than £5,000, then Committee approval should be sought for any such write-off in accordance with Financial Regulation 19.6 below. The inventory should then be amended accordingly.
- 19.6 The disposal of any item of inventory shall comply with the City's agreed disposals procedures. Items of inventory with an estimated disposal value in excess of £5,000 must be approved by the appropriate Committee. Where the acquisition of an asset was aggregated into a capital project (e.g. fleet vehicles, personal IT devices such as laptops etc) then disposal proceeds should be likewise considered on an aggregated basis. Disposal proceeds generally accrue back to the centre – they may not be used to supplement local risk budgets or be reallocated to supplement project budgets without specific member approval.
- 19.7 It is important that at least one copy of the inventory is held separately from the assets that it lists, so that if a disaster occurs to the Department or the Guildhall, then all information

is protected for insurance purposes, in the event that items need replacement. If provision has been made for a business continuity box, as part of the Corporation's disaster recovery plan, then this would be the ideal location for a copy of the inventory. For inventories that are kept on computer disk, backup copies should be kept in a fireproof cabinet in a separate location to the computer.

- 19.8 All assets, other than for furniture and equipment, which cost in excess of £1,000 are required to be separately notified to the appropriate registrar for inclusion in the asset register. The Chamberlain, in their statutory capacity as registrar for furniture and equipment, may request inventories to be sent to them at 31st March in any one year.
- 19.9 The City's property shall not be removed or used otherwise than in accordance with the ordinary course of the City's business or purposes except in accordance with specific directions issued by the Chief Officer concerned.

## **SECTION 20. STOCKS AND STORES**

- 20.1 Each Chief Officer shall be responsible for the proper care and custody of the stocks and stores under the control of their department, and shall maintain proper records in such a form and the extent as may be agreed from time to time by the Deputy Chamberlain.
- 20.2 Chief Officers shall ensure that a count and valuation and reconciliation of all stocks and stores held in their departments is carried out, either continuously, or on or about the 31st March of each year. The Deputy Chamberlain, however, may dispense with this requirement in cases where the value of the items held in store is less than £5,000 in total.
- 20.3 Checks and reconciliations of all stocks and stores, should wherever possible be undertaken in the presence of a person independent of the keeping of the stores concerned.
- 20.4 All items of stock, other than PC equipment, found to be surplus are to be disposed of at the best prices available by sale, exchange, internal transfer or scrapped. In respect of PC equipment, this is to be disposed of in accordance with the procedures detailed on the appropriate Intranet page as maintained by the Chamberlain's IT Division.
- 20.5 The return of all goods to suppliers shall be authorized by the appropriate Chief Officer or their authorised representatives. In each instance officers are only to release such goods when they are, certain that the return has been properly authorised, satisfied that the collection company has been previously notified to them, and that they are in receipt of appropriate return note documentation.



## **SECTION 21. MOTOR VEHICLES**

- 21.1 All departments operating vehicles shall maintain records listing details of all motor vehicles under their control whether owned by, hired by or leased to the City. Each Chief Officer shall ensure that all such information concerning vehicles under their control is supplied to the Director of the Built Environment who is responsible for maintaining an asset register for City owned vehicles.
- 21.2 Chief Officers may acquire and dispose of any vehicle provided they comply with the Procedure for the Purchase and Disposal of City of London Vehicles .
- 21.3 The registration documents of all City owned vehicles shall be recorded and held in safekeeping in a manner approved by the Deputy Chamberlain.
- 21.4 Each department hiring or leasing vehicles shall maintain adequate records evidencing the terms of the hire or leasing agreement.
- 21.5 No vehicle shall be used otherwise than in accordance with the ordinary course of the City's businesses or purposes without the prior permission of the Chamberlain. Such permission is only to be given in exceptional circumstances upon presentation of a written report providing justification.
- 21.6 A vehicle trip log shall be kept for all motor vehicles which require a road fund licence. This should show as a minimum the milometer readings at the beginning and end of the trip, the reasons for the trip, and the name of the driver officer in charge of the vehicle during the trip. Chief Officers shall be responsible for ensuring that milometer readings are continuous.
- 21.7 Where a department has its own fuel pump comprehensive records shall be maintained of all deliveries and issues.
- 21.8 The proceeds from the disposal of fleet vehicles previously purchased through a capital project shall accrue to centrally held reserve and may not be used for other purposes such as supplementing local risk budgets.

## **SECTION 22. ENTERTAINMENT & HOSPITALITY**

### Hospitality

- 22.1 Acceptance of gifts or tokens by employees from persons who have, or may seek to have, dealings with the City are dealt with through the Employee Handbook – Code of Conduct – Hospitality & Gifts.
- 22.2 All other Business Expenses (Business Assets) should be purchased via Purchasing Cards/Petty cash.

### Entertainment

- 22.3 All business entertainment expenses must be incurred in accordance with the City Corporation's Business Travel Policy and Travel and Subsistence Policy which can be found on SharePoint.

## SECTION 23. Document Retention

23.1 There is very little specific legislation that prescribes retention of document periods for financial documents in Local Government. Where specific legislation does apply to specific documents, the minimum retention period has been outlined below. Some guidance is given in the Audit Commission Technical Release 2098 "Retention of Documents in Local Government and Health Authorities". In general, this recommends that, for audit purposes, all original records should be retained for at least 18 months after the end of the financial year to which they relate. For example, a document created on 1 June 2000 should be held until 31 September 2002 as a minimum.

23.2 In addition, the Audit Commission recommends the permanent retention of "key records relating to building and engineering works such as surveys, site plans, drawings, bills of quantities, contract documents, including those which relating to major projects which have been abandoned or deferred, deeds, lease documents, insurance policies, inventories, valuations".

23.3 No specific legislation, except that relating to VAT, covers the format in which Local Government records are retained. If a department wishes to consider electronic storage, it should ensure that it complies with the British Standard Code of Practice for Legal Admissibility and Evidential Weight of Information Stored Electronically (PD0008:1999), and the section on Microfilming and Electronic Storage at the end of this section.

### Rates, Community Charge and Council Tax Records

23.4 Apart from archival uses, legal requirements make it necessary to retain details of payments etc. over a six-year period (Limitation Act 1980).

<b><u>Record</u></b>	<b><u>Relevant Statute</u></b>	<b><u>Minimum Period of Retention</u></b>
Valuation Lists	General Rate Act 1967	Permanently
Valuation Officer's Direction Lists	General Rate Act 1967	Permanently
Primary Rate Records		10 Years
Supporting Documents to Primary Rate Records		6 Years
Bailiff's completed Receipt Book		10 Years
Rating Lists	L.G. Finance Act 1988	Permanently
Schedules to Rating Lists	L.G. Finance Act 1988	Permanently
Community Charge register	L.G. Finance Act 1988	Permanently
Canvass Form		6 Years
Primary Comm. Charge Records		10 Years
Supporting Documents to Primary Community Charge Records		6 Years
Council Tax Valuation Lists	L.G. Finance Act 1992	Permanently

Schedule to Valuation Lists		Permanently
Primary Council Tax Records		10 Years
Supporting Documents to Primary Council Tax Records		6 Years

### Housing Rental Records

<u>Record</u>	<u>Relevant</u>	<u>Statute</u>	<u>Minimum Period of Retention</u>
Housing Property File/Ledger			6 Years
Housing Primary Rent Collection			6 Years
Records (including rebates and refunds)			6 Years
Other Subsidiary Records			After external audit but a minimum of 18 months after the end of the financial year

### GENERAL INCOME (OTHER THAN RATES, COMMUNITY CHARGE AND COUNCIL TAX)

In general, once an account has been paid there is no need to keep supporting records after the external audit has taken place, except for VAT income accounting purposes (See below).

<u>Record</u>	<u>Relevant Statute</u>	<u>Minimum Period of Retention</u>
Primary Periodical Income Record		3 Years
Primary debtors record		Currency of record or 6 years, whichever is the longer
Supporting documents to 1 & 2 above		3 Years
Assessment files (dead case)		After external audit but a minimum of 18 months after the financial year.
Domestic Help Timesheet		
Income Returns from Departments		

Completed receipt books & other documents		6 Years (See VAT Section)
		6 Years (See VAT Section)
Cash Register Till Rolls		6 Years (See VAT Section)
Housing Act Advances		
Car Loan Repayments, Private Street Works, Public Health Acts etc - payments by instalments over a period of years		Basic information to be retained 12 months after completion of payment.

## **ALL ASSESSMENT RECORDS**

(for a particular year)

<b><u>Record</u></b>	<b><u>Relevant Statute</u></b>	<b><u>Minimum Period of Retention</u></b>
Including Rent Allowances & General Income		3 Years
Council Tax and Housing Benefits	Limitation Act 1980	6 Years
Community Charge Benefits	Limitation Act 1980	6 Years

## **EXPENDITURE RECORDS**

<b><u>Record</u></b>	<b><u>Relevant Statute</u></b>	<b><u>Minimum Period of Retention</u></b>
Register of Tenders & Quotations		Currency of records, or 6 years for dead cases
Contract Documents (where contract is under seal)	Limitation Act 1980	12 Years
Contract Documents (where contract is not under seal)	Limitation Act 1980	6 Years
Unsuccessful quotations & tenders		A minimum of 12 months after the start of the contract
Contract Register		Indefinitely
Contractors' Final Account Documents	Limitation Act 1980	12 Years
Requisitions for supplies/works		After external audit but a minimum of 18 months after the end of the financial year
Official Copy Orders		6 Years (See VAT Section)

Delivery Notes		6 Years (See VAT Section)
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<b><u>Record</u></b>	<b><u>Relevant Statute</u></b>	<b><u>Minimum Period of Retention</u></b>
Periodical Payments Register (dead cases)		3 Years
Paid Accounts/Purchase Invoices		6 Years
Paid Cheques including Giro cheques (presented)		After external audit but a minimum of 18 months after the end of the financial year
<b>Costing Documents</b>		
Stores prime records		
Haulage prime records		After external audit but a minimum of 18 months after the end of the financial year
Postage returns		After external audit but a minimum of 18 months after the end of the financial year
Inter-departmental account transfer		End of the financial year
Petty cash voucher		6 years
Detailed expenditure tabulations (final tabulations)		6 years
Year-end costing and financial tabulations		3 years
Rechargeable work job orders		3 years

## **PAYROLLS**

<b><u>Record</u></b>	<b><u>Relevant Statute</u></b>	<b><u>Minimum Period of Retention</u></b>
Timesheets including Bonus Sheet Car		After external audit but a minimum of 18 months after the end of the financial year
Allowance claims		
Other staff returns (e.g. overtime allowances)		After external audit but a minimum of 18 months after the end of the financial year
Payrolls (in whatever final form)		3 Years
P11 & P35 returns		3 Years
Individual pensioners files		Currency of record, 12 months after case has been cleared after death

Pensions payroll		3 Years
Superannuation		
Register of Contributors and Contributions		
Transfer Value documents		Indefinitely
Register of Pensioners		
Quinquennial Valuations - all papers and records		
Half-Year tabulations of employees superannuable pay and contributions		6 Years

## **OTHER ACCOUNTING RECORDS**

<b><u>General Accounting Records</u></b>	<b><u>Relevant Statute</u></b>	<b><u>Minimum Period of Retention</u></b>
Bank Pass-Book sheets		
Receivership Records		
Cashier's Collection & Deposit Book		
Cashier's Petty Cash		
Imprest Account		6 Years
Post-dated cheques register		
RD Cheques register		
Cheques (blank) register		
Unpaid wages book		
Deceased Persons Effects Register		Indefinitely
Records of patient's property handed in for safe custody- and property held under Section 48 - National Assistance Act 1948		6 Years after the end of the financial year in which the property was disposed
<b><u>Investment Records</u></b>	<b><u>Relevant Statute</u></b>	<b><u>Minimum Period of Retention</u></b>
Register of holdings		Indefinitely
Bought and sales notes when holdings disconnected	Limitation Act 1980	6 Years
<b><u>Loan Records</u></b>	<b><u>Relevant Statute</u></b>	<b><u>Minimum Period of Retention</u></b>
Register of Bonds/Mortgages		Indefinitely
Copy Bond Certificates		6 Years after redemption of bond
Temporary Loans Register		After external audit but a minimum of 18 months after the end of the financial year

<b><u>Insurance Records</u></b>	<b><u>Relevant Statute</u></b>	<b><u>Minimum Period of Retention</u></b>
Register of Insurances		Indefinitely
Insurance Policies (discontinued)		Indefinitely
<b><u>Financial Administration Records</u></b>	<b><u>Relevant Statute</u></b>	<b><u>Minimum Period of Retention</u></b>
Controlled stationery register		Indefinitely

## **VAT RECORDS**

All records relating to VAT (detailed below) VAT Act 1994: **6 Years**

<b>Type of Record</b>	<b><i>Detail</i></b>
Business and accounting records	<p>Orders and delivery notes</p> <p>Relevant Business correspondence Purchase and sales books</p> <p>Cash and other accounts books Purchase invoices and copy sales invoices</p> <p>Record of daily takings e.g. till rolls</p> <p>Annual Accounts</p> <p>Import and export documents</p> <p>Bank Statements and paying in slips</p> <p>A VAT account</p> <p>Any Credit or debit notes issued or received</p>
A VAT Account	An account summarising the totals of the output tax and input tax for each period.
Copies of all VAT invoices issued	A copy of all VAT invoices must be retained either on paper, computer or other media and should be readily available for inspection.
All VAT invoices received	
Documentation relating to acquisition of goods from other EU countries	



Copy documentation relating to the transfer, dispatch or transportation of goods to or from EU countries.	
Documents relating to imports and exports.	
All credit notes, debit notes or other documents which evidence an increase or decrease in consideration that are received and copies of all such documents that are issued.	
Any documents or certificates supporting special VAT treatment such as relief on supplies to visiting forces or zero-rating by certificate.	
Additional records as required by HMRC	

### Microfilming & Electronic Storage of Documents

23.5 Subject to normal audit procedures for microfilming of documents, the following points are relevant to retention of documents:

23.6 Sections 37 and 39 of the GLC (General Powers) Act 1969 empower the City of London Corporation to make microfilm records of their documents which, notwithstanding that the document may have been destroyed are receivable in evidence, if properly verified, in Court proceedings.

23.7 Any documents to be electronically scanned or microfilmed, for VAT purposes, must first be reported to the Chamberlain's Corporate Treasurer who will seek the permission of HMRC.

23.8 Any documents which have been microfilmed may, subject to the conditions set out in Sections (iii) below, be destroyed after formal closure of the audit for a financial year by the External Auditor. In certain situations, the audit may remain open for a longer period of time. If an audit remains open the authorities must seek approval of the external auditors for the disposal for any documents.

23.9 Instances when documents should be retained:

- (a) Records deposited under Section 4 of the Public Records Act 1958 are to be retained permanently.
- (b) Records deposited or acquired under Section 5 of the City of London (Various Powers) Act 1962 and Section 2 of the Local Government (Records) Act 1962, as amended by the London Government Act of 1963 and any relevant later Acts.
- (c) Documents which are or may be value for administrative, historical, sociological or research purposes should be retained.
- (d) Before documents are destroyed it is recommended that an Archivist be consulted for advice:
  - On the retention on a selective or sampling basis (say 1% to 2%) of a typical set of papers;
  - When doubts exist on documents which should be preserved as having an historical value not only because of their age, but the fact that current documents may from their content or nature have an historical value;
  - On the retention of microfilm after its use for administrative purposes has ceased or at the end of any statutory period for which it is required.

23.10 In general, any microfilm intended to be preserved should be original film and not a diazo copy. References to microfilm are equally applicable to microfiche.

## **SECTION 24. VERIFICATION OF CONTRACTORS AND CONSULTANTS FINAL ACCOUNTS**

### Verification of Contractors' and Consultants' Final Accounts

24.1 The verification procedures set out in (a) and (b) below will apply to final accounts for works contracts. In this context, references to risks relate to the matrix set out in paragraph 20 of the Project Procedure:

1. All Final accounts which exceed £50,000 in value will be subject to an independent verification check, undertaken by a suitably experienced officer within the relevant implementing department, regardless of whether the overall risk of the project has been assessed at some point as low, medium or high risk,
2. In addition, final accounts of £2,000,000 and above will also be subject to final account verification by the Chamberlain's Financial Services Division (FSD) where (i) the value is £2,000,000 to £10,000,000 and the overall risk of the project has been assessed at some point as "Medium" or "High", and (ii) the value exceeds £10,000,000 regardless of the risk assessment.

24.2 All final account documentation is to be made available before or with the submission of the final account, which is itself to be prepared in accordance with the contract conditions (e.g. within 3 or 6 months of practical completion) and immediately submitted for verification by the City of London. Where the final account has not been verified as correct in accordance with clauses 1.a and/or 1.b, the Final Payment Certificate/Invoice is not to be paid prior to approval of an outcome report (Gateway 6 report as set out in the Project Procedure) which informs Members of the position of the Final Account Verification.

24.3 The verification procedures set out in (a) and (b) below will apply to final fee accounts for consultants that exceed £50,000 in value. In this context, references to risks relate to the matrix set out in paragraph 20 of the Project Procedure:

1. Fee accounts associated with works contracts will be subject to an independent verification check, undertaken by a suitably experienced officer within the relevant implementing department, regardless of whether the overall risk of the project has been assessed at some point as low, medium or high risk,
2. Fee accounts shall also be submitted for verification by the FSD where the associated works contract final account requires verification by the FSD in accordance with the above regulations.

24.4 Where a consultant's remit includes preparation of final account documentation for the works contract, they shall not submit their final fee account for payment until the works contract final account has been verified as correct in accordance with clauses 1a. and/or 1b. above. A clause to this effect should have been inserted in the fee agreement.

### Submission of Final Accounts to the Chamberlain's Financial Services Division for Verification

24.5 Project Management and Technical staff shall either prepare final accounts, or ensure that this is done by our consultant(s) and contractor(s) for all works contracts, in accordance with the time scales stipulated in the contract conditions, and then make this information available in either digital or hard copy format to the appropriate Financial Services Division

(FSD) Head of Finance along with relevant supporting documentation in the form of Contract Instructions, Variation Orders, Site Meeting Minutes, Practical Completion Certificates, Extension of Time Certificates, Payment Certificates, Invoices, Day-Work Sheets, Priced Bills of Quantities, Specifications, etc.

24.6 Project Management and Technical staff shall prepare final fee accounts for all consultancy appointments, in accordance with the time scales stipulated in the contract conditions, and then make this information available in either digital or hard copy format to the appropriate Financial Services Division (FSD) Head of Finance along with relevant supporting documentation

24.7 When all of the applicable documentation is available the “Originating” Officer in the technical department should email that the final account is ready for verification to the appropriate Financial Services Division (FSD) Head of Finance. This is the Head of Finance who heads the unit responsible for providing financial support services to the client department for the project in question. For works contracts, attached to this email should be a completed copy of the Contractor’s Final Account Checklist form. This email should be copied to the Town Clerk’s Corporate Programme Team for information.

## Appendix B

### Matrix of Amendments

#### Revisions to the City of London Financial Regulations 2018

A summary table of the changes to the relevant rules contained in the City of London Corporation Financial Regulations as approved by the Finance Committee on 11<sup>th</sup> December 2018 is provided below.

	<b>Section TITLE OF THE SECTION</b>	<b>Change</b>
<b>1</b>	Title Page	<ul style="list-style-type: none"><li>• 'Approved by the Finance Committee 11 December 2018' amended to 'Approved by the Finance Committee April 2021'.</li></ul>
<b>2</b>	Contents	<ul style="list-style-type: none"><li>• Additional sections included - Section 23 Document Retention and Section 24 Verification of Contractors &amp; Consultants Final Accounts.</li></ul>
<b>3</b>	Section I: Introduction	<ul style="list-style-type: none"><li>• The date in which this version of the financial regulations was approved by Finance Committee has changed from 23 January 2018 to April 2021.</li><li>• Reference to finance manual has been removed as this has now merged with the Financial Regulations.</li></ul>

4	Section II: Recent Version History	<ul style="list-style-type: none"> <li>• Table has been updated to include the recent updates/changes made to the financial regulations which will be subject to Finance Committee approval in April 2021.</li> <li>• The wording in the first paragraph has been slightly altered to reflect that this version of the Financial Regulations which now replaces the January 2018 version.</li> </ul>
5	Section 1: General	<ul style="list-style-type: none"> <li>• Paragraph 1.3 – Slight alteration to the wording on charities complying with the guidance issued by the Charity Commission.</li> <li>• Paragraph 1.6 – 1.10 – Wording taken directly from finance manual. These paragraphs cover areas including the Deputy Chamberlain being consulted in cases involving the interpretation of Financial Regulations, all IT expenditure and development work must conform to IT strategy, corporate IT standards and other guidance issued by City's IT Director.</li> <li>• The title Chamberlain's IT Director changed to City's IT Director.</li> <li>• Para 1.12 – UK added before the word GDPR and abbreviation DPA fully expanded to Data Protection Act.</li> </ul>

6	Section 2: Resource Allocation, Revenue Estimates and Capital Budgets	<ul style="list-style-type: none"> <li>• Paragraph 2.3 – 2.11 - Additional text included on the budget management process for revenue expenditure and income including chief officer responsibilities.</li> <li>• Paragraph 2.4 – Examples of local risk items taken from text within finance manual. Definition of recharge risk budgets included.</li> <li>• Sub heading 'Managing Budgets' deleted.</li> <li>• Sub heading 'Treatment of Year End Balances' included above the narrative on carry forward requests.</li> <li>• Paragraph 2.13 – Last sentence taken from finance manual. Reference to SO 48(9) has been added.</li> <li>• Paragraph 2.14ii - Bridge House Estates (charitable funding commitments) and Open Spaces Charities (fundraising budgets) included within the list of where separate carry forward arrangements apply. In addition, have made clear that it is the Managing Director of the Barbican Centre that can incur a deficit of up to £500k at any one time but this should be repayable in the next financial year. These deficits should be one off and not continuous from one year to the next..</li> <li>• Paragraph 2.14 iv – New wording. Clarification on carry forward arrangements in respect of Open Spaces fundraising income relating to donations and legacies to the Charities.</li> <li>• Paragraph 2.15 Central risk carry-forwards to be agreed by Chairman and Deputy of RASC to be consistent with local risk.</li> <li>• Paragraph 2.16 - New paragraph and heading on the formal process to agree the setting up of new reserve balances.</li> <li>• Paragraph 2.17 - Change of header name from Virement to Scheme of Virement.</li> <li>• Paragraph 2.17a – List of central risk items deleted and included in paragraph 2.4. Definition of a virement has been reworded.</li> <li>• Paragraph 2.17c – Text taken from finance manual detailing the rules around virements for the Barbican Centre Managing Director and the Commissioner of Police.</li> <li>• Paragraph 2.18 - 2.25 - Additional information added on the process of managing capital and supplementary revenue project budgets and virements of capital and supplementary revenue project budgets.</li> </ul>
7	Section 3: Accounting	<ul style="list-style-type: none"> <li>• Paragraph 3.5e – Deadline for which all three funds audited and published financial statements are to be presented to the Court of Common Council has changed from a fiscal date to in accordance with the statutory deadline.</li> <li>• Paragraph 3.8 – Text taken from finance manual which makes reference to where details of the City Corporation Finance Information System can be found.</li> </ul>

8	Section 4: Internal Audit	<ul style="list-style-type: none"> <li>• Paragraph 4.1 – Text reworded to highlight the responsibilities of both the City Corporation and the Chamberlain in terms of compliance with the statutory requirements for Internal Audit. Additional wording also added with regards to the City Corporation complying with the Public Sector Internal Audit Standards (PSIAS).</li> <li>• Paragraph 4.3 – New paragraph. Clarification on who the Head of Audit and Risk Management reports to.</li> <li>• Paragraph 4.5 – Additional text included on responsibility of Officers to provide all information requested by Internal Audit.</li> <li>• Paragraph 4.6 – Text taken from finance manual regarding the retention/destruction of financial records.</li> </ul>
9	Section 5: Risk Management	<ul style="list-style-type: none"> <li>• Paragraph 5.5 – New paragraph inserted. Charities must follow the City's Corporate Risk Management Strategy and governance processes unless in conflict with charity law and regulatory requirements.</li> </ul>
10	Section 6: Treasury Management	<ul style="list-style-type: none"> <li>• Paragraph 6.1– Rewording on the adoption of CIPFA's Code of Practice on Treasury Management by the Court of Common Council.</li> <li>• Paragraph 6.2 (The Court of Common Council) - Updated their responsibility to include reviewing reports on treasury management policies and approval of annual strategy.</li> <li>• Paragraph 6.2 (The Financial Investment Board and Finance Committee) – Inclusion of Financial Investment Board. Responsibilities updated to include approval of/amendments to the treasury management policy statement and treasury management practices, budget consideration and approval, approval of division of responsibilities and reviewing regular monitoring reports.</li> <li>• Paragraph 6.2 (Audit and Risk Management Committee) – New subheading which adds responsibility of reviewing treasury management policy and procedures and making recommendations to the responsible body.</li> <li>• Paragraph 6.2 (The Chamberlain) – The responsibility “The review of the Treasury Systems Document” has been removed.</li> </ul>



11	Section 7: Investments, Borrowing and Trust Funds	<ul style="list-style-type: none"> <li>• No changes.</li> </ul>
12	Section 8: Procurement	<ul style="list-style-type: none"> <li>• Paragraph 8.3 – The wording Form of Tender has been removed.</li> <li>• Previous paragraphs 8.4 and 8.5 deleted as information was covered by 8.1.</li> <li>• Paragraph 8.4 – Approval limit of the use of P Cards for all expenditure increased from £100 to £1000 per transaction in accordance with the P-card Policy.</li> <li>• Paragraph 8.5 – Reference to PO's being approved by Chamberlain's Commercial Director and authorised by appropriate Chief Officer or their nominee has been removed.</li> <li>• Paragraph 8.7 – 8.9 wording taken directly from 'Finance Manual: Procurement Paragraph 1, 2 &amp; 4' detailing that prompt notification must be given to Chamberlain's Insurance team in regards to any alteration to the insurance status from award of contracts, ex gratia and non-contractual claims from contractors being referred to Deputy Chamberlain and to the Comptroller &amp; City Solicitor for comments before settlement is reached and the Deputy Chamberlain examining final accounts for contracts to satisfy the accuracy of the accounts.</li> <li>• Paragraph 8.8 – Text added in regards approval being sought from Finance Committee prior to settlement being reached in regards to ex gratia and non-contractual claims from contractors.</li> </ul>

13	Section 9: Payments of Accounts	<ul style="list-style-type: none"> <li>• Paragraph 9.1 - Altering the authoriser to the Corporate Treasurer alone rather than both the Corporate Treasurer and Deputy Director of Financial Services for payments of £1m or more (paid via BACS or cheque).</li> <li>• Paragraph 9.2a - Inclusion of Faster Payments with CHAPS.</li> <li>• Paragraph 9.2b – Taken from Finance manual subheading ‘Payment outside CBIS or P-Cards’. Clarification on the process in which payment requests in foreign currency or sterling payment to a non-UK bank account should be made.</li> <li>• Paragraph 9.4 – Additional text added regarding requirement of CityProc-Data Team to update PO approval hierarchy in City Finance System and authorised signatories for PO exempt payments. With the data being collected from respective departments and services. Taken from the Finance Manual.</li> <li>• Paragraph 9.5 - Text amended slightly regarding the requester of the PO being responsible for goods receipting in the City Finance System.</li> <li>• Paragraph 9.6 - Breakdown on authorisation amounts and required personnel of which payments are to be made in advance of the receipt of works, goods or services. Wording and tabled information taken from Finance Manual.</li> <li>• Paragraph 9.7 – 9.8- Wording taken from Finance Manual ‘Advance Payments’, advising on completion of short business case including the risks being included within the request for advanced payment. Can use the P-card without further authorisation, when used in compliance with the P-card policy for making payments in advance.</li> <li>• Paragraph 9.9 – Additional wording on compliance with the Purchase Card Policy being mandatory and non-compliance resulting in disciplinary action.</li> <li>• Paragraph 9.10 – Additional wording added on invoices being sent directly to the Accounts Payable team.</li> <li>• Paragraph 9.11 – Removal of the City aiming to pay undisputed invoices from small/medium businesses within 10 days of receipt in accordance with the Procurement Code.</li> <li>• Paragraph 9.12 – Rewording of text taken from Finance Manual, detailing where payments to contractors shall be made on receipt of a valid VAT invoice and be accompanied by a certificate issued/signed by Corporation’s designated officer which confirms value of work completed for contracts with a value more than £250k.</li> <li>• Paragraph 9.13 &amp; 9.14 – Taken directly from Finance Manual: ‘Payment via Corporation Finance System’ detailing the need to further check and corroborate the function and authenticity of payments as per the PO.</li> <li>• Paragraph 9.15 - Taken directly from the Finance Manual: subheading ‘Cheques and Giros’ This details the responsibility of the CityProc team in terms of</li> </ul>
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		unused cheques. Reference to giros has been removed.
14	Section 10: Imprest Accounts (Petty Cash)	<ul style="list-style-type: none"> <li>• Paragraph 10.4 – 10.5 - Taken directly from the Finance Manual. Detailing the need to use the petty cash claim form and a secondary approver being used in order to get a reimbursement.</li> <li>• Paragraph 10.8 - Taken directly from the Finance Manual: 'How to administer an imprest account'. Change in reconciliation of imprest account from quarterly to monthly basis. This also details the annual closing process of imprest accounts/petty cash.</li> <li>• Paragraph 10.14 - Taken directly from the Finance Manual: 'How to administer an imprest account' stating if there are any irregularities affecting petty cash/imprest account then the relevant Chief Officer must notify the Deputy Chamberlain or Head of Internal Audit.</li> </ul>
15	Section 11: Travelling and Subsistence Claims	<ul style="list-style-type: none"> <li>• Paragraph 11.1a – Addition detailing items/services purchased on behalf of the City must not be reimbursed through the HR system and instead a P-card should be used, if not possible then can use accounts payable to make the payment request claim.</li> <li>• Paragraph 11.1b – Additional wording on officers making purchases on behalf of the City using their own funds, should ensure they have prior approval in order to ensure that the that claim will be paid.</li> <li>• Paragraph 11.2 – Additional wording on the P-Card being the preferred method of payment/reimbursement for business travel expenditure outside a corporate contract. Travel up to £1,000 reimbursed with a P-Card, when travel is booked according to the City Corporation's Travel Policy. Approval limit increased from £100 to £1000.</li> <li>• Paragraph 11.4 – Rewording to include the need for keeping copies of claims and VAT receipts for accounting and audit purposes.</li> </ul>

16	Section 12: Custody and Security of Assets	<ul style="list-style-type: none"> <li>Paragraph 12.4 - Taken directly from the Finance Manual: 'Assets'. Asset registers are required to itemise the date and cost of acquisition for assets acquired since 1<sup>st</sup> April 1990 and City Fund assets in excess of £1k. Chief officers are to maintain inventories for furniture and equipment within their control.</li> <li>Paragraph 12.5 – Clarification that authority to acquire new or add to existing assets with a value in excess of £50k is subject to Corporate Project Procedure or as required in accordance with standing orders.</li> <li>Paragraph 12.8 – New paragraph which clarifies that for acquisition of property, a completed acquisition statement shall be provided by Comptroller to Chamberlain prior to transaction completing.</li> <li>Paragraph 12.9 – 12.11 – Additional wording provided on the process/governance relating to the disposal of property/asset and the appropriate accounting treatment for disposals.</li> </ul>
17	Section 13: Insurance	<ul style="list-style-type: none"> <li>Chamberlain's Insurance Section amended to Chamberlain's Insurance and Risk Management Team.</li> <li>Paragraph 13.7 – Wording taken directly from the Finance Manual: 'Insurance'. Ensuring that Insurance team are notified of lost valuables belonging to private individual so that instructions can be given as to their recording and safe keeping.</li> </ul>
18	Section 14: Security and Data Protection	<ul style="list-style-type: none"> <li>Paragraph 14.5 – UK added in front of GDPR</li> <li>Paragraph 14.6 - Taken directly from the Finance Manual: 'Data Protection', detailing the requirement of responsible officers to comply with six data protection principles of GDPR, maintaining appropriate records such as Records of Processing Activities and doing Privacy Impact Assessment where necessary. Compliance required even when processing is contracted out to a 3<sup>rd</sup> Party.</li> <li>Chamberlain's IT Director changed to City's IT Director.</li> <li>Footnote at end of section removed.</li> </ul>
19	Section 15: Income & Banking Arrangements	<ul style="list-style-type: none"> <li>Paragraph 15.5 - Taken directly from the Finance Manual: Income &amp; Banking Arrangements. Detailing the need for departments to ensure reconciliation of amounts collected to the general ledger on a regular basis.</li> <li>Subheading 'Payments' removed.</li> <li>Paragraph 15.8 - Taken directly from the Finance Manual: Income &amp; Banking Arrangements detailing the procedure on the banking of money</li> <li>Paragraph 15.17 – Additional wording clarifying that the aggregate value shall be used where a series of debts are being proposed to be written off at same time</li> <li>Paragraph 15.21 – 15.23 – New text added in on Charitable Grant/Voluntary Income. For all charities for which the City is Trustee regard must be had to the Charities SORP in relation to the acceptance of grants/voluntary income.</li> </ul>

20	Section 16: Partnerships	<ul style="list-style-type: none"> <li>• Paragraph 16.1b – update to clarify the involvement of CityProc especially when partnership could lead to a contract.</li> <li>• 16.1 c – Additional text added detailing Chief Officers being required to consult with Chamberlain to ensure expenditure and income transactions are correctly accounted.</li> <li>• Paragraph 16.3 - Taken directly from the Finance Manual: 'Partnership'. Reference made to Concession Contracts and that further information on this can be found in the Procurement Code.</li> </ul>
21	Section 17: Grant-Making	<ul style="list-style-type: none"> <li>• Paragraphs 17.1, 17.2, 17.3 - Taken directly from the Finance Manual: Grant Making. Detailing all grants awarded from charitable funds managed by the City, shall be made in accordance with the SORP. Accounting treatment of grant award/commitments when a constructive obligation exists is explained in detail.</li> <li>• Paragraph 17.4 – Last sentence taken from finance manual which explains the need to take advice from Central Grants Unit if consideration is being given to not following the SORP guidance.</li> <li>• Paragraph 17.5 – New paragraph added in respect of grants made by the City Corporation from its non-charitable funds to other organisations to undertake work that deliver a corporate outcome and the approval of such funding i.e. capital grant funding to Museum of London.</li> </ul>
22	Section 18: Salaries, Wages and Pensions	<ul style="list-style-type: none"> <li>• Paragraph 18.5 – Amendment to wording. Line Manager's are required to use the HMRC's Employment Status Service tool. This must also be used to ascertain the employment status of other off payroll workers who do not fall under IR35 but should be engaged on fixed term contract or variable contract due to the nature of the work.</li> </ul>
23	Section 19: Inventories	<ul style="list-style-type: none"> <li>• Paragraph 19.3 - 19.4 - Taken directly from the Finance Manual: This details the information that should be provided within the inventory and the need to keep an up to date record each time there is an acquisition and disposal.</li> <li>• Paragraph 19.6 – Additional wording on the need for disposal proceeds to be considered on an aggregated basis where acquisition of an asset has been aggregated into capital project. Disposal proceeds of these assets to be taken centrally and not used to supplement local risk or project budgets.</li> <li>• Paragraph 19.7 - Taken directly from the Finance Manual: Inventories. At least one copy of the inventory should be held separately from the assets it lists in case of a disaster. Backup copies needed of electronical copies also.</li> <li>• Paragraph 19.8 – assets (excluding furniture and equipment) more than £1k must be notified to a registrar for its separate inclusion in the asset register.</li> </ul>

<b>24</b>	Section 20: Stocks and Stores	<ul style="list-style-type: none"> <li>Paragraph 20.3 - Taken directly from the Finance Manual: Stocks and stores. Checks and reconciliations of stocks and stores, if possible, should be taken in the presence of a person independent of the keeping of the stores concerned.</li> <li>Paragraph 20.5 – Wording taken directly from the 'Finance Manual detailing the procedure of returning goods.</li> </ul>
<b>25</b>	Section 21: Motor Vehicles	<ul style="list-style-type: none"> <li>Paragraph 21.7 - Taken directly from the Finance Manual: Motor Vehicles. Records must be maintained of deliveries and issues when department has their own fuel pump.</li> <li>Paragraph 21.8 – New wording on the treatment of proceeds from the disposal of fleet vehicles.</li> </ul>
<b>26</b>	Section 22: Entertainment & Hospitality	<ul style="list-style-type: none"> <li>Paragraph 22.2 – Original paragraph deleted. This listed the elements available through City People Self – Service for personal business expenses.</li> <li>Paragraph 22.2 - Taken directly from the Finance Manual: Hospitality. All other business expenses are to be purchased through P-cards/Petty Cash.</li> <li>Paragraph 22.3 – Rewording. All business entertainment expenses must be incurred in accordance with the City Corporation's Business Travel Policy and Travel and Subsistence Policy.</li> <li>.</li> </ul>
<b>27</b>	Section 23: Document Retention	<ul style="list-style-type: none"> <li>Taken directly from the Finance Manual</li> </ul>
<b>28</b>	Section 24: Verification of Contractors and Consultants Final Accounts	<ul style="list-style-type: none"> <li>Taken directly from the Finance Manual</li> </ul>
<b>29</b>	Hyperlinks	<ul style="list-style-type: none"> <li>Hyperlinks removed from all sections.</li> </ul>

<b>Committee(s)</b>	<b>Dated:</b>
Procurement Sub Committee	12 April 2021
Finance Committee	13 April 2021
Policy & Resources Committee	6 May 2021
Subject: Options to Promote Supplier Diversity	Public
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	3a, 5c, 7b
Does this proposal require extra revenue and/or capital spending?	Yes
If so, how much?	£30,000
What is the source of Funding?	Policy Initiative Fund
Has this Funding Source been agreed with the Chamberlain's Department?	Y
Report of: The Chamberlain	For Decision
Report author: Lisa Moore, Procurement Policy & Compliance Officer	

## Summary

City Procurement has been asked to outline options to promote diversity in the City Corporation supply chain. This paper considers what options we have to increase the number of businesses owned by 'under-represented groups' such as BAME, women, LGBTQ+, and people with disabilities.

The recommended option is to commission a study which will help City Procurement identify 'market' areas, based on procurement categories, with diversity issues so that positive action can be taken. From that research a Procurement Policy Statement will be drafted to address areas of concern and areas with opportunities.

Additionally, a number of actions within the current procurement policy framework have been proposed including a communications campaign with the support of the staff networks and Equality and Diversity representatives where appropriate, to ensure all officers are aware of the importance of considering Equalities and Inclusion earlier in the 'commissioning' process and how they can have an impact now.

City Procurement will report back to Procurement Sub Committee on the progress of the recommendation actions and any additional actions as a result of the requested study.

## Recommendation(s)

Members of Procurement Sub Committee and Finance Committee are asked to:

- Approve the recommended action plan for FY2021/22.

Members of Policy & Resources Committee are asked to:

- Approve the funding of £30,000 from the 2021/22 Policy Investment Fund for research on diversity issues and opportunities broken down by categories of spend.

## **Main Report**

### **Background**

1. The City Corporation have long championed the inclusion of SMEs in our supply chain. Efforts are made to erode barriers throughout the procurement process.
2. The Responsible Procurement Policy has 18 commitments covering social value, environmental sustainability, and ethical sourcing. The three most relevant to this paper include:
  - a. Encourage and facilitate integration of VCSEs, SEs and SMEs within our supply chains
  - b. Seek to reduce gender pay gaps and under-representation of people with protected characteristics as part of supplier evaluation and through awareness raising, communication and transparency of our own performance
  - c. Work with suppliers who take active steps to embed equality, diversity and inclusion
3. Achievement of these commitments will support the continued delivery of the Responsible Business (RB) Strategy 2018-23 specifically the priorities of Equal Opportunities and Diverse Organisations

### **Current Position**

4. The TRT asked City Procurement to consider how we can attract procurement bids from Black or Minority Ethnic SMEs.
5. Finance Committee Members have also asked City Procurement what it can do to promote BAME led business in our supply chain and a public paper with options has been requested.

### **Proposals**

6. The City Corporation procures in line with the Public Contracts Regulations 2015 (PCR 2015), which are based on principles of competition, equal treatment, non-discrimination and transparency, and so provides some support in tackling discrimination. However, positive action taken to specifically target organisations led by people with any protected characteristics, including BAME-led firms, is limited to a certain extent.
7. Where we have evidence that under-representation is prevalent in specific industries, it is possible to take positive action to advertise tender opportunities in a targeted way to tackle such under-representation.
8. For contracts with values under the official spend thresholds of PCR 2015, we have more freedom to take such targeted action and as such part of the proposal is to focus on contracts with a value below £100,000. Suppliers can be nominated by departments and as a result diversifying our supply chain for this level of spend can happen immediately without a change of policy. By



focusing on lower value contracts, the aim is to give under-represented minority owned SMEs, especially micros and small companies the opportunity to get public sector contract experience, and increasing representation of these businesses in our supply chain. Running a quote exercise ensures that the City Corporation is still obtaining Value for Money as well as promoting greater diversity.

9. To support this, we need identify areas where under-representation is most prevalent based on our categories of spend. We propose to align under-represented groups to those of our staff action groups i.e. businesses led by BAME, women, LGBTQ+ and/or disability (including neural diversity).

## **Options**

10. The following action plan has been drafted in consultation with the Responsible Business team and the Diversity & Engagement Lead Officer. The plan includes several immediate actions which could allow us to make progress in the short term as well as translating some of our aims into policy for a longer-term impact.
11. Proposals have been broken down into four workstreams with estimated dates for the work to be completed:

## **Action plan**

12. Research and policy development
  - April-June 2021 – Commission a study to outline areas/categories of City Corporation spend that have 'diversity issues' (e.g. Architects and BAME) or where diversity is prevalent so that we can take positive action (targeted quote exercises e.g. catering). The report will act as a guide to ensure future actions have the greatest impact. City Procurement will report back to Procurement Sub Committee on the findings of this study including any further recommended actions.
  - June/July 2021 – Following on from the research that will enable resource to be targeted to maximise impact, draft a Procurement Policy Statement to promote Supplier Diversity outlining what are we aiming to achieve i.e. supporting SMEs and BAME/Women/LGBTQ/Disabled (under-represented groups) led or suppliers working toward diversity with E&I policies. By such time, the City Corporation SME Strategy may have been completed which could inform our approach. Additionally, City Procurement will work the proposed Equalities & Inclusion function as proposed by the TOM.
13. **Responsible Business**
  - April/May 2021– Communications campaign with the support of the staff networks and ED&I department representatives where appropriate, to promote diversity through the existing policy framework. For contracts up to £100,000 at least three quotes must be obtained where diverse suppliers are nominated. This work will be informed by the research on

category spend to help inform departments on how to identify businesses led by under-represented groups.

- April/May 2021– Officers should consider options to promote diversity as part of business planning and at commissioning stages to ensure all available possibilities are examined. As part of the communications campaign, a reminder of the Public Sector Equality Duty and undertaking an Equalities Impact Assessment from project start will be included.

#### **14. Procurement Exercise**

- April/May 2021 – Draft a selection and award question to assess diversity including bullying/harassment and whistleblowing policies to be used in relevant procurements.
- June/July 2021– To support contracts over PCR 2015 thresholds, explore what further barriers might exist for SMEs led by under-represented groups e.g. insurance, prior experience, turnover caps. This supports the procurement commitments proposed for the new City Corporation SME strategy.

#### **15. Reporting**

- September 2021– As at 1 March the City Corporation is paying over 8,000 active SMEs. It is not currently feasible for the City Corporation to update those profiles to include diversity statistics, as each Supplier is responsible for the management of its own profile on the procurement system, and the declaration of ownership diversity is optional. Instead, City Procurement will look at options to enable suppliers to self-certify as an under-represented group as part of the procurement process.
- September 2021– For areas of spend/categories where it is determined that under-representation is an issue, we will work with the top 25 suppliers of those areas to understand what Equality, Diversity and Inclusion policies are in place and if there are areas of improvement. Once commenced reporting on progress with this commitment can be included in the City Procurement Quarterly Update report.

### **Corporate & Strategic Implications**

#### **Sub-headings**

16. **Strategic implications** – The proposed action plan is aligned with the City Corporation's Corporate Plan to contribute to a flourishing society and support a thriving economy.
17. The action plan also supports the priorities of the Responsible Business Strategy, commitments in the Responsible Procurement Policy, and the upcoming City Corporation SME Strategy to support recovering from Covid-19.

18. **Financial implications** – It is proposed that the required funding of £30,000 is to be drawn from the 2021/22 Policy Initiative Fund categorised as Communities and charged to City's Cash to support our work in this area. The current uncommitted balance in the 2021/22 Policy Initiative Fund is £706,365 prior to any other allowances being made for other proposals on today's agenda.
19. **Resource implications** – Actioning the proposed plan will have an impact on resources from the Responsible Business team, City Procurement and officers across the corporation when undertaking procurement.
20. If successful, the program is likely to increase the number of suppliers on our Finance system which will have an impact of the Data & Reporting team in City Procurement which sets up new suppliers.
21. **Legal implications** – The action plan is aligned with current procurement regulations both internal and external. As a procurement process will be undertaken suppliers would be awarded a contract on stated award criteria (based also on existing well known criteria as found for eg. in the Social Value Act) and not due to their protected characteristics mitigating risk of challenge for breach to the Equalities Act. Any further policy proposals will be checked with Comptroller's for continued compliance.
22. **Risk implications** – The proposed action plan may result in untested suppliers delivering contracts for the City Corporation. The risk of businesses failure may be enhanced.
23. Any future considerations for reporting will need to carefully consider implications under the United Kingdom General Data Protection Regulation. Data concerning Race, Gender, Health, a person's sex life and sexual orientation are classed as special category data.
24. **Equalities implications** – The recommendations of this report seek to strengthen review of Equalities and the Public Sector Equality Duty for all relevant procurements at the City Corporation.
25. **Climate implications** – N/A
26. **Security implications** – N/A

## Conclusion

27. In response to a request from the TRT and Finance Committee, City Procurement propose several options compliant with the framework of public procurement which aim to diversify our supply chain. While some options require research and more consultation, there are actions which can be undertaken across the City Corporation immediately to increase the use of suppliers from under-represented groups.

## Report author

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<b>Committee(s)</b>	<b>Dated:</b>
Procurement Sub Committee – For Decision Finance Committee – For Decision Project Sub Committee – For Information Streets and Walkways Sub Committee – For Information	12 April 2021 13 April 2021 14 April 2021 29 April 2021
<b>Subject:</b> Highway Construction & Maintenance Term Contract Tender	<b>Public</b>
<b>Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?</b>	<b>1, 9, 10, 12</b>
<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> Director of Built Environment	<b>For Information / For Decision</b>
<b>Report authors:</b> Ian Hughes (Deputy Director), Transportation & Public Realm Giles Radford, (Highways Manager), T&PR, DBE	

## Summary

The purpose of this report is to seek Member approval for the procurement strategy to be used in the selection of a new term contractor for highway construction & maintenance services.

The City's current highways term maintenance contractor is JB Riney who deliver highway maintenance, resurfacing, road marking, drainage, street lighting, public realm enhancements and highway changes for the Department of the Built Environment, as well as similar services for other departments.

Experience has shown that having a term contract in place has delivered several benefits. These include economies of scale, high quality work, early contractor involvement, quicker scheme delivery, lower staff costs, greater cost certainty, partnership working and more appropriate risk management.

The City's term contract was last tendered in 2012 and consolidated a number of previous contracts, using economies of scale to deliver significant savings. As a result, returning to separate contracts for different aspects of the service is not recommended. Similarly, other procurement options such as taking the function back in house, using frameworks or employing the London Highway Alliance Contract (LoHAC) are not expected to deliver Best Value across a range of measures including cost, quality & performance, flexibility and early contractor involvement.

JB Riney are now 8½ years through their ten-year term (five years plus five-year extension), during which time they have maintained a very high level of performance. Nevertheless, the contract cannot be extended, and it is appropriate to test the market again to determine whether Riney are delivering best value. As such, officers of DBE, together with Procurement and Comptrollers, are intending to retender these services in time for the current contract to expire in June 2022.

### **Recommendation(s)**

Members are recommended to approve the retendering of the term contract for highway construction & maintenance as set out in this report.

## **Main Report**

### **Background**

1. The City Corporation is the Highway Authority for all the public highway and City walkway areas in the Square Mile, except those streets that fall within the Transport for London Road Network.
2. As such, the Department of the Built Environment (DBE) is responsible for maintaining those streets, footpaths and walkways, including inspecting them for defects, undertaking repairs and resurfacing, maintaining signs, road markings, bollards, street nameplates & drainage. It also looks after powered & illuminated street furniture, such as road signs, fountains & streetlights, as well as all new highway construction activities, ranging from road safety & transportation schemes to public realm & security projects, including highway repairs & enhancements related to building developments.
3. DBE delivers all these functions using a term contract, with the current incumbents being JB Riney. They were awarded the contract in early 2012 following a standard EU procurement process, and over the 8½ years of the contract so far, Riney have often delivered over £10m of work each year. Most of that value relates to major public realm schemes & developments rather than standard highway maintenance operations, but also includes a smaller amount of work delivered for Open Spaces and the City Surveyors.
4. Despite the impact of COVID-19 which resulted in a shutdown of non-essential work during the last part of the contractual year (which ran to June 2020), the value of work delivered through the term contract remained around £10m for the year.
5. With the current term contract set to expire in June 2022, officers have confirmed with the Comptroller & City Solicitor that it cannot be extended beyond its five + five year duration, and the expectation in any case would be that after 10 years operation, it's appropriate to test the market to ensure the City is still receiving best value for these services.

## Contract Focus

6. The direction and culture of the forthcoming contract needs to remain aligned to the City's requirements of delivering & maintaining high quality streets and public spaces. It also needs to consider the challenging funding environment for highway maintenance works that recently resulted in changes to the City's intervention thresholds for road and footway repairs.
7. The winning bidder will be required to demonstrate value for money, operate with a degree of flexibility that minimises the impact of their works on pedestrian and vehicular traffic and be able to introduce innovation to the way services are delivered through the use of recycled materials and identifying more sustainable approaches to maintaining the highway aligned with the Climate Action Strategy.
8. The City's term contract has been built on a partnership approach with a series of City-specific Key Performance Indicators and sample checks being used to monitor performance, and with the contractor only paid for the work they complete rather than tracking every deviation from the construction package which otherwise can result in the creation of a claims culture.
9. The difficulties of working in the City's compact street environment, often with prohibitive volumes of underground utility services, requires the winning bidder to be flexible and adaptable, making a prescriptive contractual approach unsuitable for the City's environment. To help manage this, Riney felt it appropriate to embed a resource at Guildhall dedicated to working with the City to improve and maintain communications with those affected by their works, and something similar may be proposed by tenderers this time.
10. Other successful aspects of the contract that will be sought to be retained include:
  - a percentage of the contract sum is put at risk in the event of underperformance against the contract KPIs
  - a mechanism is included to allow for early invoicing for standard monthly activities, allowing for a contract discount to be offered by the contractor
  - a percentage rebate is offered by the contractor back to the City based on turnover through the contract over the previous 12 months, available for reinvestment to promote innovation
  - high standards for ethical procurement, particularly the way in which materials are sourced through the supply chain.
11. In terms of new innovations, the contract will look to include:
  - any innovation or concept that will support or align with the objectives of the Climate Action Strategy, including engagement with the supply chain regarding sustainable new materials & products
  - a specification aligned with the City's approved technical manual SPD for the use of highway materials and concepts such as Sustainable Urban Drainage Systems

- a focus on managing the contractor's vehicle fleet, encouraging the use of electric vehicles, tools and plant
- the provision of lean technological processes that help the collection and management of data in a faster and more cost-effective way
- better use of technology to enhance Health & Safety and improve working practices in terms of near miss reporting, protection systems and live site updates to gangs
- reporting and active support for diversity within the company and the contract
- opportunities for apprentices in terms of their performance and development.

### **Current Position – Use of a Term Contract**

12. There are several established benefits to using a term contract arrangement for Highway works.

#### Economies of Scale

13. Matters of highway maintenance and scheme delivery clearly overlap in terms of labour, plant & materials, and the combined volume of maintenance & project work through the term contract delivers economies of scale in terms of material rates and management skills.
14. Taking this approach in 2012 and combining three previously separate term contracts (highway maintenance, highway resurfacing and highway drainage) delivered efficiency savings of around 18% on revenue works and 22% on typical capital street scene works. As a result, it is thought uneconomic to unpick this approach and separate these contracts back out.

#### Quality of work

15. In addition to economies of scale, there is a risk to the City of using different contractors for different types of work. This is because of the City's difficult working environment, its use of high-quality materials that need particular expertise, and its desire for high quality finishes that better suit a regular, skilled and knowledgeable workforce.
16. Most of the construction gangs have worked in the City for many years, using TUPE to transfer across companies to remain here. As a result, they are used to working in the City's narrow streets with our difficult combination of traffic, cyclists, pedestrians, businesses, residents and visitors. They also have a proven track record of delivering high quality work with our specialist pallet of materials that has stood the test of time.
17. By comparison, other contractors can lack the experience of working in our challenging environment and gangs & supervisors can be unprepared for the City's local conditions.

#### Early contractor involvement

18. The City is sufficiently skilled in the process of delivering complex highway schemes that we develop the final design for the eventual scheme in parallel



to how the scheme will be built. This allows the range of construction costs to be narrowed during the design process, with contingencies reduced and potential savings identified.

19. Key to this is the need for early contractor involvement, meaning the decision over the choice of contractor must be made early in the project. Having a term contractor actively involved early in the design and construction planning process allows them to advise on maintainability and buildability issues in the certainty that they will both be undertaking the work as well as maintain it going forward. Without a term contract in place, this would not be possible, and these benefits would be unrealised.

#### The risk of claims

20. Under a separate tendering arrangement for each major project, there would also be a much greater risk of claims as tenderers will be more likely to lack an adequate appreciation of how difficult a place the City is to work because of its narrow streets, high traffic and pedestrian density, high quality requirements and major subsurface utility infrastructure.
21. As a result, they are much more likely to request compensation events than under the City's current term contract arrangement, where such claims are virtually nil as the contractor is able to redeploy staff to other City work in the event of delays caused by unforeseen issues.

#### **Options - Alternatives to a term contract**

22. The benefits set out above typically underpin the choice of a term contract over other ways of procuring these services and is the way most highway authorities manage these functions. There are alternatives (set out below), but none have proved sufficiently viable in the past for the City to utilise them for this type of work.

#### In-house provision of services

23. It is some time since the City delivered these services through an in-house direct labour structure, and currently there are no plans to propose such a move. Using experienced construction companies is still seen as the most efficient way to deliver these works across the sector as they typically have wider resources to draw upon, they are in a better position to manage supply chain risks and they can use accumulated volumes across different contracts to negotiate enhanced rates in labour, plant and materials.

#### Retendering each major scheme

24. There is an argument that retendering individual major schemes would allow market forces to deliver the cheapest rates for each job. However, there are several key problems with this approach. In particular, tendering major works on an individual basis would cause significant delays to each project due to the timescale involved in such a process.
25. A tender would usually only be run once the construction package is finalised, at which point the scheme delivery process would have to stop for this to happen. Given the value of some schemes, having to tender at this point could then add over a year to the construction timetable as OJEU tendering

regulations would apply and add considerably to staff costs. Early contractor involvement would also not be possible in order to maintain a level playing field between tendering companies.

26. By having a term contract in place, the City does not have to wait for the scheme construction package to be finalised and the design process halted while the work package is tendered. Instead, costs are established through a dynamic assessment process during the design stage.

#### Operating a series of framework contracts

27. A framework contract with a number of suppliers to call off could address some of these mid design tendering delays but disconnecting the major works contract from the highway maintenance contract risks introducing conflicts between contractors in terms of design and downstream maintainability.
28. In addition, the current joined up approach allows the contractor to move resources between schemes & maintenance works, allowing it to manage resources without incurring claims by responding to on-site delays, moving gangs between works to keep them productive. Having different contractors delivering different aspects of the same service puts this flexibility at risk.

#### The London Highways Alliance Contract (LoHAC)

29. TfL recently completed a retender for their highway services which is open for other highway authorities in London to join. The City can choose to join the London Highways Alliance Contract (LoHAC) but previous benchmarking of the respective contract costs had previously shown the City's term contract was demonstrably cheaper. However, more fundamentally, differences in the two forms of contract suggest LoHAC would cost more for the City to administer & it would introduce a significant risk of claims that are virtually absent from the City's term contract.
30. On this basis, Members previously agreed to remain with the City's term contract approach when Riney's 5 year contract extension was approved, and despite the recent retender by TfL, the view of officers remains the same. Any potential economies of scale are outweighed by a likely lack of priority from the contractor when part of such a wide-ranging contract, as well as the risk of higher management costs and the introduction of a claims culture. As such, using LoHAC is not recommended, albeit there could still be opportunities to remain involved for benchmarking and contingency planning purposes.

#### **Proposal**

31. In summary, the justification for continuing to use a term contract for these functions includes:
  - It allows the provision of flexible, joined-up services, having one contractor to build, inspect and maintain all aspects of the highway;
  - It allows resources to be swapped seamlessly between highway maintenance and major schemes, minimising the risk of claims for downtime whilst ensuring maximum flexibility of resource

- It delivers economies of scale in terms of management resource, material procurement and workforce;
  - It facilitates a corporate resource available to other departments to deliver work of a similar nature;
  - It removes the delay and cost to individual projects of tendering these services each time, creating a 'fast track' to facilitate early contractor involvement, both in terms of time and expertise;
  - It minimises the impact of these works on the public by ensuring that gangs, supervisors and managers all understand the requirements necessary to work in the Square Mile.
32. As a result, it is proposed to proceed with a combined tender for a term contract for these works and services based on the Timeline set out in Appendix 1.

### **Strategic Implications**

33. Having an effective, high quality term contract for highways construction & maintenance is essential to delivering key aspects of the City's Corporate plan, in particular:
- Our spaces are secure, resilient & well maintained to high standards
  - Creating & transforming streets & public spaces for people to admire & enjoy
  - Improving the experience of arriving in & moving through our spaces
  - Protecting users of streets & public spaces
34. The Procurement Category Board has confirmed it is supportive of the proposed procurement approach to deliver Best Value for highway works (see Appendix 2), with the contract designed to be available for use by other departments.

### **Financial implications**

35. In 2012, the estimated annual value attributed to the contract was £10m per annum. The value of works delivered through the contract has since varied from £4m (during the Olympic shutdown in 2012) to almost £17m per 12 month period, with the annual amount depending on the volume of work around new developments, public realm schemes (such as Holborn Circus, the recent Street Lighting LED upgrade & Crossrail) and general highway maintenance operations..
36. The following table helps to show the spend profile over the eight full contract years so far (1<sup>st</sup> July to 30<sup>th</sup> June). A similar level of turnover is expected for the new contract, but to be clear, no guarantee of turnover is included in the contract and the City is not required to underwrite a specific volume or value of work.

2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
£3.7m	£9.3m	£11.2m	£10.8m	£10.6m	£13.4m	£16.98m	£10.2m

### **Resource implications**

37. By allowing the term contractor to deliver a joined-up service managed through Key Performance Indicators, the City staff resources required to manage the contract are relatively limited and have been able to function without the need for quantity surveyors. Changing the currently contractual approach would likely require additional DBE staff resources to manage this process.

### **Legal & Risk implications**

38. As noted above, the term contract will reach the full extent of its available term in June 2022 and cannot be extended with the risk of challenge. Therefore, a retender for these services is required.

### **Equalities Implications**

39. Active engagement and management of diversity within the company and the contract will be of the highest importance, whilst clear and concise data capture on how this is being achieved will be mandatory.

### **Climate Implications**

40. All changes and new innovations within the proposed contract will seek to improve our approach towards the climate change emergency through delivering new initiatives and innovations with successful and measurable outcomes.

### **Security Implications**

41. None

### **Conclusion**

42. The term contract partnership approach has a proven track record (20 years+) in delivering high quality outcomes for the City & its stakeholders and remains the preferred solution for delivering these functions.

### **Appendices**

- Appendix 1 - Contract award & mobilisation timetable
- Appendix 2 – Procurement Category Board (PT4) Report

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## **Appendix 1 – Contract Award & Mobilisation Timetable**

<b>Stage</b>	<b>Date</b>
Supplier engagement meetings - commence	16/03/2021
Procurement Initiation Notice issued	01/05/2021
Completion of tender documents - Highways	31/07/2021
Publish Contract Notice & all tender documents	12/08/2021
Return of Qualification & Tech responses deadline	17/09/2021
Evaluation - Completion	20/10/2021
Finalise shortlist of 6 contractors	21/10/2021
Publish ITT on the portal	25/10/2021
ITT - deadline (return of Technical + Commercial)	19/11/2021
Technical - Evaluation (Start)	23/11/2021
Completion of Technical Evaluation	14/12/2021
Start Evaluation - Commercial Envelope	15/12/2021
Completion - Commercial Evaluation	29/12/2021
Draft PT8 - Tender Award Report (Procurement)	04/01/2022
Committee Approvals - Award & Commence	12/01/2022
TUPE - Outstanding Issues	24/02/2022
Issue Contract Award Notice + 10 day Alcatell period	01/03/2022
Challenges - if none, issue letters to other bidders	14/03/2022
Legal - Contract Execution	14/03/2022
Mobilisation Period - TBC with contractor	04/04/2022
Commencement of contract	01/06/2022

## **Appendix 2 - Procurement Category Board (PT4) Report**

### **PT4 - Committee Procurement Report**

*This document is to be used to identify the Procurement Strategy and Purchasing Routes associated with a project and only considers the option recommended on the associated Gateway report.*

### **Introduction**

City Procurement Project Reference:	20/394PS		
Project / Contract Title:	Highway Construction and Maintenance Contract		
Project Lead & Contract Manager:	Giles Radford	Lead Department:	DBE
Category Manager:	Hirdial Rai	Other Contact:	Ian Hughes
Total Contract Value (excluding VAT and inc. extension options):	£50m 5-year contract + 5-year extension option £50m, total £100m over 10-year period.	Contract Duration (inc. extension options):	5 years + 5-year extension option
Budget approved Capital/Revenue:	Not Applicable	Capital Project reference (if applicable):	
<b>Gateway Approval Process</b> Is this project subject to the Gateway process? Yes/ <del>No</del>			
If so, what was the last Gateway report, and date of approval, and what is the next Gateway report and scheduled date for recommendation for approval? <ul style="list-style-type: none"> <li>• Procurement Sub Committee – For Decision</li> <li>• Finance Committee – For Decision</li> <li>• Project Sub Committee – For Information</li> <li>• Streets and Walkways Sub Committee – For Information</li> </ul>			
<b>Opportunity for Inter-City Collaboration (is there another site/department that could benefit from this project)?</b> The is scope to undertake highway type of works for other departments should they chose to use this procurement route. This would be on a case by case basis.			

## Procurement Strategy Recommendation

### City Procurement team recommended option

Option 1 – Highway Construction and Maintenance Contract based on Schedule of Rates with a bespoke Highway Maintenance Contract. The following helps to explain why this approach is recommended:

#### Economies of Scale

Matters of highway maintenance and scheme delivery clearly overlap in terms of plant, materials & labour, and the combined volume of maintenance & project work through the term contract delivers economies of scale in terms of material rates and management skills.

Taking this approach in 2012 and combining three previously separate term contracts (highway maintenance, highway resurfacing and highway drainage) and delivered efficiency savings of around 18% on revenue works and 22% on typical capital street scene works. As a result, it is thought uneconomic to unpick this approach and separate these contracts back out.

#### Quality of work

In addition to economies of scale, there is a risk to the City of using different contractors for different types of work. This is because of the City's difficult working environment, its use of high-quality materials that need particular expertise, and its desire for high quality finishes that better suit a regular, skilled and knowledgeable workforce.

Most of the construction gangs have worked in the City for many years, using TUPE to transfer across companies to remain here. As a result, they are used to working in the City's narrow streets with our difficult combination of traffic, cyclists, pedestrians, businesses, residents and visitors. They also have a proven track record of delivering high quality work with our specialist pallet of materials that has stood the test of time.

By comparison, other contractors can lack the experience of working in our challenging environment and gangs & supervisors can be unprepared for the City's local conditions.

#### Early contractor involvement

The City is sufficiently skilled in the process of delivering complex highway schemes that we develop the final design for the eventual scheme in parallel to how the scheme will be built. This allows the range of construction costs to be narrowed during the design process, with contingencies reduced and potential savings identified.

Key to this is the need for early contractor involvement, meaning the decision over the choice of contractor must be made early in the project. Having a term contractor actively involved early in the design and construction planning process allows them to advise on maintainability and buildability issues in the certainty that they will both be undertaking the work as well as maintain it going forward. Without a term contract in place, this would not be possible, and these benefits would be unrealised.

#### The risk of claims

Under a separate tendering arrangement for each major project, there would also be a much greater risk of claims as tenderers will be more likely to lack an adequate appreciation of how difficult a place the City is to work because of its narrow streets, high traffic and pedestrian density, high quality requirements and major subsurface utility infrastructure.

As a result, they are much more likely to request compensation events than under the City's current term contract arrangement, where such claims are virtually nil as the contractor is able to redeploy staff to other City work in the event of delays caused by unforeseen issues.

## Route to Market Recommendation

### City Procurement team recommended option

OJEU(FTS) Restricted process – We have researched into the market and the only alternative is really a Framework. A framework does not give us the breadth to open this up to the wider market.



## Specification and Evaluation Overview

<p><b>Summary of the main requirements:</b>          Much of the highways maintenance and construction activities are delivered through the CoL's core term maintenance contract. This contract has been in place since 2012 and is due to expire on the 30th June 2022.</p>	
<p><b>Technical and Pricing evaluation ratio</b>          40% (Technical) / 60% (Price)</p>	
<p><b>Overview of the key Evaluation areas (if known at this stage):</b></p> <ul style="list-style-type: none"> <li>- While this has been a very successful contract, CoL recognises that there is an opportunity to build upon these successes and take steps to identify and maximise the opportunities available to both the CoL and the appointed supplier. Our ambition is therefore to maintain these high levels of performance, whilst encouraging and supporting innovation. We are very keen to work with a supplier who is innovative in terms of how our core/continuing requirements are realised, in addition to discussing new ideas and ways of maximising the relationship. Our ambition is for this to create an exciting and new way of delivering highways services, whilst continuing to perform at the expected high levels.</li> <li>- The duration of the contract is 5 years, subject to the right of the City (at its sole discretion) to exercise its right to extend the Contract by up to 5 further years. The maximum length of the contract is therefore 10 years. The CoL anticipates that the value of the initial term of the contract (5-year period) would be in the region of GBP 50 000 000 (~ £10 Million a year). However, this is an indicative figure only based on its current 'core' scope of requirements and on the assumption that the contract would be in place for that duration. There will be the potential for a 5-year extension, but this will be subject to performance and quality objectives being met. Any extension would require committee approvals from the City of London Committees.</li> </ul>	
<p>Does contract delivery involve a higher than usual level of Health &amp; Safety, Insurance, or Business risk to be allowed in the procurement strategy?</p> <ul style="list-style-type: none"> <li>• Principal Contractor is required to consider all health and safety risks that could arise during the construction phase of projects and the contract.SSIP approval is a minimum for our contractors but we drive a positive H&amp;S culture to ensure best practice can always be maintained.</li> </ul>	
<p>Are there any accompanying documents with this report? <i>e.g. PTO/outlined project plan identifying roles and responsibilities as appropriate</i>          If yes, please include information in the appendices section below.</p>	<p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p>
<p>Will this project require the winning supplier(s) to process personal data on our behalf?</p>	<p>Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p>
<p>Is there a requirement for a Performance Bond on this Project and if so, on what grounds?          There is no requirement for a performance bond for this type of contract. The KPI system measures performance and should standards drop financially penalties will occur for bad performance.</p>	
<p>Will the procurement process require a financial assessment? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>          If yes, please indicate recommended assessment: Finance Check <input checked="" type="checkbox"/> Financial Appraisal <input type="checkbox"/>          Please indicate reasons for this recommendation (please include in this section information on project being rated low/not low):</p> <ul style="list-style-type: none"> <li>• At SQ stage all bidders progressing to ITT will undergo a financial check to see if they meet the minimum turnover requirement.</li> </ul>	
<p>If yes, please make sure you've defined roles and responsibilities within your project specification. For more information visit <a href="#">Designing Specifications under GDPR</a>. You may include your Privacy Impact Assessment or other relevant report as an appendix to this PT form when submitting to category board (for information).</p>	
<p><b>Evaluation Panel – Please enter Names and Departments below (if known)</b></p>	
<p>Giles Radford – Highways Manager (DBE)</p>	<p>Ian Hughes – Asst Director (DBE)</p>

**Procurement Strategy Options** *This could include inter-departmental usage, external collaborative opportunities, existing contracts integrated once expired or adding it to an existing contract. Options for Make (In-house delivery) versus Buy (Outsource) decision to be considered; also indicate any discarded or radical options.*

<p><b>Option 1: Highway Maintenance Contract – Based on Schedule of Rates</b></p> <p><b>Advantages to this Option:</b></p> <ul style="list-style-type: none"> <li>• Have set schedule of rates for works, which include labour, plant and materials</li> <li>• Easy to estimate projects by build-up of these rates</li> <li>• Costs and time frames very clear</li> <li>• Plan future projects with a pipeline of work</li> <li>• Time to establish a working partnership over the period of the contract</li> <li>• OJEU compliant contract</li> <li>• Single contractor who has a reliable supply chain</li> <li>• All costs can be predicted and standardised and easier to budget</li> <li>• One main contractor carrying out all the works under MTC this negates the need to go out to tender saving a lot of officer time and cost in the process.</li> <li>• Each order for work can begin much faster as you don't need to go through a tender process</li> <li>• The use and investment in the latest innovations, techniques and methods of works</li> <li>• Flexibility to meet and respond to emergencies</li> <li>• Client can stop and start work at pace that might be determined by its funding</li> <li>• Over the contract we can invest in innovation, new processes and social value and see these come to fruition during the term of the contract.</li> <li>• Anyone winning such a large contract in this sector working for the City of London will be keen to impress and use this contract as their flagship.</li> </ul> <p><b>Disadvantages to this Option:</b></p> <ul style="list-style-type: none"> <li>• If no rate for new item(s) or similar work/item this would have to be a variation and the new rate negotiated and agreed</li> <li>• No option to go to another supplier if main contractor is unable to carry out the works.</li> <li>• Works outside of the contract's remit – may need to be tendered</li> <li>• Contract must be well resourced and managed with in house experienced staff to measure the work and certify payments</li> </ul> <p><b>Please highlight any possible risks associated with this option:</b></p> <ul style="list-style-type: none"> <li>• A new contractor may not perform to the levels we expect but the KPI process and officer engagement should allow for this to be managed accordingly.</li> </ul>
<p><b>Option 2: Create a Framework</b></p> <p><b>Advantages to this Option:</b></p> <ul style="list-style-type: none"> <li>• City's Own Framework</li> <li>• The Framework is new, and suppliers are eager to impress</li> </ul> <p><b>Disadvantages to this Option:</b></p> <ul style="list-style-type: none"> <li>• Set rates could be assigned to the framework</li> <li>• Larger Suppliers will subcontract the work as opposed to having employees working directly on the project</li> <li>• Mini – competition exercises will need to be carried out for each project and will be time consuming and require resources to manage this process</li> <li>• Not all suppliers may take part in a mini – competition exercise</li> <li>• Reactive maintenance works – would be severely delayed due to mini – competition process</li> </ul> <p><b>Please highlight any possible risks associated with this option:</b></p> <ul style="list-style-type: none"> <li>• Costs will differ from the tendered amount to the actual amount.</li> </ul>

**Route to Market Options:** *Route to market is the way in which the City will invite suppliers to bid for the procurement.*

<p><b>Option 1: FTS</b></p> <p><b>Advantages to this Option:</b></p> <ul style="list-style-type: none"> <li>• Allows for a wider market and greater number of suppliers to respond.</li> <li>• Creates an opportunity to contract with a new supplier.</li> <li>• Increased probability that adequate competition will be realised.</li> </ul> <p><b>Disadvantages to this Option:</b></p> <ul style="list-style-type: none"> <li>• May result in large volumes of bidders expressing interest. which will require resources to manage the process eg Queries and evaluations (may result in delays) during the process.</li> <li>• Higher level of resources required to deliver the procurement procedure - which will require resources to manage the process eg Queries and evaluations (may result in delays) during the process.</li> </ul> <p>Please highlight any possible risks associated with this option: Large response from the market could result in resource implications and delays in the process.</p>
<p><b>Option 2: External Framework</b></p> <p><b>Advantages to this Option:</b></p> <ul style="list-style-type: none"> <li>• Allows for a wider market and greater number of suppliers to respond.</li> <li>• Creates an opportunity to contract with a new supplier.</li> <li>• Increased probability that adequate competition will be realised.</li> </ul> <p><b>Disadvantages to this Option:</b></p> <ul style="list-style-type: none"> <li>• May result in large volumes of bidders expressing interest. which will require resources to manage the process eg Queries and evaluations (may result in delays) during the process.</li> <li>• Higher level of resources required to deliver the procurement procedure - which will require resources to manage the process eg Queries and evaluations (may result in delays) during the process.</li> <li>• Less control on the performance of the contract and less time to build a working relationship and the associated innovations due to lack of cohesion.</li> </ul> <p>Please highlight any possible risks associated with this option: Large response from the market could result in resource implications and delays in the process.</p>

## **Price Mechanism**

<p><b>Option 1: Schedule of Rates</b></p> <p><b>Advantages to this Option:</b></p> <ul style="list-style-type: none"> <li>• Fixed Rates (first year fixed after which an annual uplift is applied) which include Labour, plant and material</li> <li>• Can budget and plan future work with some certainty</li> <li>• Rates can be used to negotiate new rates for new items of work</li> </ul> <p><b>Disadvantages to this Option:</b></p> <ul style="list-style-type: none"> <li>• If no similar rate for new item(s) exists, then this will have to be negotiated as a variation and agreed</li> </ul> <p>Please highlight benefits and possible risks associated with this option relative to the specifics of the project:          High benefits in terms of fixed costs thus allowing us to generate estimates and manage costs independently of the contractors. All prices and known and pipelines of maintenance and capital works for developers can be planned and implemented successfully.</p>
--

## Form of Contract

<b>Option 1: Bespoke Term Contract</b>
<b>Advantages to this Option:</b> <ul style="list-style-type: none"><li>• This has been written and amended over time and has worked in terms of its legal function and practically with the contractor in a partnership manner.</li><li>• The bespoke contract has specific/additional terms and condition clauses that other standard Engineering contracts do not contain</li><li>• The bespoke contract is more flexible than standard contracts and allows for a partnering ethos.</li></ul>
<b>Disadvantages to this Option:</b> <ul style="list-style-type: none"><li>• The bespoke terms and condition clauses need to be revisited to amend and bring the clauses up to date over time with current legislation</li><li>• Bringing the bespoke contract terms up to date takes resources and time</li><li>• Standard model engineering contracts, new versions (updated) are issued periodically over time</li><li>• The Standard Model Engineering contracts have been tested over time</li></ul>
Please highlight benefits and possible risks associated with this option relative to the specifics of the project: Further to the success of this contract, there is no risks at this moment in time.

## Outline of appendices

- Please list appendices here or mark 'Not applicable' if there is none.
- Items to consider appending:
  - o PT0 (Project Plan with Roles and Responsibilities)
  - o Data Protection Impact Assessment
  - o risk matrix here

## Report Signoffs

Senior Category Manager Chamberlain's Department		Date	Click here to enter a date.
Departmental Stakeholder Department	Ian Hughes	Date	23/03/2021

<b>Committee(s):</b>	<b>Date:</b>
Finance Committee – For decision	13 <sup>th</sup> April 2021
<b>Subject:</b> Irrecoverable Non-Domestic Rates and Council Tax	<b>Public</b>
<b>Report of:</b> Chamberlain	<b>For Information</b>
<b>Report author:</b> Phil Black – City Revenues	

## Summary

The Finance Committee has delegated authority to the Chamberlain to write off individual non-domestic rates and council tax debts of up to £500,000 each without seeking the approval of the Committee. This annual report provides information of the total amount of non-domestic rates and council tax written off as irrecoverable during 2020/2021.

Under the London Business Rates pooling arrangements from 1 April 2019 any losses attributable to irrecoverable amounts are wholly distributed between the Governments central share at 33%, the GLA at 37% and the City Corporation share at 30%. The element attributable to the additional amounts levied by the City of London as a premium and the Crossrail business rate supplement for the Greater London Authority are borne wholly from the proceeds of the premium and supplement.

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

The loss in council tax collection will be met from the provision for bad debts.

## Recommendations

Members are asked to note:

- the write off of irrecoverable non-domestic rates in the sum of £1,323,343.17 noting that £584,926.39 will be met by the City Corporation and £13,452.40 from the premium; and.
- the write-off of irrecoverable council tax in the sum of £21,100.23

## **Main Report**

### **Background**

1. The Finance Committee has delegated authority to the Chamberlain to write off non-domestic rates and council tax debts of up to £500,000 per individual account without seeking the approval of the Committee.
2. Earlier this year, in an effort to streamline and accelerate the decision-making process as part of the Corporation's response to the Covid-19 pandemic, amendments were made to the Scheme of Delegations affecting irrecoverable debt write-off limits. The Head of Revenues was given delegation to write-off debts of up to £100,000 per account, and the Chamberlain was given delegation to write-off debts of up to £500,000 per account (the pre-Covid delegated limit was £20,000). Individual debts over £500,000 still require approval by your Finance Committee. These temporary measures will expire on 31st March 2021.

### **Current Position**

#### **National Non-Domestic Rates**

3. For this year the level of irrecoverable National Non-Domestic Rates is £1,323,343.17. The total amount written off comprises debts that have arisen over a number of financial years. All appropriate recovery action had been taken to recover these sums, but without success.
4. The debts are uncollectable primarily because the companies concerned have become the subject of insolvency proceedings or have ceased to trade and subsequently been struck off the Register of Companies and dissolved or the ratepayers concerned are bankrupt or have absconded. The write offs take account of any dividend payments received after the realisation of any assets.

#### **Council Tax**

5. For this year the level of irrecoverable Council Tax is £21,100.23. The total amount written off comprises debts that have arisen over a number of financial years. All appropriate recovery action had been taken to recover these sums, but without success.

### **Options**

6. As stated above these debts have proved to be irrecoverable after exhaustive checks have been made. The companies are dissolved or in liquidation, the ratepayer is bankrupt or absconded, the only course of action was to write them off. If the debts were not written off there is a risk of non-compliance with the financial orders.

## Previous Year Comparison

### National Non-Domestic Rates

7. The table below sets out the amounts that have been written off and for comparison purposes the amounts that were written off in the previous two financial years.

Reason for write off	Amount written off 2018/19 £	Amount written off 2019/20 £	Amount submitted for write off 2020/21 £
Dissolved companies	2,610,082	1,275,414	913,134.02
Companies in liquidation	717,415	313,172	89,285.08
Companies in administration	30,360	00	143,240.01
LPA Receiver appointed	00	00	0
Bankrupt individuals	19381	00	13,379.33
Absconded individuals	00		27,302.49
Otherwise irrecoverable/uneconomic	12,256	204,714	137002.24
<b>Total</b>	<b>3,389,494</b>	<b>1,793,300</b>	<b>1,323,343.17</b>

8. The total annual collectable debit for each of these years is in excess of £1.2 billion. The total write off amount this year is comparable to previous years. The amounts written off under delegated powers, as a percentage of the annual non-domestic rates debit is less than 0.5% in each year.

### Council Tax

9. The table below sets out for comparison purposes both the amounts of council tax submitted for write off during 2020/21 and the amounts that were written off in the previous two financial years.

<b>Reason for write off</b>	<b>Amount written off 2018/19 £</b>	<b>Amount written off 2019/20 £</b>	<b>Amount for write off in 2020/21 £</b>
Bankruptcy	161	2,358	731
Absconded tax payers	15,050	3,591	17,350
Deceased tax payers	153	12	629
Liquidation and dissolved companies	3,573	3,841	2,390
Otherwise irrecoverable/uneconomic	37	67	0
<b>Total</b>	<b>18,974</b>	<b>9,869</b>	<b>21,100</b>

10. The annual debit for 2020/21 is approximately £8.7 million. The amounts in relation to council tax are low and although there is variation in amounts from year to year the amount written off, including amounts written off under delegated powers, as a percentage of the annual council tax debit is less than 0.3% in each year.

## **Implications**

### **National Non-Domestic Rates**

11. All the amounts written off have previously been provided for as uncollectable in accordance with guidelines agreed with the City Corporation's external auditors and instructions issued by central government for the accounting of non-domestic rate. The amounts written off have been included in a previous year's provision for bad debts in the annual outturn contribution form (NNDR3).
12. The elements attributable to additional amounts levied by the City of London as a premium and under the Crossrail business rate supplement are borne wholly from the proceeds of the premium and supplement.
13. The attribution of the cost of the amounts written off is detailed below:

<b>Attribution of amounts of non-domestic rates to be written off as irrecoverable</b>	<b>Amount £</b>
Government's Central Share	268,830.58
City Corporation	584,926.39
GLA	406,319.28



Crossrail Supplement	49,816.52
Premium	13,452.40
Total	<b>1,323,343.17</b>

### **Council Tax**

14. All the amounts written off have previously been provided for as uncollectable in the City's accounts in accordance with guidelines agreed with the City Corporation's external auditors. The write offs in this report can be met from the annual bad debt provision held within the City's accounts

### **Phil Black**

Head of Revenues

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<b>Committee(s)</b>	<b>Dated:</b>
Finance Committee	13 <sup>th</sup> April 2021
<b>Subject:</b> IT Division – Member Update	<b>Public</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:</b> Chamberlain	<b>For Information</b>
<b>Report author:</b> Sean Green, Chamberlain’s Department	

## Summary

Running an IT Service during the time of the Pandemic has been challenging with colleagues having significant increased dependencies on secure and stable IT. Pre the pandemic many processes for supporting and providing staff with devices were based around the office. During the Pandemic this has now been successfully transitioned to a more automated and remote provisioning.

Despite the pressures outlined above the Corporate IT team working with our partners have successfully kept the organisation’s IT systems running and free from any critical security breaches.

We have not just delivered our business as usual activities we have also successfully delivered the technology modernisation of the City of London Police (CoLP) with CoLP being one of only three UK police forces to achieve a full rollout of the National Enabling Solution to all staff. We remain the first and only force to move to a Modern Managed environment with recognition of this Nationally.

In addition for both the City of London Corporation (CoL) and CoLP we have migrated from our Agilisys datacentres to the Azure Cloud and implemented a new IT Managed services contract with Agilisys alongside a new Service Management System which allow staff to raise incidents and service requests on-line and then track those requests.

This report details for Members the work of the IT Division and the key areas of progress for the last quarter. Additional items covered in this report include:

- i. Several gateway papers in progress for the next set of IT and Digital transformations in CoL and CoLP;
- ii. Services for generally stable and secure throughout the period;
- iii. £7m of revenue collected through new online forms produced with other digital improvements made throughout the period;
- iv. A new Digital Services Strategic roadmap for CoL has been agreed by Summit and the Digital Services sub-committee.

## **Recommendation(s)**

Members are asked to note this report

## **Main Report**

### **Background**

1. The IT Division provides services to the CoL, CoLP and London Councils. 5 main functions are provided from the in-house IT team: i) IT Finance and Performance Management, ii) Change and Engagement Management iii) Projects and Programmes Management, iv) IT Operations and Service Management and v) Police IT Services.
2. This report updates on progress on critical programmes, business as usual service performance, the updates to the Digital Services Strategy and the rate of adoption of digital ways of working.

### **New Agilisys Contract and Service Now**

3. The Contract with Agilisys was signed on the 1<sup>st</sup> January 2021 as planned
4. Migration of CoL and CoLP datacentres to the Azure cloud completed
5. Migration of CoL and CoLP Telephony to a new hosting provider to proceed at the end of April 2021.

### **New Projects**

6. Gateway papers are currently in progress for a several new CoL and CoLP projects including:
  - a. Replacing the Oracle Enterprise Resource Planning System;
  - b. Modernisation of the Telephony Systems for CoL and CoLP;
  - c. Replacing our end user computer devices;
  - d. Further investment in depth and breadth of our security defences;
  - e. Increasing power resilience in our on-premises computer rooms;
  - f. Migration of the Police on premise devices to the Azure Cloud
  - g. Improving Police Radio Access for the Barbican estate

### **CoLP IT Modernisation Programme**

7. The Programme has now been completed implementing new devices to over 1600 users which provides significantly improved collaboration for CoLP staff locally and nationally.
8. The programme has been recognised nationally for the technology deployed to build devices remotely deliver them to any location straight from the warehouse

9. Lessons learned from the programme will be documented in the coming weeks

### **IT Service Performance**

10. There were 19 P1 and 5 P2 Incidents for CoL and COLP over the period Oct to Dec 2020
11. Satisfaction for Oct to Dec 2020 was 90% with an NPS Score of over 50 which is considered good

### **Digital Transformation**

12. To support the return to the office, the IT Division has installed over 30 corporate meeting rooms and offices with Teams Meeting Room functionality. This will allow hybrid meetings involving Officers and Members to attend in person or remotely.
13. Committee rooms now also have Teams devices linked to a new microphone system installed.
14. From March 2020 to March 2021 there have been more than 19,000 forms submissions and £6.5m payments online, including;
- £2.2m Housing Rent
  - £1.4m Council Tax
  - £1.1m various highways fees
  - £870k Sundry Invoice Payments
  - £160k Swimming Season Tickets at HH

We have recently developed and/or are developing the following forms;

- Open Spaces Donations
- Athletics Track Permits
- Dog Walking Permits
- Personal Trainer Permits

15. The City of London Crematorium are now able to stream funerals
16. A remote booking and payments solutions was enabled for Hampstead Heath Ponds.

### **Digital Services Strategic Roadmap**

17. The Digital Services Strategic Roadmap was signed off by Summit on the 21<sup>st</sup> March.
18. The Digital Services Strategic Roadmap was agreed at the Digital Services Sub-Committee on the 26<sup>th</sup> March.
19. **'Vision:** People getting the best out of cost-effective services via digitally-enabled collaboration & continual improvement in their design & delivery'

## 20. Principles

- This vision will be realised through service digitalisation – i.e. transforming services digitally – that enables the following:
  - Efficiency and effectiveness in service delivery work
  - Service simplification and automation
  - Delivery of secure and stable services accessible anywhere
  - Creation of service insight coupled with service commoditisation

There are 4 key working principles of service digitalisation:

- Digitise for efficient and effective agile working
- Simplify and automate
- Ensure solutions are secure, stable and accessible from anywhere
- Greater collaboration through insight

The vision relies on widespread adoption by individual stakeholders of Digital Ways of Working.

Appendix A illustrates the difference the strategic roadmap will make to the lives of our stakeholders.

**Sean Green**

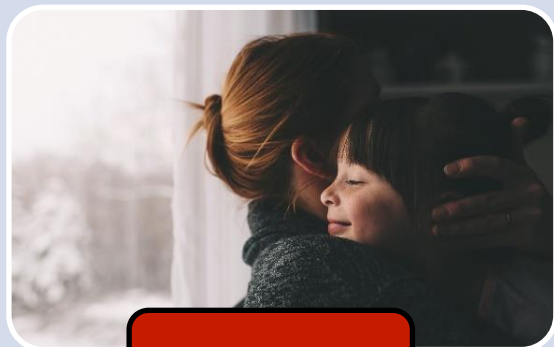
IT Director

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E: [sean.green@cityoflondon.gov.uk](mailto:sean.green@cityoflondon.gov.uk)

Appendix A – Stakeholder Personas

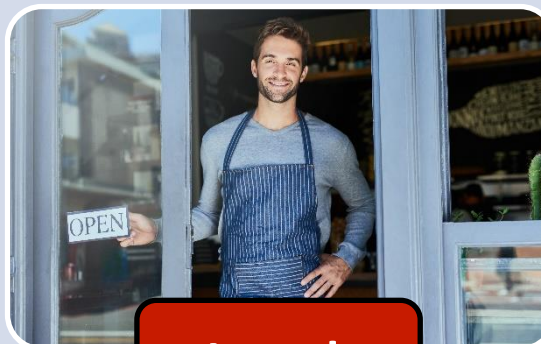
## Appendix A – Stakeholder Personas



**Valerie**

**Estate Resident** - making the most of living in Golden Lane

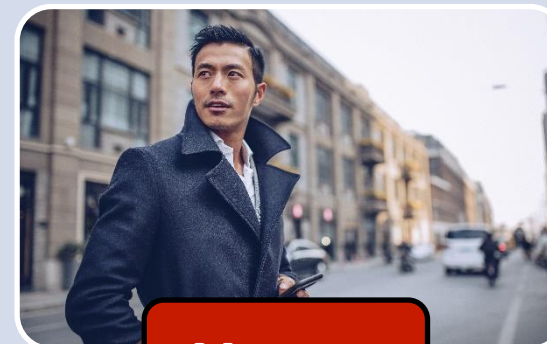
- The City Corporation's **Engagement** with my community as a group and as individuals has helped us understand, shape and take part in much-needed local change
- As a mother, I try to do my best for my child, which is made easier by the City Corporation using its **Insight** into my situation and **Co-ordination** of services to suggest options and offer support
- The City Corporation's **Reach** means I get timely contact, on-screen and in-person, with people who care and are equipped to help



**Joseph**

**Small Business Owner** - building a local business in Eastcheap

- The City Corporation's **Co-ordination** of information, inputs and approvals lets me self-serve for most of my City Corporation needs, while their **Reach** lets me do that when it suits me
- While I compete with other businesses in my area, the City Corporation has made collective **Engagement** easier for us so that we can deal with common issues together
- The City Corporation helps me develop my business by sharing easily-digestible **Insight** into the local impact of demographics, economy, policy, etc.



**Maarten**

**Global Law Firm Partner** - might keep major office in Broadgate

- Proactive **Engagement** by the City Corporation is persuading my firm to retain a major presence in the City to serve EU clients despite Brexit
- We are impressed by the City Corporation's world-class business services and regulation, which show levels of **Co-ordination** and **Insight** that bode well for the future
- While deciding whether to keep the City as a key office location, we have been able to access City Corporation experts and decision-makers as needed thanks to their **Reach**



Mike

**City Visitor** - enjoying the Square Mile's culture in a limited time

- The City Corporation's self-service visit planner uses **Engagement**, **Insight**, **Co-ordination** and **Automation** to identify my interests and preferences, factor in busy time pricing, suggest and consider options interactively, and thus book an itinerary that lets me visit the most attractions of the greatest interest with the least travel, waiting and cost
- The City Corporation's **Reach** allows real-time itinerary updates on the go, plus augmented and virtual reality around the City to significantly enhance my experience and understanding of it



Jessica

**Local Digital Entrepreneur** - creating change from Cheapside

- As a digital start-up, it's great to have affordable, flexible space in a thriving tech hub fostered by the City Corporation's **Co-ordination** of regulations and services
- The City Corporation's open sharing of anonymised data inspired our first mobile product and its affordable sharing of extra **Insight** plus **Reach** helps us to develop/test iterations and expansions in an Agile way
- The City Corporation's **Engagement** with local, national and international business and civic communities has facilitated our access to potential customers, mentors and funders, helping spur our growth

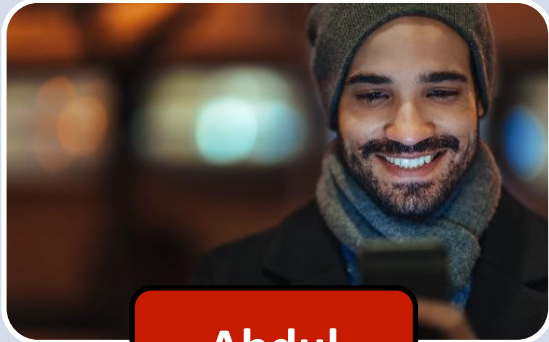


Sarah

**City Worker** - commuting into Broadgate each weekday

- I value the City Corporation's use of **Co-ordination** and **Reach** to minimise disruption to pedestrian street use and to support a full and vibrant choice of food and other retailers locally so that I can go about my business more easily and get what I need/want during the working day
- Though not a local resident or owner, I still feel listened to by the City Corporation thanks to digital **Engagement** channels that ask my opinion on City issues, **Insight** that frames the choices in digestible facts and **Automation** of text and voice contact handling that lets me respond conveniently

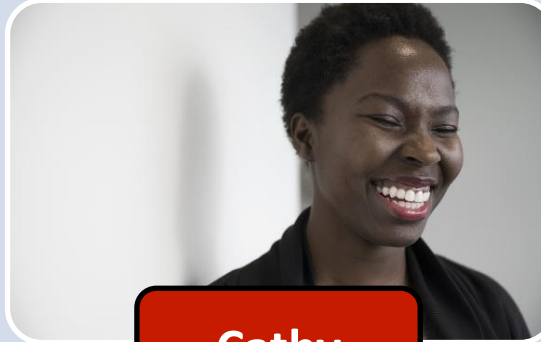




Abdul

**Corporation Frontline Officer** - finding a good work-life balance

- The **Reach** of easy video calling, text chat and hybrid office facilities keeps me feeling close to my team when we are working physically apart
- **Automation** frees me from routine tasks that used to take up so much of my time while using so few of my skills
- I make the most of visits to customers by using **Co-ordination** tools to be an ambassador and instigator for all the services relevant to them
- **Insight** and **Engagement** let me identify ways to improve services and myself and track progress in both



Cathy

**Corporation Manager** - getting the right results from everyone

- Our mutual **Reach** means that I can get my staff out of the office more to be productive in the field or at home
- The performance **Insight** I get from business intelligence dashboards lets me focus my improvement efforts where they are most needed and track the results
- **Co-ordination** tools allow me to get more value for money from disparate service providers working together, e.g. staff, partners, commercial suppliers
- As a leader, **Engagement** tools help me listen to, inspire and support people



Isobel

**Corporation Member** - shaping and sharing the big picture

- **Engagement** tools help me to grasp my constituents' concerns better and to let them know what I am doing for them
- The **Insight** I get on City Corporation spending, progress and value for money helps me challenge and support initiatives better
- My **Reach** via videoconferencing and documents shared online allows me to participate effectively in committee meetings from wherever I am
- **Co-ordination** with others on reports, cases, etc. before and after meetings makes the most of my time in meetings

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<b>Committee(s):</b> Finance Committee	<b>Dated:</b> 13 April 2021
<b>Subject:</b> Central Contingencies 2020/21 and 2021/22	<b>Public</b>
<b>Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?</b>	n/a
<b>Does this proposal require extra revenue and/or capital spending?</b>	N
<b>If so, how much?</b>	n/a
<b>What is the source of Funding?</b>	n/a
<b>Has this Funding Source been agreed with the Chamberlain's Department?</b>	n/a
<b>Report of:</b> The Chamberlain	<b>For Information</b>
<b>Report author:</b> Laura Yeo, Senior Accountant, Financial Services Division	

## Summary

This report has been produced to provide Members with an anticipated year-end position for 2020/21 Contingencies and an update on the uncommitted balances for 2021/22 Contingencies.

Of the previous allocations agreed by Committee, a sum of £206,000 from City Fund Contingency will be required in future years. Therefore, it is proposed that this sum is carried forward from 2020/21 to 2021/22, thereby ensuring that a full year's contingency provision is available during 2021/22.

## Recommendation(s)

Members are asked to agree to carry forward sufficient resources of £206,000 to meet existing allocations and thereby providing a full year's Central Contingency for funding requirements that may arise during 2021/22.

## Main Report

### Background

1. Service Committee budgets are prepared within the resources allocated by the Policy and Resources Committee and, with the exception of the Policy and Resources Committee, such budgets do not include any significant contingencies. The budgets directly overseen by the Finance Committee therefore include central contingencies to meet unforeseen and/or exceptional items that may be identified across the City Corporation's range of activities. Requests for allocations from the contingencies should demonstrate why the costs cannot, or should not, be met from existing provisions.

2. In addition to the Central Contingencies, the Committee has a specific City's Cash Contingency to support humanitarian disaster relief efforts both nationally and internationally.

## Current Position

### 2020/21 Contingency Balances

3. The year-end position of the 2020/21 Central Contingencies and National and International Disaster Fund are set out in Tables 1 and 2 respectively. Appendix 1 provides details of the sums the Committee has previously allocated from the 2020/21 Contingencies

Table 1: 2020/21 Central Contingencies				
	City's Cash £'000	City Fund £'000	Bridge House Estates £'000	Total £'000
2020/21 Provision	950	800	50	1,800
2019/20 Provision brought forward to fund allocations agreed in previous financial years	24	593	0	617
Total Provision	974	1,393	50	2,417
Less Allocations				
2020/21 financial year	(674)	(527)	0	(1,201)
For future financial years to be carried forward	0	(206)	0	(206)
Total Allocations	(674)	(733)	0	(1,407)
<b>Uncommitted Balances</b>	<b>300</b>	<b>660</b>	<b>50</b>	<b>1,010</b>

Table 2: 2020/21 National and International Disaster Fund	
	City's Cash £'000
2020/21 Provision	100
2019/20 Unspent provision brought forward	25
Less Allocations	
2020/21 financial year	(100)
For future financial years to be carried forward	0
<b>Uncommitted Balances</b>	<b>25</b>

4. Of the previous allocations agreed by Committee, a sum of £206,000 as listed below will be required in future years. Therefore, it is proposed that these sums are carried forward from 2020/21 to 2021/22, thereby ensuring that a full year's contingency provision is available during 2021/22.
  - £52,000 towards an appeal regarding GLA roads from City Fund Contingency
  - £154,000 towards additional rent payable at Wood Street Police Station from City Fund Contingency
5. In assessing the adequacy of Central Contingencies, the provision of funds for 2020/21 has been more than sufficient resulting in an uncommitted balance for each contingency at year-end. On this basis the existing contingency provision for Central Contingencies will remain unchanged for 2021/22.
6. As agreed at January 2021 Committee, the National and International Disaster Fund existing provision of £100,000 will be uplifted by £25,000 to £125,000 for 2021/22 and future year provisions.

#### 2021/22 Contingency Balances

7. If the proposed sums to be carried forward are agreed, the uncommitted balances that are available for 2021/22 Contingencies are set out in the table below.

Table 3: 2021/22 Contingencies				
	City's Cash £'000	City Fund £'000	Bridge House Estates £'000	Total £'000
<b>General Contingencies</b>				
2021/22 Provision	950	800	50	1,800
2020/21 Brought forward	0	206	0	206
<b>Total Provision</b>	<b>950</b>	<b>1,006</b>	<b>50</b>	<b>2,006</b>
Previously agreed allocations	0	(206)	0	(206)
<b>Uncommitted Balance</b>	<b>950</b>	<b>800</b>	<b>50</b>	<b>1,800</b>
<b>National and International Disasters</b>				
2021/22 Provision	125	0	0	125
2020/21 Brought forward	0	0	0	0
<b>Total Provision</b>	<b>125</b>	<b>0</b>	<b>0</b>	<b>125</b>
Previously agreed allocations	0	0	0	0
<b>Uncommitted Balance</b>	<b>125</b>	<b>0</b>	<b>0</b>	<b>125</b>

## **Conclusion**

8. Members are asked to agree to carry forward sufficient resources of £206,000 to meet existing allocations and thereby provide a full year's Central Contingency provision for funding requirements that may arise during 2021/22.

## **Appendices**

- Appendix 1 – 2020/21 Contingencies
- Appendix 2 – 2021/22 Contingencies

### **Laura Yeo**

Senior Accountant

Financial Services

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<b>Committee(s)</b>	<b>Dated:</b>
Finance Committee	13 April 2021
<b>Subject: Report of (public) Action taken under DA or Urgency procedures since the last meeting of the Committee</b>	<b>Public</b>
<b>Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?</b>	N/A
<b>Does this proposal require extra revenue and/or capital spending?</b>	Y/N
<b>If so, how much?</b>	N/A
<b>What is the source of Funding?</b>	N/A
<b>Has this Funding Source been agreed with the Chamberlain's Department?</b>	N/A
<b>Report of: Town Clerk</b>	<b>For Information</b>
<b>Report author:</b> John Cater, Committee Clerk, Finance Committee	

## Summary

This report advises Members of urgent and/or delegated public action taken by the Town Clerk since the last meeting of the Committee, in consultation with the Chairman and Deputy Chairman, in accordance with Standing Orders No. 41(a) and 41(b).

## Recommendation

Members are asked to note the report.

## Main report

### 1. Subject: Decision on City Cash Exceptional Grant support for the HRA (DA – 16<sup>th</sup> March 2021)

#### Background

1. A report to Finance Committee on 16 February 2021 set out the detailed Budget Estimates and financial difficulties around the ring-fenced Housing Revenue Account (HRA); particularly in relation to the loss of rental income on commercial properties during the COVID pandemic in the current financial year.
2. Approval was requested for support from City's Cash contingencies as an exceptional grant of up to £450k to ensure the HRA does not fall into deficit in the short term. It was decided that further consideration was required and, therefore, Members agreed to provide the TC, in consultation with the Chairman and the Deputy Chairman of FC delegated authority to approve the grant, once they were content with the proposal.

3. The exact amount of any support would be agreed as part of the Closing process.
4. Such compensation would be in line with COVID related financial support for other areas of the Corporation suffering from income losses e.g. the Barbican Centre, the Monument, Markets, and Community and Children's Services; financed by drawing on reserves.
5. 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. It is proposed that the grant be made in late March, so that if any funding is forthcoming before the year end, the City Cash grant for COVID related costs could be adjusted. However, even if such support was available it is unlikely to cover the loss of income on commercial properties.
6. 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.
7. Were compensation not to be granted, then the HRA would immediately need to cease the current repairs programme and review spend on other areas of expenditure for the remaining weeks of the financial year. This was not recommended.

**RESOLVED** – That the Town Clerk, in consultation with the Chairman and Deputy Chairman of the Finance Committee, approved, exceptionally, a grant of up to £450k from City's Cash 2020/21 Finance Committee contingencies to ensure the HRA remains in balance this year, covering commercial rental income losses, during the COVID pandemic.

## **2. Subject: International Disasters Fund (IDF): Donation to City Harvest (Delegated Authority – 14<sup>th</sup> December 2020)**

### **Background**

The City of London Corporation holds a contingency fund in its City's Cash budget, allocated to the International Disasters Fund (IDF), which is administered by the Finance Committee. The Finance Committee have issued a standing delegated authority to the Town Clerk, in consultation with the Chairman and Deputy Chairman of the Finance Committee, in order to respond quickly to requests for assistance from the IDF.

A report on the use of this fund was presented to the Finance Committee on 19 January 2021, where the following was noted:

- a) The strong criteria applied by the Disaster Emergency Committee (DEC) for the selection and monitoring of UK aid charities;



- b) The ability of the Central Grants Unit (CGU) to provide recommendations of appropriate charities to support, including due diligence reviews;
- c) That donations given as restricted to a specific appeal or purpose are required under charity law to be spent directly on that purpose.

When a DEC appeal is not launched, a donation could be made to an individual charity carrying out humanitarian relief in the area. It is acknowledged that the transparent governance controls applied by the DEC means that the Finance Committee can be confident in giving directly to the individual charities that are members of the DEC, should they believe this to be the most appropriate use of the Corporations' emergency donations budget.

Charities that do not fall under the DEC can be considered, in exceptional circumstances, if no DEC partner organisation is working on the ground in an area of need. These will be looked at on a case by case basis with full due diligence provided by the CGU.

### **Financial Implications**

The IDF currently has an annual budget of £100,000. In the 2019/20 financial year there was an underspend of £25,000 and this was approved for carry-forward through the usual process. A budget of £125,000 was therefore available to make donations for 2020/21. Five Donations totalling £100,000 had been made by the end of February 2021, with £25,000 remaining.

### **Emergency Relief – London Response to COVID-19**

The coronavirus outbreak is a global health emergency that is affecting the way every one of us goes about our daily lives. Charitable organisations in the UK are navigating in uncertain times and having to adapt services to deal with the complex situation of multiple lockdowns. Food poverty has increased dramatically in London and food distribution Charities have become part of everyday life in the capital, providing a lifeline for many Londoners.

#### **City Harvest**

City Harvest (CH) is a food distribution charity operating in Greater London. It was set up in 2014 modelled on, but independent of, the City Harvest initiative in New York City. It provides a 'last mile' service specialising in the collection of surplus food from supermarkets, wholesalers, restaurants and the hospitality industry, and delivery to organisations providing food and preparing meals for vulnerable Londoners and those experiencing food poverty. These organisations include soup kitchens, foodbanks, homeless shelters, hostels and charities working with the working poor, families, veterans, victims of domestic violence, older and disabled people. During the last 12 months the Charity has significantly increased its operation as there has been a steep increase in demand.

The Charity currently holds a grant with City Bridge Trust (CBT) from its Investing in Londoners Strategy which comes to an end in July 2021. Detail of the funding is outlined below:

£111,000 over three years (£36,000; £37,000; £38,000) for the post of Warehouse Manager (40 hours per week).

Additionally, the charity was recently awarded funding from CBT through the London Community Response Fund (LCRF). CH was assessed by the Head of the CGU for this grant and was deemed suitable to receive funding under the processes in place for the LCRF. This is a core grant to sustain two posts over the next 12 months:

£44,100 to contribute to the salaries of the Community Impact Manager and Community Impact Officer over the next 12 months.

### **The Livery Kitchen**

CH manages and works in partnership with the Worshipful Company of Drapers', Fishmongers' and Grocers' to deliver the Livery Kitchen Initiative which supports those in need and experiencing food poverty in East London. The initiative has provided around 2,000 healthy meals a week to community-based charities in North and East London. The initiative utilises the large industrial kitchens and chefs at the Worshipful Companies to create healthy and nutritious meals that are distributed to charities working in deprived communities in East London.

The chefs create menus that take into consideration special dietary requirements for the communities they are distributing food to. CH uses its food distribution infrastructure to deliver the fresh produce to the kitchens and then deliver the meals once created. The Livery Kitchen Initiative needs some additional funding to continue this project until July, by which point the Kitchens will be undergoing an annual refurbishment and deep clean. However, CH will continue to operate its food distribution service in East London and any surplus in funds will be used to continue this work.

This initiative can be viewed as distinctly separate to the core grant and project funded by the City Bridge Trust. It is a specific piece of work targeting disadvantaged communities in East London. The charity's services are in high demand and this project is providing nutritious meals at a time of burgeoning food poverty in London.

**RESOLVED** – That the Town Clerk, in consultation with the Chairman and Deputy Chairman of the Finance Committee approved a donation of £25,000 to City Harvest to support the ongoing Livery Kitchen Initiative and food distribution programme across East London.

**Contact:**

John Cater

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

020 7332 1407

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