

FINANCE COMMITTEE

Tuesday, 15 February 2022

Minutes of the meeting of the Finance Committee held at Guildhall, EC2 on Tuesday, 15 February 2022 at 1.45 pm

Present

Members:

Deputy Jamie Ingham Clark (Chairman)	Hugh Morris
Jeremy Mayhew (Deputy Chairman)	Deputy Susan Pearson
Deputy Randall Anderson	James de Sausmarez
Nicholas Bensted-Smith	Deputy John Scott
Deputy Henry Colthurst	Deputy James Thomson
Alderman Prem Goyal	Deputy Philip Woodhouse
Michael Hudson	Catherine McGuinness (Ex-Officio Member)
Wendy Hyde	Deputy Christopher Hayward (Ex-Officio Member)
Paul Martinelli	

Officers:

John Cater	-
Bob Roberts	- Director of Communications
Caroline Al-Beyerty	- Chamberlain's Department
Michael Cogher	- Comptroller and City Solicitor
Paul Wilkinson	- City Surveyor
Simon Owen	- Chamberlain's
James Graham	- Chamberlain's Department
Angela McLaren	- Commissioner, City of London Police
Sean Green	- Chamberlain's Department
Hayley Hajduczek	- Town Clerk's Department
Giles Radford	- Department of the Built Environment
Neilesh Kakad	- Chamberlain's Department
Kate Limna	- Chamberlain's Department
Genine Whitehorne	- Chief Operating Officer's Department
Sonia Virdee	- Chamberlain's Department
Ian Hughes	- Department of the Built Environment
Sharon Ament	- Director of the Museum of London

1. APOLOGIES

Apologies for absence were received from Munsur Ali, Rehana Ameer, Graeme Doshi-Smith, Alderman Professor Emma Edhem, Alderman Sir Peter Estlin, Alderman Robert Hughes-Penney, Deputy Clare James, Alderman Alastair King, Gregory Lawrence, Oliver Lodge, Andrew McMurtrie, Deputy Robert

Merrett, Benjamin Murphy, Ian Seaton, Sir Michael Snyder, Mark Wheatley, and Deputy Tom Sleigh.

The Chairman thanked Oliver Lodge and William Pimlott for their contributions to the Committee. Mr Lodge and Mr Pimlott would not be standing for re-election to the Court of Common Council in March.

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 and non-public summary of the meeting held on 25th January 2022 be approved as an accurate record.

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

The Committee received a Report of the Chamberlain outlining the Committee's workplan for the next several months.

RESOLVED – That the Committee noted the Report.

5. **REQUESTS FOR DECISIONS UNDER DELEGATED AUTHORITY PROCEDURES - POST FEBRUARY 15 - APRIL**

The Committee considered a Report of the Town Clerk concerning several requests for delegated authority over the period 15 February – 30 April.

RESOLVED – That the Committee agreed to provide delegate authority for the Town Clerk, in consultation with the Chairman and Deputy Chairman of Finance Committee, to approve decisions for procurement processes outlined at Appendix 1 (Non-Public) in relation to:

- Barbican Public Catering Contracts (Contract Extension – for decision)
- Temporary Labour (Stage 1 – for decision)
- Physical Alterations to Bridges (Stage 1 – for decision)
- Highways Contract (Stage 2 – for decision)
- Cleaning and Window Cleaning Contracts
- Security Contract for the provision of Manned guarding services

and for several investment property matters outlined at Appendix 2 (Non-Public) in relation to:

- Lease- Regears, Long Lease Restructures and Development Agreements
- Disposals
- Gateway Reports

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

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

RESOLVED – That the Committee noted the Report.

7. **DRAFT PUBLIC MINUTES OF SUB-COMMITTEES**

The Committee noted the draft public minutes and non-public summary of the following Sub-Committee meetings:

- Efficiency and Performance Sub-Committee held on 21st January 2022;
- Procurement Sub-Committee on 18th January 2022

a) **Draft public minutes of the Efficiency and Performance Sub-Committee held on 21st January 2022**

RESOLVED – That the public minutes and non-public summary of the Efficiency & Performance Sub-Committee meeting held on 21st January 2022 be noted.

b) **Draft public minutes of the Procurement Sub-Committee held on 18th January 2022**

RESOLVED – That the public minutes and non-public summary of the Procurement Sub-Committee meeting held on 18th January 2022 be noted.

8. **RISK MANAGEMENT - TOP RISKS**

The Committee received a joint Report of the Chamberlain and the Chief Operating Officer which provided updates regarding the top risks within the Departmental Risk Register.

The Chamberlain advised Members that, at this point, it would not add value to establish inflationary pressures as a standalone Corporate Risk. She assured Members that the level of inflation is kept closely monitored and is considered one of the key triggers when it came to financial planning over the medium-term. She informed Members that there was a general inflation contingency fund in place as part of the corporate budget, and that there were additional contingencies within the main capital buildings budgets which took account of inflationary pressures.

In response to a query about whether the Audit & Risk Management (A&RM) Committee took a view on this, the Chamberlain confirmed that A&RM's steer was to establish a standalone Corporate Risk for inflationary pressure in the Register. The Chairman added that the A&RM discussion had only recently take place and that officers would need some time to consider the ramifications of establishing a new Corporate Risk on these lines. He asked the Chamberlain to bring a discussion paper back to the next meeting of the Finance Committee in May. In addition, the former Chairman of A&RM (who attended the meeting as a guest of the Chairman) urged caution about the risk of a proliferation of Corporate Risks as it risked devaluing the process as a whole.

A Member queried whether, given its reduction in value due to the increases in inflation, the City Corporation should be looking to lower its holding of cash; the Chairman welcomed this point and suggested that it was something which the Financial Investment Board should consider in due course.

RESOLVED – That the Committee noted the Report.

9. CITY FUND 2022/23 BUDGET AND MEDIUM-TERM FINANCIAL PLAN

The Committee considered a Report of the Chamberlain concerning the 2022/23 Budget and Medium-Term Financial Plan for City Fund.

A concern was raised by Alderman Luder (attending the meeting as a guest of the Chairman) in respect of the proposal to not increase the core Council Tax level; the City's medium-term financial outlook was, as per the wording in the Report, on "a knife-edge", with the upcoming loss of the Business Rates Growth Fund, and significant changes from the Fair Funding settlement compounding the risks. The decision not to increase, would in addition, send an unhelpful signal to central government that the City's finances were, over the medium-term, in a better shape than was the case. Whilst currently the projections indicated a small surplus over 2022/23, it was incumbent upon the Court to use this opportunity to reinforce the City's finances and "fix the roof whilst the sun was shining", given the likelihood of further demands throughout this year and other cost pressures which need to be taken into account, including the national insurance surcharge and increased audit fees. The Member added that whilst increasing Council Tax would not deliver huge sums immediately, over five years an increase of 1.99% would result in a cumulative income of £2.1m, which would have a material and positive impact on the City's financial sustainability over the medium-term. The Member therefore moved to amend the recommendation concerning the Core Council Tax to increase it by 1.99%.

A number of Members highlighted their concerns about the implications of an increase to the level of Core Council Tax at this point in the political cycle; after all, an increase would only generate a relatively modest sum of money from a relatively modest number of residents. It was thought unlikely that Government will look at a decision not to increase the Tax unfavourably, and given the rising rate of inflation, and its impact on the cost of living, it was vital that resident tax payers weren't over-burdened during this period.

No clear view at RASC supportive of, Government will risk – Hudson 2%, JDS – BRP going up so Council Tax should go up to in interest of fairness. Corp facing significant financial pressures – reassured that those on low incomes would have a degree of protection. Not convinced that the electoral cycle should hold sway, wards with BRP increase

Several Members spoke in support of the amendment, with one emphasising that, whilst it was important to shield poorer residents from increases, those with broader shoulders could and should pay a greater contribution. Furthermore, it was vital to recognise that a failure to increase Council Tax now, irrespective of the electoral timing, could very well lead to the need to increase it by a greater sum (with the potential for the need to hold a local referendum) further down the line in order to "catch up".

In addition, it was pointed out as unfair that a proposal to increase the Business Rate Premium (included in the recommendations), which would impact the

business community, was not matched by the City's residents taking an equivalent share of the burden by way of an increase to the Core Council Tax.

The Deputy Chairman of the Finance Committee spoke in opposition to an increase to the core Council Tax; he highlighted that the current total UK wide tax take and the size of state as a proportion of national income was at a level not seen in the last 50 years; he emphasised the need to increase the downward pressure on costs, "cutting our cloth", and raising productivity in the public sector as far more desirable solutions at this point than raising further taxes.

The Chairman added that the maximum the City would be able to raise through an increase to core Council Tax in 2022/23 would be circa £140K, which would not make a material difference to the City's finances; however, he emphasised that we should not be complacent, and, keep the finances under close and constant review.

Members voted 11 – 4 in support of the recommendation concerning the Core Council Tax, namely, that it should be frozen in 2022/23.

In response to a query, the Chamberlain confirmed that the impact of the increase in the Business Rate Premium would be restricted to the upcoming financial year 2022/23, (i.e. there was no compound implications for future years).

In response to a concern about the need for an increase this year, the Chamberlain stressed that, if Members were not minded to approve the increase, the City would need to identify a flight-path over the medium-term to plug the £36m deficit. The Chairman of the Police Authority Board added that whilst he and the Force completely accepted that there were further efficiencies to be delivered, the overall quantum simply could not be bridged without increases to the BRP. Furthermore, if the City chose not to increase the BRP, it very likely result in a reduction in central government's core grant. In short, despite the absence of an immediate deficit over 2022/23 "we need to start filling the medium-term gap now".

Members were broadly supportive of the Chairman of the Police Authority Board's comments and endorsed the increase to the BRP.

RESOLVED – That the Committee approved the following:

- Note the overall budget envelopes, this incorporates additional one-off funding from Government of £1.88m and retained business rates growth of £27m in 2022/23. For Police, an increase of additional grant to support the officer uplift plus £6.1m mitigations combined with £2.3m Business Rate Premium reinstated – noting this leaves the Police budget in deficit for 2022/23.

- Continue to monitor COVID income risk during 2022/23 and maintain a COVID contingency fund, not releasing £30m of general fund reserves for major project spend – to be reassessed in December 2023.
- Approve the overall financial framework and the revised Medium-Term Financial Strategy (paragraph 25).
- Approve the Treasury Management Strategy Statement and Annual Investment Strategy for 2022/23, including the treasury indicators.
- Approve the City Fund Net Budget Requirement of £167.3m (paragraph 57)

Council Tax

- To approve an increase in the Adult Social Care Precept of 1.00% (paragraph 38).
- To otherwise consider whether to freeze council tax (paragraph 39).
- Determine 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.
- Determine that the relevant (net of local precepts and levies) basic amount of Council Tax for 2022/23 will not be excessive in relation to the requirements for referendum.
- Determine, the current 100% discount awarded to unoccupied and unfurnished and uninhabitable dwellings is continued at zero (0%) for the financial year 2022/23 and future years.
- Determine that the premium levied on long-term empty property for 2022/23 and future years of 100% and 200% is continued and that for properties that have been empty for over ten years, a premium of 300% is levied.
- It is recommended that, having regard to the government guidance issued, the Chamberlain be given the discretion, delegated to the Head of Shared Services, to reduce or waive the long-term empty premium charge in exceptional circumstances.
- Approve that the cost of highways, street cleansing, waste collection and disposal, drains and sewers, and road safety functions for 2022/23 be treated as special expenses to be borne by the City's residents outside the Temples (appendix A).

Business Rates

- To approve an increase of up to 0.4p in the £ in Business Rate Premium (paragraph 40).
- Set a Non-Domestic Rate multiplier of 52.4p and a Small Business Non-Domestic Rate Multiplier Rate of 51.1p for 2022/23.
- Note that, in addition, the GLA is levying a Business Rate Supplement in 2022/23 of 2.0p in the £ on properties with a rateable value of £70,000 and above (paragraph 62).
- Delegate to the Chamberlain the award of discretionary rate reliefs under Section 47 of the Local Government Finance Act 1988 (paragraphs 61).

Capital Expenditure

- Approve the Capital Strategy (appendix E).
- Approve the Capital Budgets for City Fund and the allocation of central funding from the appropriate reserves to meet the cost of the 2022/23 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 68).
- Approve the continuation of the allocation of central funding in 2022/23 to provide internal loan facilities for police and the HRA, currently estimated at £4.9m and £19.0m respectively (paragraph 71).
- Approve the Prudential Code indicators (appendix C).
- Approve the authorised limit for external debt (which is the maximum the City Fund may have outstanding by way of external borrowing) at £216.6m for 2022/23; and the Minimum Revenue Provision (MRP) for 2022/23 at £1.2m (MRP policy is included within appendix D – Treasury Management Strategy Statement and Investment Strategy Statement 2022/23 - appendix 2).

Treasury Management Strategy Statement and Investment Strategy Statement 2022/23 (Appendix D)

- Approve the addition of multi-asset funds to the list of permitted non-specified investments subject to an overall limit of £50m (Appendix D, sub appendix 3). The Corporation is expected to maintain significant surplus cash balances for the foreseeable future. Multi-asset funds enable the Corporation to mitigate the gradual erosion of the real value of these long-term cash balances from the effects of inflation.
- Approve the new policy for managing environmental, social and governance (ESG) risks within treasury investment activity (Appendix D, paragraph 5.4).

Chamberlain's Assessment

- Take account of the Chamberlain's assessment of the robustness of estimates and the adequacy of reserves and contingencies (paragraphs 79-82 and appendices B and G respectively).

10. CITY'S CASH 2022/23 BUDGET AND MEDIUM-TERM FINANCIAL PLAN

The Committee considered a Report of the Chamberlain concerning the 2022/23 Budget and Medium-Term Financial Plan for City's Cash.

RESOLVED – That the Committee approved the following:

1. Noted the latest revenue budgets for 2021/22 (paragraphs 19 to 22).
2. Agreed the 2022/23 revenue budgets, including the following measures:
 - Noted the **overall budget envelope** for City Cash.
 - Approved the overall financial framework and the revised Medium-Term Financial Strategy (paragraphs 2-18).
 - **Unfunded additional revenue bids:** To be avoided during 2022/23 - 2025/26 with a zero-based budget review to take place to reprioritise spend in line with new Corporate priorities.
 - Carry forwards from 2021/22 to be minimised, however where significant pressures have been highlighted by departments these are reviewed in light of on-going challenges.
3. Approved the 2022/23 Capital and Supplementary Revenue Project Budgets for City's Cash amounting to £20.4m (paragraph 27).
4. Approved the allocation of central funding of up to £9.0m for City's Cash to meet the cost of the 2022/23 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). In addition, a contingency is held under the capital programme up to £1.0m - given the pressures on construction and labour inflation rising up to 15% (paragraph 30).
5. Delegated authority to the Chamberlain to determine the final financing of capital and supplementary revenue project expenditure.
6. Endorsed this report for onward approval to the Court of Common Council.

11. CITY OF LONDON PENSION FUND: GAD SECTION 13 SUMMARY REPORT

The Committee received a Report of the Chamberlain concerning the Government Actuary's Department (GAD) second Section 13 Report following the 2019 actuarial valuation of the City's Pension Fund in December 2021.

RESOLVED – That the Committee noted the Report.

12. ANNUAL ON-STREET PARKING ACCOUNTS 2020/21 AND RELATED FUNDING OF HIGHWAY IMPROVEMENTS AND SCHEMES

The Committee received a Report of the Chamberlain concerning action taken in respect of any deficit or surplus in the City's On-Street Parking Account.

The Chairman reminded Members that the City's new Local Plan would result in a reduction of on-street parking availability across the Square Mile, so overall income from this account, at least in future years, will decrease.

RESOLVED – That the Committee noted the Report.

13. **CHAMBERLAIN'S BUSINESS PLAN QUARTERLY UPDATE**

The Committee received a Report of the Chamberlain concerning the Chamberlain's Departmental Business Plan.

The Chairman asked Members to extend the delegation for him and the Deputy Chairman to sign off the audit Report for the City Fund accounts when it was finalised.

RESOLVED – That, in addition to the extended delegation outlined above, the Committee noted the Report.

14. **CENTRAL CONTINGENCIES**

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

RESOLVED – That the Committee noted the Report.

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

There were no questions.

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

There were no urgent items.

17. **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.

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

RESOLVED – That the non-public minutes of the meeting held on 25th January 2022 were approved as an accurate record.

19. **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.

20. **DRAFT NON-PUBLIC MINUTES OF SUB-COMMITTEES**

The Committee noted the draft non-public minutes of the following Sub-Committee meetings:

- Efficiency and Performance Sub-Committee held on 21st January 2022;
- Procurement Sub-Committee on 18th January 2022

a) **Draft non-public minutes of the Efficiency and Performance Sub-Committee held on 21st January 2022**

RESOLVED – That the non-public minutes of the Efficiency & Performance Sub-Committee meeting held on 21st January 2022 be noted.

b) **Draft non-public minutes of the Procurement Sub-Committee held on 18th January 2022**

RESOLVED – That the non-public minutes of the Procurement Sub-Committee meeting held on 18th January 2022 be noted.

21. **HIGHWAYS TENDER REPORT**

The Committee considered a Report of the Executive Director, Environment concerning the highway construction and maintenance contract.

22. **MUSEUM OF LONDON PAY AWARD**

The Committee considered a Report of the Director of the Museum of London concerning the Museum's 2021/22 Pay Award.

23. **MICROSOFT LICENSES**

The Committee received a Report of the Chief Operating Officer concerning IT Security Works (Microsoft E5).

24. **NON-PUBLIC APPENDICES - REQUESTS FOR DECISIONS UNDER DELEGATED AUTHORITY PROCEDURES - POST FEBRUARY 15 - APRIL**

The Committee noted the non-public appendix to ITEM 5 (Requests for Decision under Delegated Authority Procedures).

25. **CONTINGENCIES (NON-PUBLIC) APPENDIX**

The Committee noted the non-public appendix to ITEM 14 (Contingencies).

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

There were no non-public questions relating to the work of the Committee.

27. **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.

28. **CONFIDENTIAL MINUTES**

RESOLVED – That the confidential minutes of the meeting held on 25th January 2022 were approved as an accurate record.

29. **RESOLUTION OF DIGITAL SERVICES SUB-COMMITTEE TO FINANCE COMMITTEE AND POLICY & RESOURCES COMMITTEE**
RESOLVED – That the Committee noted the Resolution of the Digital Services (Sub) Committee.
30. **DESTINATION CITY - STRATEGIC REVIEW - INDEPENDENT REVIEW REPORT - GROWTH BID**
The Committee considered a Report of the Executive Director of Innovation and Growth (IG) concerning Destination City.
31. **IT ASSESSMENT FOR CITY OF LONDON POLICE**
The Committee received a Report of the Commissioner of the City of London Police concerning an IT assessment for the City of London Police.
32. **CONFIDENTIAL 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.

The meeting ended at 3.55 pm

Chairman

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