



## Finance Committee

**Date:** TUESDAY, 15 FEBRUARY 2022

**Time:** 1.45 pm

**Venue:** COMMITTEE ROOM - 2ND FLOOR WEST WING, GUILDHALL

**Members:**

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

**Enquiries:** John Cater  
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### Accessing the virtual public meeting

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

<https://youtu.be/8PnrVNphlzI>

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 25<sup>th</sup> January 2022.

**For Decision**  
(Pages 9 - 18)
  
4. **FINANCE COMMITTEE'S FORWARD PLAN**  
Report of the Chamberlain.

**For Information**  
(Pages 19 - 20)
  
5. **REQUESTS FOR DECISIONS UNDER DELEGATED AUTHORITY PROCEDURES – POST 15<sup>TH</sup> FEBRUARY – APRIL**  
Report of the Town Clerk.

*To be read in conjunction with ITEM 24 (Non-Public appendices)*

**For Decision**  
(Pages 21 - 22)
  
6. **REPORT OF THE WORK OF THE SUB-COMMITTEES**  
Report of the Town Clerk.

**For Information**  
(Pages 23 - 24)
  
7. **DRAFT PUBLIC MINUTES OF SUB-COMMITTEES**  
To note the draft minutes of the following Sub-Committee meetings:  
*Efficiency & Performance Sub-Committee – 21<sup>st</sup> January 2022 – TO FOLLOW*  
*Procurement Sub-Committee – 18<sup>th</sup> January 2022*

**For Information**

- a) Draft public minutes of the Efficiency and Performance Sub-Committee held on 21st January 2022 (To Follow)
- b) Draft public minutes of the Procurement Sub-Committee held on 18th January 2022 (Pages 25 - 28)

8. **RISK MANAGEMENT - TOP RISKS**

Joint Report of the Chamberlain and the Chief Operating Officer.

**For Information**  
(Pages 29 - 46)

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

Report of the Chamberlain.

*To Follow.*

**For Decision**

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

Report of the Chamberlain.

*To Follow.*

**For Decision**

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

Report of the Chamberlain.

**For Information**  
(Pages 47 - 58)

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

Report of the Chamberlain.

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

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

Report of the Chamberlain.

**For Information**  
(Pages 65 - 74)

14. **CENTRAL CONTINGENCIES**

Report of the Chamberlain.

*To be read in conjunction with ITEM 25 (Non-Public appendices)*

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 25th January 2022.

**For Decision**  
(Pages 79 - 84)

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

Report of the Town Clerk.

**For Information**  
(Pages 85 - 86)

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

To note the draft non-public minutes of the following Sub-Committee meetings:  
*Efficiency & Performance Sub-Committee – 21<sup>st</sup> January 2022 – TO FOLLOW*  
*Procurement Sub-Committee – 18<sup>th</sup> January 2022*

**For Information**

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

b) Draft non-public minutes of the Procurement Sub-Committee held on 18th January 2022 (Pages 87 - 92)

21. **HIGHWAYS TENDER REPORT**

Report of the Executive Director, Environment.

**For Decision**  
(Pages 93 - 116)

22. **MUSEUM OF LONDON PAY AWARD**  
Report of the Director of the Museum of London.

*To Follow.*

**For Decision**

23. **MICROSOFT LICENSES**  
Report of the Chief Operating Officer.

*To Follow.*

**For Information**

24. **NON-PUBLIC APPENDICES - REQUESTS FOR DECISIONS UNDER DELEGATED AUTHORITY PROCEDURES - POST FEBRUARY 15 – APRIL**  
To be read in conjunction with Item 5.

**For Decision**  
(Pages 117 - 120)

25. **CONTINGENCIES (NON-PUBLIC) APPENDIX**  
To be read in conjunction with Item 14.

**For Information**  
(Pages 121 - 124)

26. **NON-PUBLIC QUESTIONS ON MATTERS 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**

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

28. **CONFIDENTIAL MINUTES**  
To agree the confidential minutes of the meeting held on 25th January 2022.

**For Decision**

29. **RESOLUTION OF DIGITAL SERVICES SUB-COMMITTEE TO FINANCE COMMITTEE AND POLICY & RESOURCES COMMITTEE**

**For Decision**

30. **DESTINATION CITY - STRATEGIC REVIEW - INDEPENDENT REVIEW REPORT - GROWTH BID**

Report of the Executive Director of Innovation and Growth (IG).

**For Decision**

31. **IT ASSESSMENT FOR CITY OF LONDON POLICE**

Joint Report of the Chief Operating Officer and the Commissioner of the City of London Police.

**For Information**

32. **CONFIDENTIAL DECISIONS TAKEN UNDER DELEGATED AUTHORITY AND URGENCY PROCEDURES**

Report of the Town Clerk.

**For Information**

## FINANCE COMMITTEE

Tuesday, 25 January 2022

Draft Minutes of the meeting of the Finance Committee held at Guildhall, EC2 on  
Tuesday, 25 January 2022 at 1.45 pm

### Present

#### Members:

Deputy Jamie Ingham Clark (Chairman)	Oliver Lodge
Jeremy Mayhew (Deputy Chairman)	Paul Martinelli
Munsur Ali	Hugh Morris
Rehana Ameer	Benjamin Murphy
Randall Anderson	Susan Pearson
Deputy Roger Chadwick	James de Sausmarez
Henry Colthurst	Deputy John Scott
Graeme Doshi-Smith	Ian Seaton
Alderman Professor Emma Edhem	Sir Michael Snyder
Alderman Prem Goyal	Deputy James Thomson
Michael Hudson	Mark Wheatley
Deputy Wendy Hyde	Deputy Philip Woodhouse
Deputy Clare James	Deputy Catherine McGuinness (Ex-Officio Member)
Alderman Alastair King	Christopher Hayward (Ex-Officio Member)

#### Officers:

John Cater	- Committee Clerk
Caroline Al-Beyerty	- Chamberlain's Department
Michael Cogher	- Comptroller and City Solicitor
Bob Roberts	- Director of Communications
Paul Wilkinson	- City Surveyor
Sonia Virdee	- Chamberlain's Department
Genine Whitehorne	- Chief Operating Officer's Department
Dionne Corradine	- Chief Strategy Officer
Sarah Phillips	- Town Clerk's Department
Alison Bunn	- City Surveyor's Department
Claire Giraude	- Department of Community & Children's Services
Ola Obadara	- City Surveyor's Department
Nicholas Gill	- City Surveyor's Department
Emma Cunnington	- Town Clerk's Department
Sean Green	- IT Director
Mark Jarvis	- Chamberlain's Department
Sanjay Odedra	- Communications Team
Oliver Watling	- Chief Operating Officer's Department

1. **APOLOGIES**

Apologies for absence were received from Nicholas Bensted-Smith, Alderman Estlin, Alderman Hughes-Penney, Andrew McMurtrie, Deputy Robert Merrett, and William Pimlott.

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 7<sup>th</sup> December 2021 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. **REPORT OF THE WORK OF THE SUB-COMMITTEES**

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

On behalf of the Committee, the Chairman thanked all the current and past Members of the Procurement Sub-Committee and the Corporate Asset Sub-Committee, and in particular, Hugh Morris and James De Sausmarez for their respective chairmanships. Both Sub-Committees were due to be discontinued from April, as per the City's Governance Review.

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

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

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

- Corporate Asset Sub-Committee held on 24<sup>th</sup> November 2021;
- Digital Services Sub-Committee held on 4<sup>th</sup> November 2021;
- Efficiency and Performance Sub-Committee held on 23<sup>rd</sup> November 2021; and
- Procurement Sub-Committee held on 25<sup>th</sup> November 2021

a) **Draft public minutes of the Corporate Asset Sub-Committee held on 24 November 2021**

**RESOLVED** – That the public minutes and non-public summary of the Corporate Assets Sub-Committee meeting held on 24<sup>th</sup> November 2021 be noted.



- b) **Draft public minutes of the Digital Services Sub-Committee held on 4 November 2021**

**RESOLVED** – That the public minutes and non-public summary of the Digital Services Sub-Committee meeting held on 4<sup>th</sup> November 2021 be noted.

- c) **Draft public minutes of the Efficiency and Performance Sub-Committee held on 23 November 2021**

**RESOLVED** – That the public minutes and non-public summary of the Efficiency & Performance Sub-Committee meeting held on 23<sup>rd</sup> November 2021 be noted.

- d) **Draft public minutes of the Procurement Sub-Committee held on 25 November 2021**

**RESOLVED** – That the public minutes and non-public summary of the Procurement Sub-Committee meeting held on 25<sup>th</sup> November 2021 be noted.

7. **HOUSING REVENUE ACCOUNT - REVIEW OF 5 YEAR PLAN**

The Committee received a joint Report of the Chamberlain and the Director of Community and Children's Services concerning the Review of the 5-year Finance Plan for the Housing Revenue Account (HRA).

In response to a query, the Chamberlain confirmed that the depreciation figure of circa £3m illustrated in table 1 under paragraph 4 is a non-cash transaction which, in effect, ringfences monies for future improvement works. Depreciation must be provided for as per accounting policies, but in reality, the properties are unlikely to be going down in value.

In response to a query concerning the risks from inflation, the Chamberlain confirmed that individual projects included a costed risk provision for capital inflation and the Chamberlain's Department managed a central provision for revenue inflation costs. In terms of building costs, the City Surveyor informed Members that the most recent BCIS (Building Cost Information Service) update forecast a 4% rise over the coming period; however, as of the previous Monday (17/01/22), prices had risen by 16% with immediate effect.

The Chamberlain provided a brief update concerning the cladding issues at Great Arthur House. The City is waiting on leave to appeal, and it was hoped that a case could be heard before the end of the calendar year. If the City were to lose the case (or indeed be denied the right to appeal) it would result, in the first instance, in a potential cost of circa £4.7m, and across the longer term, it would likely have serious knock-on implications for the City and other local authorities as the recovery of monies from leaseholders would potentially become difficult.

In response to a query concerning the ability of the HRA to borrow, the Chamberlain emphasised that it was the affordability of what the HRA could borrow that was the critical factor; she pointed out that Section 106 receipts

fund some of the capital work which in turn reduced the need for borrowing. The Housing Management and Almshouses Sub (Community and Children's Services) Committee was looking at the issue of borrowing at the behest of the Policy & Resources Committee and an update would be provided to Members in due course.

Highlighting paragraph 7, a Member queried whether the circa £30m borrowing figure was a realistic provision given the risks of further major repairs being required and construction cost inflation over the short-medium term. The Chamberlain pointed out that whilst the finances will be tight, particularly in the first two years, risk would be mitigated, to an extent, by the likelihood that repairs would take time and be completed at the tail end of five-year plan (when the finances were likely to be in a better shape) given the works required would need to be done whilst residents are in situ. It was also stressed that the money coming in from new units in York Way and Sydenham Hill was vital to fund the repair works. A Member added that, in the event that costs increase further, he accepted that re-phasing projects may be a useful solution, however, fire safety should not be re-phased, and work in this area was needed to be completed at pace.

Lastly, the Chairman informed Members that a route forward was agreed on the Water Charges issue at the previous week's meeting of the Policy & Resources Committee.

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

8. **CHAMBERLAIN'S & CHIEF OPERATING OFFICER'S DEPARTMENT RISK MANAGEMENT - MONTHLY REPORT**

The Committee received a joint Report of the Chamberlain and the Chief Operating Officer which provided updates regarding the top risks within the Chamberlain's and COO's Departments.

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

9. **CAPITAL FUNDING - PRIORITISATION OF 2022/23 ANNUAL CAPITAL BIDS - STAGE 2 FINAL PROPOSALS**

The Committee considered a Report of the Chamberlain concerning Capital Funding and the prioritisation of 2022/23 Annual Capital Bids.

A Member asked for clarity on the funding for the St Paul's Cathedral External Lighting, namely whether the £1.16m cost could be covered in full by a combination of Section 106 and Community Infrastructure Levy (CIL) funds. The Chairman asked the Chamberlain to revert to the Member after the meeting on this issue.

**RESOLVED** – That the Committee:

- Noted the revised total value of 2022/23 bids of £45.6m (subject to final confirmation).

- Agreed that the revised bids relating to three schemes detailed in paragraph 6 be rated as green, subject to final approval of the amount for the St Paul's Gyrotory revised bid.
- Confirmed the proposed final RAG rating of £26.2m green, £12.6m amber and £6.8m red (detailed in the appendices).
- Agreed that funding for the green bids of £26.1m be agreed in principle and incorporated into the medium-term financial plans of City Fund and City's Cash (noting that the balance of £0.1m has already been agreed by the BHE Board).
- Noted that amber and red bids will be deferred with amber-rated bids to be placed on a reserve list to be progressed if savings are later identified from the provisions for green bids.
- Agreed that the financial disciplines currently in place be continued, whereby
  - central funding will be withdrawn for schemes that slip by more than one year; and
  - the 'one-in, one-out' approach to funding of bids outside of the annual process be operated.
- Agreed to the carry- over of the unallocated provision of £27.7m of loan facilities previously agreed for the Police and HRA.

**10. REVENUE BUDGET MONITORING TO DECEMBER 2021**

The Committee received a Report of the Chamberlain concerning revenue budget monitoring.

A Member highlighted the good progress being made at the Barbican Centre. The Chamberlain responded that the staff at the Barbican had been working hard to get its finances back on track and would be returning £1.7m to the corporate centre after it received, last year, an allocation of additional funding in response to income pressures caused by the pandemic. It was noted that a £900k deficit was projected over the coming year, which the leadership team have committed to closing; however, it was recognised that the short-medium term outlook for the Centre and the arts sector in general remained uncertain.

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

**11. FINANCE COMMITTEE OPERATIONAL BUDGET ESTIMATE 2022/23**

The Committee considered a Report of the Chamberlain concerning the revised budget for 2021/22 and the proposed revenue budget for 2022/23 in relation to the operational services directly overseen by the Finance Committee.

In response to a query, the Chamberlain clarified that the Contingency Funds managed by the Finance Committee should be considered separately as a central function. The Report before Members today essentially outlined the local risk budgets directly under the Finance Committee's remit.

**RESOLVED** – That the Committee:

- Reviewed and approved the proposed revenue budget for 2022/23;
- Authorised the Chamberlain to revise these budgets to allow for any further implications arising from Corporate Projects, other reviews and changes to the Cyclical Works Programme; and
- Noted the approved capital and supplementary revenue budgets.

12. **CLS PILOT EXTENSION: PROCUREMENT & PROJECTS**

The Committee considered a Report of the Director of the Target Operating Model Programme Director concerning the City of London School TOM pilot scheme.

**RESOLVED** – that the Committee:

- Agreed that the following pilot proposals be extended to the City of London School for Girls and the City of London Freeman’s School:

- o The authority to run non-works procurements in accordance with the City of London Procurement Code up to the Find a Tender Service (FTS) threshold, currently £189,330.00 be devolved to the City of London School with the option of drawing on the centre procurement team to advise and provide support to the procurement process where necessary.

- o Non-works procurements up to £300k, may also have more freedom over procurement strategy and options, depending on applicability of UK Public Contracts Regulations (PCR 2015) and acting always in accordance with the City of London Procurement Code. Agreement on process and lead will be made between City Procurement and the business.

13. **CITY PROCUREMENT QUARTERLY PROGRESS REPORT**

The Committee considered a Report of the Chief Operating Officer concerning quarterly progress for City Procurement.

**RESOLVED** – That 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. **DECISIONS TAKEN UNDER DELEGATED AUTHORITY AND URGENCY PROCEDURES**

The Committee considered a Report of the Town Clerk which provided information of the action taken by the Town Clerk since the last meeting of the Committee, in consultation with the Chairman and Deputy Chairman, in accordance with Standing Orders 41(a) and 41(b). The decisions related to the Eight Authority Pool and a donation from the Committee's International Disaster Fund to the Disaster Emergency Committee's (DECs) Afghanistan Crisis Appeal.

A Member emphasised that the Eight Authority Pool had been approved with the proviso that it would be in place for one year, with the intention that the Pool would revert to a pan-London initiative in 2023/24.

The Chairman thanked the Chamberlain for her and her team's work on this, it should be noted that four of the six most deprived boroughs in Greater London were part of the Pool, and this initiative would go some way to alleviate the immediate financial pressures in those boroughs.

A Member asked for some more detail around the usual process for the approval of donations from the International Disaster Fund. The Chairman and Deputy Chairman outlined the recent history of the Fund and the processes undertaken. The Chairman added that, in general, we waited for an announcement from the DEC or the British Red Cross that an appeal was being launched before considering a donation.

Mark Wheatley highlighted his recent meeting with Paul Amadi, Chief Supporter Officer for the British Red Cross about how they could work more closely with the City and the Livery Companies; in particular, they were looking to collaborate with businesses within the insurance sector. Mr Wheatley would share more details with Members in due course.

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

a) **City Fund Accounts**

The Committee received an update concerning the audit completion process for the 2020-21 City Fund and Pension Fund Accounts.

The Chamberlain reassured Members that the technical query raised would not have a negative impact on borrowing. This issue did not question the underlying data in the accounts, nor would result in a change in the main statements; the issue is isolated to the disclosure supporting the cashflow statement and would not change the net position currently presented in the accounts.

In response to a query, the Chamberlain confirmed that, going forward, the auditor will recommend that individual fund balances are maintained and that would need to be taken into account in future years. The Chamberlain informed

Members that the Greater London Authority had a similar issue, and the City were in discussions with the GLA on best practice and efficiencies in this area.

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

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

There were no questions.

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

There were no urgent items.

18. **EXCLUSION OF THE PUBLIC**

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

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

**RESOLVED** – That the non-public minutes of the meeting held on 7<sup>th</sup> December 2021 be approved as an accurate record.

20. **REPORT OF THE WORK OF THE SUB-COMMITTEES - NON-PUBLIC ISSUES**

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

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

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

- Corporate Asset Sub-Committee held on 24<sup>th</sup> November 2021;
- Digital Services Sub-Committee held on 4<sup>th</sup> November 2021;
- Efficiency and Performance Sub-Committee held on 23<sup>rd</sup> November 2021; and
- Procurement Sub-Committee held on 25<sup>th</sup> November 2021

a) **Draft non-public minutes of the Corporate Asset Sub-Committee held on 24 November 2021**

**RESOLVED** – That the non-public minutes of the Corporate Asset Sub-Committee meeting held on 24<sup>th</sup> November 2021 be noted.

b) **Draft non-public minutes of the Digital Services Sub-Committee held on 4 November 2021**

**RESOLVED** – That the non-public minutes of the Digital Services Sub-Committee meeting held on 4<sup>th</sup> November 2021 be noted.

- c) **Draft non-public minutes of the Efficiency and Performance Sub-Committee held on 23 November 2021**

**RESOLVED** – That the non-public minutes of the Efficiency & Performance Sub-Committee meeting held on 23<sup>rd</sup> November 2021 be noted.

- d) **Draft non-public minutes of the Procurement Sub-Committee held on 25 November 2021**

**RESOLVED** – That the non-public minutes of the Procurement Sub-Committee meeting held on 25<sup>th</sup> November 2021 be noted.

22. **INTEGRATED FACILITIES MANAGEMENT - PROCUREMENT STAGE 1 - STRATEGY REPORT**

The Committee considered a Report of the Chief Operating Officer concerning the procurement strategy and evaluation criteria to be used in the selection of the preferred supplier(s) for Integrated Facilities Management (IFM) Services for the City of London Corporation.

23. **BRIDGES FEASIBILITY STUDY**

The Committee considered a Report of the Chief Operating Officer concerning the commissioning of a feasibility study on potential physical changes to Bridge House Estates' (BHE) five Thames bridges.

24. **GUILDHALL COMPLEX - REFURBISHMENT OPTIONS FOR THE NORTH AND WEST WINGS**

The Committee considered a Report of the City Surveyor concerning refurbishment options for the Guildhall Complex.

25. **123-124 NEW BOND STREET - REDEVELOPMENT BEHIND A RETAINED FACADE**

The Committee considered a Report of the City Surveyor concerning 123-124 New Bond Street.

26. **PROCUREMENT SUB-COMMITTEE - REQUESTS FOR DELEGATED AUTHORITY OVER FEBRUARY - MAY**

The Committee considered a Report of the Chief Operating Officer concerning procurement matters which will likely require consideration/decision between January and May 2022.

27. **CITY FUND PROPERTY INVESTMENT PORTFOLIO - ANNUAL UPDATE & STRATEGY REPORT**

The Committee received a Report of the City Surveyor concerning the City Fund Property Investment Portfolio.

28. **CITY'S ESTATE: ANNUAL UPDATE & 2022 STRATEGY**

The Committee received a Report of the City Surveyor concerning the City's Estate.

29. **STRATEGIC PROPERTY ESTATE (CITY FUND & CITY'S ESTATE) - ANNUAL UPDATE & STRATEGY FOR 2022**  
The Committee received a Report of the City Surveyor concerning the Strategic Property Estate.
30. **NON-PUBLIC APPENDIX TO CONTINGENCIES REPORT (ITEM 14)**  
The Committee noted the non-public appendix to ITEM 14 (Central Contingencies).
31. **NON-PUBLIC DECISIONS TAKEN UNDER DELEGATED AUTHORITY AND URGENCY PROCEDURES**  
The Committee received a Report of the Town Clerk detailing two non-public decisions taken under delegated authority procedures since the last meeting.
32. **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.
33. **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.
34. **CONFIDENTIAL MINUTES OF THE PREVIOUS MEETING RESOLVED** – That the confidential minutes of the meeting held on 7<sup>th</sup> December 2021 be approved as an accurate record

**The meeting ended at 15:50**

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Chairman

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



**FINANCE COMMITTEE – WORK PROGRAMME 2022 (Changes from the January iteration highlighted in yellow)**

	Feb-22	Mar-22	Apr -22	May-22	June-22	July 22
<b>Budget Setting Process &amp; Medium-Term Financial Planning</b>	City Fund Budget Report & MTFP Strategy City's Cash Budget Report & MTFP Strategy	Pre-Election Period				Update on Budget setting approach 22/23
<b>Effective Financial Management Arrangements for The City Corporation</b>	CoL Pension Fund: GAD Section 13			Capital Funding Update 2021/22 Irrecoverable Non-Domestic Rates Rental Income and Business Rate update		Capital Funding Update Q1 Capital Outturn Q1 Budget Monitoring Q1 Provision for Bad and Doubtful Debts Rental Income and Business Rate update Q1
<b>Financial Statements</b>						
<b>Finance Committee as a Service Committee</b>	Central Contingencies Risk Management Monthly Report IT Division Q Update	Central Contingencies Risk Management Quarterly Report	Central Contingencies Risk Management Monthly Report City Procurement Q update	Central Contingencies Risk Management Monthly report IT Division Q update	Central Contingencies Risk Management Quarterly update Chamberlains Business plan Quarter 1 Update	Central Contingencies Risk management – Monthly report City Procurement Q update

	Chamberlains Business plan Q report	Chamberlains Business plan End of Year Update					
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<b>Committee(s):</b> Finance Committee – For Decision	<b>Dated:</b> 15 <sup>th</sup> February 2022
<b>Subject:</b> Request for Delegated Authority	<b>Public (appendices in NP)</b>
<b>Which outcomes in the City Corporation’s Corporate Plan does this proposal aim to impact directly?</b>	2; 3; 4; 5; 8 and 12
<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> The Town Clerk	<b>For Decision</b>
<b>Report author:</b> <b>John Cater, Committee Clerk – Finance Committee</b>	

## Summary

Due to the election 2022 period, it is anticipated that post 15<sup>th</sup> February, the Finance Committee will next meet on 3<sup>rd</sup> May 2022; however, a number of matters will likely require consideration/decision during this period. Members are therefore requested to agree to delegate authority to the Town Clerk in consultation with the Chairman and Deputy Chairman of Finance Committee under Standing Order 41(b) in relation to the matters outlined at Appendices 1 and 2 to allow necessary decisions to be made during this period.

## Recommendation(s)

Members are asked to:

1. Delegate authority to the Town Clerk in consultation with the Chairman and Deputy Chairman of Finance Committee to take forward 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
  
2. Delegate authority to the Town Clerk in consultation with the Chairman and Deputy Chairman of Finance Committee to take forward decisions 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

## **Main Report**

1. Due to the election 2022 period, it is anticipated that post 15th February, the Finance Committee will next meet on 3rd May 2022; however, a number of matters will likely require consideration/decision during this period. Members are therefore requested to agree to delegate authority to the Town Clerk in consultation with the Chairman and Deputy Chairman of Finance Committee under Standing Order 41(b) in relation to the matters outlined at Appendices 1 and 2 to allow necessary decisions to be made during this period.

### **Corporate & Strategic Implications**

Strategic implications – The request for Delegated Authority will support decision making during the election 2022 period.

Financial implications - None

Resource implications - None

Legal implications - None

Risk implications – This action will mitigate risk related to the undue delay to the procurement processes outlined at Appendix 1 and undue delays which would have a negative impact for the City vis-à-vis its commercial property interests at Appendix 2.

Equalities implications – None

Climate implications - None

Security implications - None

### **Conclusion**

Members are requested to delegate authority to the Town Clerk in consultation with the Chairman and Deputy Chairman of the Finance Committee to take forward decisions for procurement processes and investment property interests required during the election 2022 period outlined at Appendices 1 and 2.

### **Appendices**

Appendix 1 – List of Decisions to be made under Delegated Authority (COO)

Appendix 2 – List of Decisions to be made under Delegated Authority (City Surveyors)

**John Cater**

**Committee Clerk – Finance Committee**

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

# Agenda Item 6

<b>Committee(s)</b>	<b>Dated:</b>
Finance Committee	15 February 2022
<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 25<sup>th</sup> January 2022:

### **Digital Services Sub-Committee – 28<sup>th</sup> January 2022**

Summary to be provided at the FC meeting on 15<sup>th</sup> February.

### **Finance Grants Oversight & Performance Sub-Committee – 14<sup>th</sup> February**

Summary to be provided at the FC meeting on 15<sup>th</sup> February.

## 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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## PROCUREMENT SUB (FINANCE) COMMITTEE

Tuesday, 18 January 2022

### **Minutes of the meeting of the Procurement Sub (Finance) Committee held at Guildhall at 9.30 am**

#### **Present**

#### **Members:**

Hugh Morris (Chairman)	Paul Martinelli
Deputy Robert Merrett (Deputy Chairman)	Jeremy Mayhew
Randall Anderson	Susan Pearson
Michael Hudson	Deputy Philip Woodhouse
Deputy Jamie Ingham Clark	

#### **Officers:**

James Gibson	- Chief Operating Officer's Department
Kristina Jackson	- Chief Operating Officer's Department
Darren Judge	- Chief Operating Officer's Department
Andrew Lenihan	- Chief Operating Officer's Department
Lisa Moore	- Chief Operating Officer's Department
Hirdial Rai	- Chief Operating Officer's Department
Darran Reid	- Chief Operating Officer's Department
Oliver Watling	- Chief Operating Officer's Department
Genine Whitehorne	- Chief Operating Officer's Department
Giles Radford	- Department of the Built Environment
Ian Hughes	- Department of the Built Environment
Alison Bunn	- City Surveyor's Department
Ola Obadara	- City Surveyor's Department
Philip Mirabelli	- Comptroller and City Solicitor's Department
Joseph Anstee	- Town Clerk's Department
Kerry Nicholls	- Town Clerk's Department

#### **1. APOLOGIES**

There were no apologies.

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

There were no declarations.

#### **3. PUBLIC MINUTES OF THE PREVIOUS MEETING**

**RESOLVED** - That the public minutes and non-public summary of the meeting held on 25 November 2021 be approved.

#### **4. PROCUREMENT SUB-COMMITTEE WORK PROGRAMME**

The Sub-Committee considered a report of the Chief Operating Officer outlining the work programme and the following point was made:

- The Chairman observed that as this was the final meeting of the Procurement Sub-Committee, any items for consideration for the 2022/23 municipal year would be taken forward under new arrangements.

**RESOLVED** - That the work programme be noted.

5. **CITY PROCUREMENT QUARTERLY PROGRESS REPORT (Q2 2021/22)**

The Sub-Committee considered a report of the Chief Operating Officer presenting the City Procurement Quarterly Progress report for Quarter 2 of the 2021/22 financial year.

**RESOLVED** - That the report be noted.

6. **CLS PILOT EXTENSION: PROCUREMENT AND PROJECTS**

The Sub-Committee considered a report of the TOM Programme Director providing an update on the City of London School Pilot extension: Procurement and Projects and the following point was made:

- The Commercial Director confirmed that authority was requested for procurements to be run up to the current procurement thresholds by the Schools participating in the Pilot scheme. The Schools would also have the option of seeking advice and support from the Central Procurement Team on the procurement process where necessary.

**RESOLVED** – That the following City of London School Pilot proposals be extended to the City of London School for Girls and the City of London Freeman’s School:

- Authority be devolved to run non-works procurements in accordance with the City of London Procurement Code up to the Find a Tender Service (FTS) threshold, currently £189,330 with the option of drawing on the centre procurement team to advise and provide support to the procurement process where necessary; and,
- Non-works procurements up to £300k, might also have more freedom over procurement strategy and options, depending on applicability of UK Public Contracts Regulations (PCR 2015) and acting always in accordance with the City of London Procurement Code. Agreement on process and lead would be made between City Procurement and the business.

7. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE SUB-COMMITTEE**

There were no questions.

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

The Chairman observed that this would be the last meeting of the Procurement Sub-Committee and thanked the Deputy Chairman, Members and Officers for their hard work and excellent support of the Procurement Sub-Committee.



9. **EXCLUSION OF THE PUBLIC**  
**RESOLVED** - That under Section 100A (4) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds they involve the likely disclosure of exempt information as defined in Part 1 of Schedule 12A of the Act.
10. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**  
**RESOLVED** - That the non-public minutes of the meeting held on 25 November 2021 be approved.
11. **INTEGRATED FACILITIES MANAGEMENT PROCUREMENT STAGE 1 - STRATEGY REPORT**  
The Sub-Committee considered a report of the Chief Operating Officer presenting the Integrated Facilities Management Procurement Stage 1 Strategy report.
12. **ARCHITECTURAL SERVICES FRAMEWORK - MID POINT PROCUREMENT UPDATE**  
The Sub-Committee considered a report of the Chief Operating Officer presenting the Architectural Services Framework – Mid Point Procurement update.
13. **REQUEST FOR DELEGATED AUTHORITY**  
The Sub-Committee considered a report of the Chief Operating Officer presenting a request for delegated authority.
14. **DEPARTMENTAL RESPONSE TO LATEST CHIEF OFFICERS PURCHASE CARD REPORT**  
The Sub-Committee considered a report of the Chamberlain presenting the Departmental response to the latest Chief Officers' Purchase Card report.
15. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE SUB-COMMITTEE**  
There were no questions.
16. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE SUB-COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**  
There were no urgent items.
17. **CONFIDENTIAL MINUTES OF THE PREVIOUS MEETING**  
**RESOLVED** - That the confidential minutes of the meeting held on 25 November 2021 be approved.

**The meeting closed at 10.22 am**

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Chairman

**Contact Officer: Kerry Nicholls / [kerry.nicholls@cityoflondon.gov.uk](mailto:kerry.nicholls@cityoflondon.gov.uk)**

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<b>Committee(s)</b>	<b>Dated:</b>
Finance Committee	15 February 2022
<b>Subject:</b> Chamberlain’s & Chief Operating Officer’s Departmental 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 & Chief Operating Officer	<b>For Information</b>
<b>Report author:</b> Hayley Hajduczek, 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 and Chief Operating Officer’s departments.

There are currently no RED risks on the Corporate Risk Register within the responsibility of the Chamberlain and one RED risk on the Corporate Risk Register within the responsibility of the Chief Operating Officer. There are no RED risks on the Chamberlain’s department risk register and one RED risk currently listed on the Chief Operating Officer’s departmental risk register.

The Chamberlain’s and Chief Operating Officer’s Senior Leadership Teams continue to monitor closely the progress being made to mitigate all risks on the risk register (appendix 1).

### 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. As we transition into the target operating model the Chief Operating Officer has taken over the management of the IT division and City Procurement from the Chamberlain, so this report has been written jointly by both departments.

## **Current Position**

2. This report provides an update on the current risks that exist in relation to the operations of the Chamberlain's & Chief Operating Officer's departments. It is to be noted that there are currently no RED risks on the Chamberlain's risk register, however close monitoring continues for all risks. As of this update CR35 Unsustainable Medium-Term Finances risk has remained with a risk score of 12 (amber). There has been no event to cause a trigger (as agreed by this committee) to increase this score. This risk continues to be closely monitored over five main areas against agreed triggers highlighted below.

### **Business Rates**

#### *Triggers:*

- Change to business rate reset a further deferral will result in a positive impact.
- Shift from commercial to residential.
- Reduction in Rateable Value.
- Changes to methodology in business rate calculations.
- Alternative funding sources e.g. sales tax.

### **Spending review**

#### *Trigger:*

- Any changes to funding arrangements below the baseline.

### **Rental Income**

#### *Trigger:*

- Increase in loss of income over £5m p.a. over and above contingencies already in place, such as Turnover Rents. An update on the position will be provided to this Committee in a separate paper.

### **Achievement of savings flightpath (including Fundamental Review and 12%)**

#### *Triggers:*

- Delays/Reduction to 12% savings.
- Delays/Reduction to fundamental review savings.

### **HRA**

#### *Trigger:*

- Unable to balance revenue budget inclusive of HRA reserves.

3. The Chief Operating Officer's Department has 2 RED risk on its risk register. The current position is provided below.

### **CR16 Information Security (formerly CHB IT 030) (Current Risk: Red – Previously Amber)**

4. This risk has been increased to a RED risk due to malware being regularly delivered to the City Corporation via email which is not being captured by the current security products. Following the agreement of this committee to upgrade our MS licences from E3 to E5 the team are working to implement this change.

Work on this will be complete by the end of April which will help to mitigate this risk. The team are also working on mitigating a vulnerability recognised worldwide called Logi4j. So far, the major risks of this are contained as we work through the remediation and patching plan. Other mitigations include promoting security training and on-going and regular security communications to all staff and Members.

5. The IT team have conducted an IT Health Check, the results of which have been received and a Remediation Action Plan (RAP) has been developed. Remediation activities have commenced.
6. Work on a simulated cyber-attack is also being planned with the IT Security Team for completion by the end of the calendar year.

### **CHB IT 031 IT Revenue Budget (Current Risk: Red)**

7. The IT team have made good progress on meeting the saving from the Fundamental Review and around £400k from the 12% saving target, there is still an unachieved target of circa £1m to be found. Due to timing of the TOM, IT has not been able to make any savings in this area. Contract negotiations are ongoing with key suppliers where appropriate. Further savings could have an impact on the provision of the IT service.
8. A governance process is in place enabling tracking and corrective action to be taken. A review of the plan is required to be actioned every 2 weeks.

### **Conclusion**

9. Members are asked to note the actions taken by Chamberlain's Department and Chief Operating Officer's Department to manage all risks. Actions aim to continue monitoring and reducing the risk level and will be reported on at future Finance Committees.

### **Appendices**

- Departmental Risk Register

### **Background Papers**

Quarterly Reports to Finance Committee: Finance Committee Risk

### **Hayley Hajduczek**

Business Support Manager  
Chamberlain's Department

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

Report Author: Hayley Hajduczek

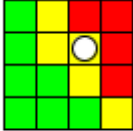
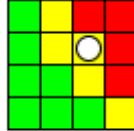

Generated on: 05 February 2022



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
Page 30 23 Police Funding 21-Nov-2016	<p><b>Cause:</b> Reduction in government funding, workforce costs and growing demand in Policing services leading to pressures for the City Fund -Police.</p> <p><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</p> <p><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.</p>	<p>Likelihood</p> <p>Impact</p>	12	<p>Significant Police MTFP deficits projected, including exceptional costs of Action Fraud extension and re-procurement and loss of grants for Counter-Terrorism, TFL and Bank of England.</p> <p>£6.1m indicative mitigations plus assumed reinstatement of £2.3m Business Rate Premium (BRP) funding would have balanced 22/23. However Govt funding settlement was £1m less than forecast. Also intentional policy to increase local funding % for Police finances.</p> <p>Proposals put to January 2022 Committees for 0.4p increase in BRP to help balance Police and City Fund finances across Medium-Term, attached to strong narrative on vital policing ambitions and outcomes.</p> <p><b>04 Feb 2022</b></p>	<p>Likelihood</p> <p>Impact</p>	12	31-Mar-2022	

Caroline Al-Beyerty						Accept	Constant
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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 from 20/21. Major medium-term revenue pressures for Police and wider City Fund to be balanced by combination of Police mitigations, BRP reinstatement and BRP increase being proposed to January 2022 Committees, attached to strong narrative on vital policing ambitions and outcomes.	Alistair Cook	04-Feb-2022	31-Mar-2022

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>	<p><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.</p> <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.</p>	 <p>Likelihood</p> <p>Impact</p>	12	<ul style="list-style-type: none"> <li>The risk score is being maintained at amber 12.</li> <li>The proposed triggers agreed by May finance committee have been added to the actions listed below.</li> <li>A new trigger was added in January in light of HRA position.</li> <li>However, none of these have been triggered in February 22, close monitoring will continue.</li> <li>Monthly monitoring is being undertaken by the finance units to monitor the delivery of TOM and FR savings through 21/22 and across the MTFP (Overall savings update and Deep Dive Reports are scheduled to be presented to E&amp;P Sub Committee. In addition, an establishment tracker against TOM savings, the impact of flexible retirement policies and translation of vacancies into post permanent savings; alongside costs of the scheme is presented and scrutinised by the Establishment Committee.</li> <li>Furthermore, a paper on rental income was presented to this Committee in October and updates to this paper will be provided on a periodic basis.</li> <li>The overall financial position CF and CC was presented to the Joint RASC and E&amp;P Sub Committee on 14<sup>th</sup> January 2022. The Finance Committee is to receive the overall financial position in this meeting – 15<sup>th</sup> February 2022.</li> </ul>	 <p>Likelihood</p> <p>Impact</p>	12	31-Mar-2022	



19-Jun-2020 Caroline Al-Beyerty	Stakeholders experiencing reduced services and service closures.			<ul style="list-style-type: none"> <li>Chamberlain's will continue to monitor the position and subsequently update the triggers as new information unfolds.</li> </ul>			Accept	Constant
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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. In addition, Chief Officers continue to work with tenants on a payment plan to mitigate potential issues when the moratorium is lifted in March 2022.	Sonia Virdee	05-Feb-2022	31-Mar-2022
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>Multi year cash flowing modelling is incorporated into the City's medium term financial planning modelling.</li> </ul>	James Graham; Sonia Virdee	04-Feb-2022	31-Mar-2022
CR 35c	Increased expenditure related to COVID measures- maximise recovery from government <i>Triggers:</i> <ul style="list-style-type: none"> <li>Any changes to funding arrangements below the baseline</li> </ul>	<ul style="list-style-type: none"> <li>Maximising recovery from government- spend is being coded and monitored. Total claim of £11.9m for 20/21 lost fees &amp; charges income on City Fund. This scheme has been extended to cover Q1 of 21/22 and a claim has been made for £3.2m.</li> <li>Furloughing workers where appropriate has been done recovering £6.6m to end of June 21.</li> </ul>	Sonia Virdee	05-Feb-2022	31-Mar-2022
CR 35d	Inability of occupiers to pay rates as their income falls and 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. <i>Triggers</i> <ul style="list-style-type: none"> <li>Change to business rate reset (further deferral will result in a positive impact).</li> <li>Shift from commercial to residential (hot off the press).</li> <li>Reduction in Rateable Value (the risk is minimal).</li> </ul>	<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 had improved to within 3% of pre covid levels. However, with the end of the enhanced retail relief in June the collection rate has dipped. The 21/22 collection rate is now 4.5% down on the pre-covid collection rate. Work is ongoing to try and improve the collection rate before year end.</li> <li>The Govt is also allowing authorities to spread the impact of 20/21 business rate deficits over 3 years and introduced a tax compensation scheme, for which CoL will receive £8.3m. Residual collection fund deficit will need to be factored into the MTFP.</li> <li>There has been an increase in the amount of empty property resulting in more relief being claimed.</li> <li>Business Rate appeals linked to COVID have been ruled out due to Govt legislation, but we are seeing an increase in appeals on other grounds.</li> <li>Impacts will continue to be monitored.</li> </ul>	Phil Black	04-Feb-2022	31-Mar-2022

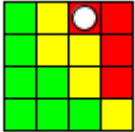
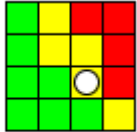

	<ul style="list-style-type: none"> <li>• <i>Changes to methodology in business rate calculations.</i></li> <li>• <i>Alternative funding sources e.g. sales tax.</i></li> </ul>				
CR 35e	<p>Impact on investments: securities/property</p> <p><i>Triggers:</i></p> <ul style="list-style-type: none"> <li>• <i>Increase in loss of income over £5m p.a.</i></li> </ul>	<ul style="list-style-type: none"> <li>• The values of the three main financial investment portfolios have continued to grow over the course of Q3, albeit at a slower pace. Asset allocation and investment performance is reviewed by the Financial Investment Board at each meeting.</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>• The total value of the investment property portfolios equates to £4.1bn.</li> <li>• The House Fund, Bridge House Estates, City's Estate and City Fund all outperformed the MSCI benchmark return and universe return over a 3, 5, 7, 10 and 27 year period.</li> <li>• The total annual rental income from the investment property portfolio for 2021/22 is estimated to increase to £121.620m (September 2021 quarter estimate) from £121.187m (June 2021 quarter estimate). Over the 4 year forecast period the total rents are expected to increase to some £136.730m pa.</li> <li>• The investment property portfolio vacancy rate as at 1<sup>st</sup> December 2021 represents 2.91% which is lower than the City and West End vacancy rate of 8% and 7% respectively (as reported by JLL). There was an increase of 223,749 sq.ft .compared to 1<sup>st</sup> June 2021 which relates to the vacant possession on the 10 properties on the Salisbury Square development site.</li> <li>• The total arrears for the investment property portfolio as at December 2021 quarter day -1 stand at 12.53% or £22.227m (against a target of 1.5%). The Government Moratorium against taking enforcement action for non payment of rent etc has been extended through to March 2022, making recovery difficult.</li> </ul>	Nicholas Gill; James Graham	05-Feb-2022	31-Mar-2022
CR 35f	Impact on the MTFP	<ul style="list-style-type: none"> <li>• Lower investment income modelled into MTFP, plus one year retention of business rate growth in 22/23.</li> <li>• Sums to mitigate risk are being held in Reserves- £30m on City Fund. Already drawing down on City's Cash Financial Investments by £317m across the planning horizon to 2025/26 (which is sustainable given modelling of balance sheet recovery).</li> <li>• Update on overall financial position for CF and CC was presented to the Joint RASC and E&amp;P Sub Committee on 14th January 2022.</li> <li>• The Finance Committee is to receive the overall financial position in this meeting – 15<sup>th</sup> February 2022.</li> </ul>	Caroline Al-Beyerty; Sonia Virdee	05-Feb-2022	31-Mar-2022
CR 35h	<p>To implement the Fundamental Review project plan-TOM</p> <p><i>Triggers:</i></p> <ul style="list-style-type: none"> <li>• <i>Delays/Reduction to 12% savings.</i></li> <li>• <i>Delays/Reduction to fundamental review savings.</i></li> </ul>	<ul style="list-style-type: none"> <li>• An exercise is being undertaken and will continue throughout 21/22 to monitor the achievement of TOM &amp; FR savings across the corporation.</li> <li>• Deep-dive reports on departments savings will be reported to E&amp;P Sub Committee, deep dives will align with the TOM waves.</li> <li>• Monthly TOM tracker reported and scrutinised by Establishment Committee commenced in September 21.</li> </ul>	Peter Lisle; Sonia Virdee	05-Feb-2022	31-Mar-2022

		<ul style="list-style-type: none"> <li>• Bilateral meetings held with Service Committee Chair/men and Chair/men of Policy &amp; Resource and Finance Committee and their deputies to ensure savings are being achieved across the board. 14 bilateral meetings have taken place, of which majority of the departments have now had their proposals either fully or partially agreed by Committee/Members under the TOM process.</li> <li>• Additional pressures have been identified through the TOM process, Chamberlain's has proposed how these additional cost pressures are met within the overall envelope to the Joint RASC and E&amp;P Sub Committee on 14<sup>th</sup> January 2022. Furthermore, this Committee is to receive the overall financial position for approval and recommendation to Court of Common Council in March 2022.</li> </ul>			
CR 35i	<p>Impact on the HRA</p> <ul style="list-style-type: none"> <li>• Delays in residential units coming on stream delaying income</li> <li>• Increasing bad debt / reduction in commercial rent</li> <li>• Expenditure risks- Great Arthur house</li> </ul> <p>Inability to fund future works programme</p>	<ul style="list-style-type: none"> <li>• There is upside in the MTFP <ul style="list-style-type: none"> <li>• Prudent assumptions have been used in forecasting when income from new residential units will come on stream.</li> <li>• Additional sources of capital funding s106 housing</li> </ul> </li> <li>• Need to monitor identified expenditure risks</li> <li>• Current works programme prioritised and fully funded. Future works programme following 2018 Asset condition survey will need to be incorporated towards end of the 5-year planning period.</li> <li>• Housing 30 year Business Plan to be updated by the department by September 2022 alongside a review of existing risks'.</li> </ul>	Mark Jarvis; Paul Murtagh	05-Feb-2022	31-Mar-2022



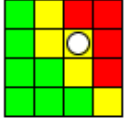

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Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB 001a	Team's are working to ensure they have effective knowledge sharing plans in place particularly where there are members of the team preparing for retirement.	SLT have identified areas where lack of knowledge transfer has a potential to occur, particularly where key roles are held by team members that are preparing to retire. Mitigation plans are underway to train other team members and retain business knowledge to enable business continuity when these individuals leave.	Phil Black; Hayley Hajduczek; Kate Limna; Matt Lock; Sonia Virdee	02-Feb-2022	31-Mar-2022
CHB 001c	Chamberlain's TOM structure design and culture is fit for purpose.	The Chamberlain's target operating model has been carefully designed by SLT and the proposal is now under consultation. This is due to end 25 February. The structure has been built to ensure capacity is in place where it is required. Cultural change plans are to be developed to ensure effect transformation is delivered to maximise the effectiveness of the new proposed structure.	Alistair Cook	02-Feb-2022	31-Mar-2023
CHB001b	Colleagues are provided with the training they need to fulfil their role.	A departmental professional development & training plan is being developed to ensure colleagues have the skills they need in order to effectively perform within the new structure.	Mark Jarvis	02-Feb-2022	31-Mar-2022

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>  Page 38	<p><b>Cause:</b> Breach of IT Systems resulting in unauthorised access to data by internal or external sources. Officer/ Member mishandling of information.</p> <p><b>Event:</b> The City Corporation does not adequately prepare, maintain robust (and where appropriate improve) effective IT security systems and procedures.</p> <p><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.</p>	 Likelihood Impact	<b>16</b>	<p>We are seeing regular malware being delivered by email every week which is not being captured by the current security products. We have had agreement to upgrade our MS licences from E3 to E5 which will help mitigate this.</p> <p>We are currently working on mitigating a vulnerability recognised worldwide called Logi4j. So far, the major risks of this are contained as we work through the remediation and patching plan.</p> <p>Other mitigations include promoting security training and on-going and regular security communications to all staff and Members.</p> <p>The Results of the IT Health Check have been received and a Remediation Action Plan (RAP) has been developed. Remediation activities have commenced.</p> <p>Work on a simulated cyber attack is being planned with the IT Security Team for completion by the end of the calendar year.</p>	 Likelihood Impact	<b>8</b>	31-Mar-2022	

10-May-2019 Emma Moore				Further, IT Security training offered to staff and Members and regular communication on security issues on the intranet and via email <b>03 Feb 2022</b>			Reduce	Constant
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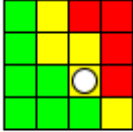
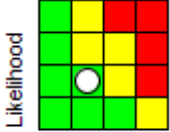

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CR16k	Final stages of completing information security projects which will mean that we can assure Members that the City of London Corporation has implemented all the national government recommended security practices and technology achieving a maturity level of 4.	With the agreement of the E5 business case by Members the improvements to our security stance can now begin with resources procured to support implementation	Gary Brailsford-Hart	03-Feb-2022	31-Mar-2022
CR16m	Work on a simulated cyber attack is being planned with the IT Security Team	The COLP IMS Team are developing and will implement two activities toward the end of the calendar year:  A Red Play activity – A scenario-based exercise which simulates a Ransomware attack and tests our response to a similar incident. Scheduled for January 2022, with follow up by the end of the month.	Matt Gosden	03-Feb-2022	28-Feb-2022
CR16n	Work on a simulated cyber attack is being planned with the IT Security Team	A White Hat activity – this is where we employ an Ethical Hacker to try to gain access to COL systems using typical hacking tools and techniques.	Gary Brailsford-Hart	03-Feb-2022	31-Mar-2022
CR16o	Remediation of PSN outstanding issues	PSN submission signed by the town Clerk and document set submitted to the Cabinet Office PSN Assessment Team on Tuesday 11th Jan 2022.	Matt Gosden	03-Feb-2022	30-Mar-2022

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	Flight path
<b>CR29 Information Management</b>  Page 40 18-Apr-2019 John Barradell	<b>Cause:</b> Lack of officer commitment and investment of the right resources into organisational information management systems and culture. <b>Event:</b> The City Corporation's IM Strategy (2018-2023) is not fully and effectively implemented <b>Effect:</b> <ul style="list-style-type: none"> <li>• Not being able to use relevant information to draw insights and intelligence and support good decision-making</li> <li>• Vulnerability to personal data and other information rights breaches and non-compliance with possible ICO fines or other legal action</li> <li>• Waste of resources storing information beyond usefulness</li> </ul>	 Likelihood Impact	12	New business intelligence dashboards continue to be developed for improved decision making by the Corporate Strategy and Performance team • An updated An Information Management Asset register has been populated for the organisation.  Plan being developed for moving unstructured data from Shared Drives to SharePoint is being developed  The Executive Board has agreed to allow one member of staff to represent each department up to 1 day a week to support IM Projects.  There is no Capital investment to improve our IM infrastructure and uncertainty where data analysis responsibilities are to be established in the new TOM.  <b>03 Feb 2022</b>	 Likelihood Impact	6	30-Jun-2022	
							Reduce	

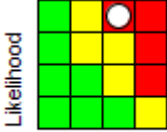


Action no, Title,	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CR29a IM awareness	Ensure that CoL has the necessary awareness, tools and, skills to manage information effectively	New Information Management Campaign being deployed in January. Work on the role of IM in the new TOM has begun recommended along with a funding bid.	Sean Green	03-Feb-2022	31-Jan-2022
CR29f IM Strategy implementation	Ensure officers can implement the data retention policy and data discovery requirements from GDPR	Reviewing Azure tools that can assist in the analysis of SQL databases	Adam Fielder	03-Feb-2022	31-Jan-2022
CR29g IM Audit Actions	IM Audit Actions to be implemented	Several audit actions now need to be considered and planned for implementation up to the end of June. Dependent on a resource uplift bid within the IT TOM proposal.	Sean Green	03-Feb-2022	30-Jun-2022



to be implemented					
CR29h W Drive moved to Sharepoint	W Drive moved to Sharepoint	Work to begin on migrating the W Shared Drive to SharePoint following sign off from Executive Leadership team	Sam Collins	03-Feb-2022	30-Apr-2022
CR29i Local SIRO training for the Chief Officer Team	Local SIRO training for the Chief Officer Team	Training to be sourced and provided to all Chief Officers on the responsibilities of a SIRO	Nick Senior	03-Feb-2022	30-Apr-2022
CR29j IM Maturity Plan	IM Maturity Plan	More detailed mitigation actions for cultural, infrastructure and information tooling to be developed – this is resource dependent and will not start till after the new TOM is implemented in April 2022	Sean Green	03-Feb-2022	30-Jun-2022

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  Page 42	<p><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.</p> <p><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.</p> <p><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.</p> <ul style="list-style-type: none"> <li>• Essential/critical Systems or information services are unavailable for an unacceptable amount of time</li> <li>• Recovery of failed services takes longer than planned</li> <li>• Adverse user/member comments/feedback</li> <li>• Adverse impact on the reputation of the IT division/Chamberlain's Department</li> </ul>	Likelihood  Impact	8	The draft BCDR plan has been produced but requires further input relating to Critical Apps and Services and the Recovery Point Objective (RPO) and Recovery Time Objective (RTO) to complete.  <b>03 Feb 2022</b>	Likelihood  Impact	4	31-Oct-2021	  Constant

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB IT 004k	RPO and RTO of Critical Apps	Find out the RPO/RTOs for all critical applications in Azure and marry back to Critical Apps and Services list	Adam Fielder	03-Feb-2022	31-Mar-2022
CHB IT 004n	Produce IT-wide BC/DR Plan	The first draft of the BCDR Plan has been received, but requires further input relating to Critical Apps and Services and the Recovery Point Objective (RPO) and Recovery Time Objective (RTO) to complete.	Matt Gosden	03-Feb-2022	31-Jan-2022
CHB IT 004O	UPS Project Delivery	Following a scheduling delay, the first of three comms rooms will be upgraded on Saturday the 22nd January, with the remaining two Comms rooms due for completion by the end of February 2022.	Matt Gosden	03-Feb-2022	28-Feb-2022

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 031 IT Revenue Budget</b>  10-May-2021 Sean Green	<b>Cause:</b> The IT Service is subject to a budget reduction of £1.2m in 21/22 or 12% having had this agreed in early March 2021. <b>Event:</b> The planned action programme does not deliver the required level of savings within the timeframe set by the City Corporation/Finance Committees <b>Effect:.</b> The IT budget will be overspent in 2021/22 The services provided by IT to the organisation will need to be descoped to save costs and this may have a downstream impact for the organisation to deliver successful outcomes in front line services.	 Likelihood Impact	<b>16</b>	IT has made good progress on meeting the saving from the Fundamental Review and around £400k from the 12% saving target, there is still an unachieved target of circa £1m to be found. Due to the timing of the TOM, IT has been unable to make any savings in this area. Contract negotiations are ongoing with key suppliers where appropriate. Further savings could have an impact on the provision of the IT service.  A governance process is in place enabling tracking and corrective action to be taken. A review of the plan is required to be actioned every 2 weeks.	 Likelihood Impact	<b>12</b>	31-Mar-2022	 Constant

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB IT 031a	Complete review to quantify savings	£400k of savings have been identified, with £800k full year impact for the next FY if the savings are achieved . There are a number of savings that are awaiting negotiation and review both internally and with suppliers. Given the cost pressures on the IT budget in particular with Compute and Storage the savings have been consumed in the financial year and the net in year saving is only £100k. There is some areas of one off savings that we are now exploring with Finance colleagues.	Kevin Mulcahy	03-Feb-2022	31-Mar-2022

CHB IT 031b	Prepare and execute the IT savings plan for 21/22 with agreement from relevant stakeholders in the organisation	<p>An interim new dedicated Project Manager and Capacity Manager is being employed to develop and drive forward the IT savings for the Corporation. This is profiled and is being discussed at monthly meetings with the Chamberlain.</p> <p>Ongoing- review process as part of bi-lateral</p>	Sean Green	03-Feb-2022	31-Mar-2022
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<b>Committee(s):</b> Finance Committee – For Information	<b>Dated:</b> 15 February 2022
<b>Subject:</b> CoL Pension Fund: GAD Section 13 Summary Report	<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>	<b>N/A</b>
<b>If so, how much?</b>	<b>£</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> The Chamberlain	<b>For Information</b>
<b>Report author:</b> Kate Limna – Corporate Treasurer	

## Summary

The Government Actuary’s Department (GAD) published their second Section 13 Report following the 2019 actuarial valuation of the Pension Fund in December 2021. This report provides a review or health check of the Local Government Pension Scheme and is mandated under Section 13 of the Public Services Pensions Act 2013.

The City of London Corporation Pension Fund has met all the criteria of the Section 13 Valuation, except for the level of contributions which were lower relative to other Funds with similar funding levels, thus raising amber flags. Following consideration by the Chamberlain and Corporate Treasurer with Finance Committee’s Lead Member for pensions, this is something the administering authority should be aware of, but does not require immediate remedial action, for the following reasons:

- We are on schedule with the recovery plan to 100% funding level and see no compelling reason to deviate from it.
- Although the Section 13 valuation is a useful check on the health of the LGPS and its Funds, it should not be a key driver for the City of London Corporation Pension Fund in making decisions.

The report also outlines GAD recommendations to the Scheme Advisory Board; the Actuary’s observations regarding each of these recommendations, which are set out in paragraph 10 of this report, are raising professional challenges as to whether these solutions are the best way of achieving GAD’s aims. These have been fed back to GAD.

## Recommendation

Members are asked to note the report

## Main Report

### Background

1. Following the 2019 triennial actuarial valuation of all Local Government Pension Scheme (LGPS) pension funds in England and Wales, the Government Actuary’s Department (GAD) - on behalf of the Department for Levelling Up, Housing and Communities (DLUHC) - has scrutinised the assumptions used by LGPS actuaries

to ensure that employers are taking a sufficiently prudent approach to financing the LGPS benefits.

2. This review, or health check, of the LGPS is mandated under Section 13 of the Public Service Pensions Act 2013. This Section 13 Valuation Report (the Section 13 Report) adopts standard assumptions for all LGPS funds with the aim of providing a level playing field so that funds can be compared on a like for like basis. The purpose of the review is to identify any outlying Pension Funds measured against the following objectives:
  - Compliance
  - Consistency
  - Solvency
  - Long term cost efficiency
3. The Section 13 Report was published on 16 December 2021 and can be found at [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1040197/S13\\_final\\_report.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1040197/S13_final_report.pdf)
4. This is the second Section 13 report to be published. The first report followed the 2016 triennial valuation and was published on 27 September 2018 and reported to the Finance Committee on the 19 February 2019.
5. The City's Actuary, Barnett Waddingham, have analysed the Section 13 Report and the findings in relation to the City of London Pension Fund (the Fund); this report is attached as an Appendix.

#### **GAD Findings on City of London Pension Fund**

6. The Fund achieved green flags on all measures except under long term cost efficiency where it received two amber flags and three green flags. The amber flags were around "implied deficit recovery period" and "return scope":
  - Implied deficit recovery period – the Fund's actual recovery period is higher than GAD's arbitrary threshold of ten years.
  - Return scope – although positive, the difference between the Fund's required return as calculated by GAD (4.1%) to return the Fund to a fully funded state, and the Fund's expected return on a best estimate basis (4.4%) is less than 0.5%.
7. The amber flags are caused mainly by the employer contribution rates being relatively low given GAD's best estimate of the deficit recovery period, compared to other funds with similar best estimate funding levels. Amber flags are potentially material issues that GAD would expect funds to be aware of. In isolation, this would not usually contribute to a recommendation for remedial action in order to ensure solvency and/or long term cost efficiency.
8. The Chamberlain, officers, the Actuary and the Finance Committee lead Member on Pensions and actuarial matters, met with GAD, at their request, in May 2021 to discuss the preliminary results. The amber flags and reasons for them were discussed and in their final report, GAD acknowledge that the Pension Fund has a plan to recover its deficit by 2033, a plan which it has adhered to since being installed in 2013.

9. GAD's analysis focuses on the Fund's financial position relative to other LGPS funds rather than on its absolute financial position and moreover that the period 2016-2019 was a period of strong general performance across the scheme when the aggregate scheme wide funding level increased from 85% to 98%. The amber flags only mean that compared to other funds with similar best estimate funding levels, the contributions paid by the City Corporation are lower than other funds.

### **Other recommendations**

10. The Section 13 report also made several recommendations to the Scheme Advisory Board (SAB) whose role it is to help and support DLUHC and administering authorities fulfil their statutory duties and obligations. These recommendations are set out below along with Barnett Waddingham's comments in italics:

- Recommendation 1: The SAB should consider the impact of on consistency of the funds, participating employers and other stakeholders and should consider whether a consistent approach needs to be adapted for conversions to academies and for assessing the impact of emerging issues including McCloud. In Barnett Waddingham's view, *the academy conversion approach does not fall under the remit of Section 13 but we appreciate the desire to find some consistency in the treatment of academies in the LGPS and we are working with GAD to explore the various options to try and achieve this.* In terms of McCloud, *there was insufficient information regarding McCloud at the time of the 2019 valuations to ensure a consistent approach, and our approach was discussed and agreed with GAD at the time. We are engaging with GAD in advance of the 2022 valuations to understand their views on McCloud, however in the absence of new Regulations and the fact that the Universal Data Extract is still not able to output the data we need, we are in a similar place to 2019.*
- Recommendation 2: The SAB should consider how all funds ensure that the deficit recovery plan can be demonstrated to be a continuation of the previous plan, after allowing for actual fund experience Barnett Waddingham disagree with GAD's interpretation of the CIPFA guidance in relation to deficit recovery periods. *GAD's view is that they would not expect to see Funds reducing contributions and extending recovery periods. Our continued interpretation of the guidance is that the focus shouldn't be on a fixed end point, rather a period over which it is appropriate to fund any appearing deficit. If a recovery period is too short then there could be unnecessary burden placed on current taxpayers and it is more important to focus on the stability of contributions for affordability and cashflow reasons.*
- Recommendation 3: Fund actuaries should provide additional information about total contributions, discount rates and reconciling deficit recovery plans in the dashboard. Barnett Waddingham have advised that they *consider the dashboard, which was introduced in 2019, useful and conversations have already started between the four actuarial firms and GAD for the 2022 valuation and we do not foresee a significant number of changes.*
- Recommendation 4: The SAB should review all asset transfer arrangements from local authorities to ensure that appropriate governance

is in place around any such transfers to achieve long term cost efficiency. Barnett Waddingham have advised that *although we do not agree with some of the terminology and references made by GAD regarding asset transfers, we appreciate the overriding desire to ensure that appropriate governance and paperwork is in place when additional contributions are made in the form of assets rather than cash. This is an action that is becoming more prevalent in LGPS Funds and therefore having a clear reporting process in place is welcomed.*

## **Conclusion**

11. The City of London Corporation Pension Fund has met all the criteria of the Section 13 valuation, except for the level of contributions which were lower relative to other Funds with similar funding levels, thus raising amber flags. This is something the administering authority should be aware of, but does not require immediate remedial action.
12. The key aim is to ensure that the contributions are set at a suitable level to target 100% funding over an appropriate period using suitable assumptions for the City of London Fund and the Section 13 report makes it clear that the deficit end point at 2033 has been retained and GAD is reassured that the Fund's employers have been adhering to this plan to remove the deficit by 2033.
13. It is equally important to ensure that decisions taken by the Fund are taken for the right reasons and meet the Fund's own objectives, Funding Strategy Statement and Investment Strategy Statement. Although the Section 13 valuation is a useful check on the health of the LGPS and its Funds, it should not be a key driver for the City of London Corporation Pension Fund in making decisions.
14. The Section 13 Report applies standardised assumptions across the LGPS and our Actuary will apply assumptions relevant to the profile of the City's Pension Fund when undertaking the next actuarial review. The actuarial valuation is due as at 31 March 2022 and the Actuary's recommendation on the level of employer contribution for the following three years from 1 April 2023, will be considered by the newly formed Pensions Committee.

## **Recommendation**

Members are asked to note the report.

## **Appendices**

Appendix – CoL Pension Fund: Section 13 Summary Report

### **Kate Limna**

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# City of London Corporation Pension Fund

## Section 13 summary report

### Introduction

This paper has been requested by City of London Corporation, as Administering Authority to the City of London Corporation Pension Fund.

This paper summarises the review of the actuarial valuations of LGPS Funds as at 31 March 2019 as carried out by the Government Actuary's Department (GAD), under section 13 of the Public Service Pensions Act 2013 ("the Section 13 valuation"). This paper also sets out the results of this review in relation to the City of London Corporation Pension Fund ("the Fund").

For the avoidance of doubt, the formal actuarial valuation is still carried out by ourselves as the Fund's actuary based on assumptions set locally and agreed with the Fund. The key objectives of the formal valuation are to check the financial position of the Fund and to set employer contribution rates for the subsequent 3 years. The Section 13 valuation does not directly impact employer contribution rates but is an influencing factor.

### Background

The Section 13 valuation carried out by GAD is based on the formal actuarial valuations of 88 English and Welsh LGPS Funds, as carried out by their Fund actuary. The Section 13 valuation adopts standard assumptions for all LGPS Funds with the aim of providing a level playing field so that Funds can be compared on more of a like for like basis.

For the purposes of comparing Funding levels, GAD use a standardised basis consistent with the basis used by the Scheme Advisory Board for comparing Funds. For the other tests GAD undertake they use their "best estimate" basis across all Funds.

In summary, one of the purpose of the Section 13 valuation is to identify any outlying Funds measured against the following objectives:

- 1) Compliance – whether, in their view, the actuarial valuation has been carried out in accordance with the Regulations;
- 2) Consistency – whether, in their view, the actuarial valuation has been carried out "not inconsistently" with other Funds;
- 3) Solvency – whether, in their view, a Fund has sufficient assets together with employer and employee contributions to pay all the benefits due over the long term; and
- 4) Long term cost efficiency – whether, in their view, a Fund is receiving sufficient contributions to meet the cost of benefits accruing and to repair any existing deficit over an appropriate period.

To identify whether these objectives have been met GAD is using colour coded flags for each Fund:

Flag colour	Meaning
Red	Indicates a material issue that may result in the aims of section 13 not being met. In such circumstances remedial action to ensure solvency and/or long term cost efficiency may be considered.
Amber	Indicates a potential material issue that we would expect Funds to be aware of. In isolation this would not usually contribute to a recommendation for remedial action in order to ensure solvency and/or long term cost efficiency.
White	A new flag this time round and is an advisory flag that highlights a general issue but one which does not require an action in isolation. It may have been an amber flag if they had broader concerns.
Green	Indicates that there are no material issues that may contribute to a recommendation for remedial action in order to ensure solvency or long term cost efficiency.

Overall, there has been an improvement in the Funding position of the LGPS with over 62 of the Funds (71%) now being in surplus on GAD's best estimate basis and an aggregate best estimate Funding level of 109%. This compares to 60 Funds in surplus and an aggregate Funding level of 106% in 2016. The main reason for this improvement has been the asset outperformance over the intervaluation period. As usual the Section 13 valuation is not used to set employer contribution rates but functions as a comparator between the individual LGPS Funds.

The Section 13 valuation has calculated a large number of measures to help GAD consider the above objectives and uses a flagging system to identify any outlying Funds. Having been identified as an outlier, the outlying Fund would be expected to put a plan in place to help improve their position.

However, this application of measures is not helpful when each is considered in isolation and a more holistic view is required. For example, a reader may conclude that significant contribution increases may be required for a particular Fund at the next formal Funding valuation, when in fact, this might not be the case.

Moreover, as flags usually indicate deviations from other Funds this does not necessarily mean there are problems with the Fund itself as each Fund is different and requires a tailored approach to Funding and setting contribution rates.

## Summary of overall results

This section summarises the key points against the objectives above.

### Compliance

**All LGPS actuarial valuation reports complied with Section 13, meeting the requirements of the LGPS regulations.** However, the report points out that additional clarity on how contributions are set would be useful.

### Consistency

**There are no flags raised for any Fund under the objective of consistency.** GAD's interpretation of the consistency requirement (or lack of non-consistency) is such that valuations should have "consistent" rather than

“not inconsistent” assumptions unless local circumstances justify something different. Compared to 2016 consistency has improved in relation to key assumptions but GAD would still prefer a higher level of consistency to increase ease of comparability between the Funds.

As expected, there are differences in financial and demographic assumptions across LGPS Funds. This is valid and appropriate as Funds have different investment strategies which affects the assumed discount rate and different membership profiles which affects the demographic assumptions.

For example, the life expectancy of members is very different in different parts of the country and an investment strategy that has a heavy growth allocation should in theory over the long term provide a higher return than a more defensive strategy.

The report does acknowledge that assumptions can be expected to vary between Funds and that this is not a problem in itself as long as the local circumstances driving the assumptions are made transparent. Compared to 2016 there has been an improvement in said transparency but further progress is still encouraged.

The report welcomes that in terms of presentation, consistency has improved significantly with the move to a common dashboard. However, there is room for improvement with respect to the presentation of discount rates, secondary contribution rates and each Fund’s recovery plan objectives.

The report puts a strong focus on emerging issues where consistency between the Funds is considered to be useful and dialogue between actuarial advisors is encouraged. These issues are climate risk, allowance for Covid-19, the McCloud remedy, and academy conversions.

## Recommendations

The report explicitly recommends the Scheme Advisory Board to consider whether a consistent approach for academy conversions and the McCloud remedy should be adopted. In our view, the academy conversion approach does not fall under the remit of Section 13 but we appreciate the desire to find some consistency in the treatment of academies in the LGPS and we are working with GAD to explore the various options to try and achieve this.

Similarly, there was insufficient information regarding McCloud at the time of the 2019 valuations to ensure a consistent approach, and our approach was discussed and agreed with GAD at the time. We are engaging with GAD in advance of the 2022 valuations to understand their views on McCloud, however in the absence of new Regulations and the fact that the Universal Data Extract (the membership data file structure and content that is produced for actuarial valuations) is still not able to output the data we need, we are in a similar place to 2019.

## Solvency

Where a Fund achieved a green flag on solvency, this demonstrates that in GAD’s opinion, the Fund’s assets and contribution levels should be sufficient to meet all the benefits over the long term. Most Funds demonstrated they met the objective of solvency, with 72 out of the 88 Funds as at 2019 achieving a green flag. While this is around the same level as in 2016 the situation has overall improved as only white flags were raised this year which are used for general issues that require no action in isolation.

### **The City of London Corporation Pension Fund achieved green flags on all solvency measures.**

The measures used are the following:

- *SAB Funding level:* The Funding level on the SAB standardised basis. In 2016 the City of London Corporation Pension Fund received an amber flag on this. As the Fund’s funding level has improved (from 84% in 2016 to 92% in 2019) the Fund received a green flag for their standardised funding level in 2019.
- *Non- Statutory Employees:* The proportion of active members employed by employers without tax raising powers or statutory backing. This is a proxy for the proportion of higher risk employers and therefore liabilities the Fund has as these employers do not have any form of guarantee. A low percentage is a good result as it means the Fund is less exposed to default risk from employers who may not be able to pay any shortfall if they leave the Fund or become insolvent.
- *Asset shock:* This measures the change in the average employer pension costs as a percentage of what is called “core spending” if there was a fall in markets and the Fund’s “growth” assets– essentially non bonds - fell by 15% and never recovered. A lower percentage is regarded as good here as it indicates that employer contributions are more resilient to market volatility. Similar to 2016 the asset shock for the Fund has been assessed as a percentage of pensionable pay instead of “core spending power” to reflect the unique way the Corporation is funded.
- *Employer default:* This is the change in average employer contributions if all employers without tax raising powers/statutory backing cannot repay their deficit amount as calculated at the 2019 valuation. A low percentage means the Fund is less exposed to default of more risky employers and the impact on employer contribution rates would be low.

The results for the Fund are set out below:

SAB Funding level	Non-Statutory employees	Asset shock	Employer default
92.4%	10.9%	3.6%	0.5%

Please see the Appendix for distribution of the individual SAB funding levels of all Funds.

### Long term cost efficiency

Where a Fund achieved a green flag under Long Term Cost Efficiency, this demonstrates that the contributions being paid are, in GAD’s view, sufficient to meet the cost of benefits accruing and to repair any deficit over an “appropriate period”. In particular, it demonstrates the Fund is not deferring payments excessively so that they unfairly impact future generations.

In 2019, four Funds received at least one amber flag in relation to long term cost efficiency which is a small improvement on 2016 when six Funds were flagged.

### City of London Corporation received two amber flags and three green flags in terms of long term cost efficiency.

The measures used are the following:

- *Implied deficit recovery period:* This measures the time it will take to pay off the Section 13 best estimate deficit at the current level of deficit contributions. **The Fund received an amber flag.** The reason for

this is that the recovery period is higher than GAD’s arbitrary threshold of ten years. This would have been reversed to a white flag had this been the only issue flagged in terms of long term cost efficiency.

- *Required return:* This determines the return the Fund’s assets need to achieve to be fully funded in 20 years’ time on the Section 13 best estimate basis. A lower required return means a lower bar for the Fund to exceed and so a greater chance of doing so. **The Fund received a green flag.**
- *Repayment shortfall:* The difference between the Fund’s total contributions (primary and secondary) and the total contributions on a standardised best estimate basis (primary and secondary using a deficit recovery period of 20 years) expressed as a percentage of payroll. This measures the affordability of the best estimate deficit and the higher this figure is the better. **The Fund received a green flag.**
- *Return scope:* The estimated return that the Fund’s investment strategy is expected to deliver, in excess of the required return. **The Fund received an amber flag.** The reason for this is that the return scope was between 0% and 0.5% (under GAD’s rather arbitrary rules, a negative value would have led to a red flag and a value exceeding 0.5% would have led to a green flag). This would have been reversed to a white flag had this been the only issue flagged in terms of long term cost efficiency.
- *Deficit reconciliation:* This is a check on whether the current deficit recovery period is a continuation of the previous deficit recovery period. **The Fund received a green flag.**

The results for the Fund are set out below:

Implied deficit recovery period (GAD basis)	Required return	Repayment shortfall	Return scope	Deficit reconciliation
15	4.1%	1.2%	0.3%	Green

The amber flags are mainly caused by the Fund’s contribution rates being relatively low given GAD’s best estimate deficit. However, this does not mean that the contribution rates are too low in absolute terms as they are set at a level that aims for a fully funded position in 2033. The report does in fact acknowledge that the deficit recovery end point at 2033 has been maintained over the last three valuations.

The report also says “Following engagement with the City of London Corporation Pension Fund we were advised that employers have been adhering to their plan to remove the deficit by 2033. We were reassured by this long-term commitment”. The amber flags therefore only mean that compared to other Funds with similar best estimate funding levels the contributions paid by employers in the City of London Corporation Pension Fund are lower than other Funds.

We have already voiced our opinion that using a common best estimate basis is not a good way to assess whether contribution rates are sufficient. The actuarial valuation is a complex process that produces employers’ contribution rates in accordance with local Funding Strategy Statements, the views on the economic outlook, attitude to risk and funding objectives which will all impact the financial assumptions but are not reflected in the common best estimate basis.

## Recommendations

There are several more recommendations in this section of the report:

- The recommendation for SAB to ensure that the Funds' recovery plans are continuations of the plan set up at the previous valuation. We disagree with GAD's interpretation of the CIPFA guidance in relation to deficit recovery periods. GAD's view is that they would not expect to see Funds reducing contributions and extending recovery periods. Our continued interpretation of the guidance is that the focus shouldn't be on a fixed end point, rather a period over which it is appropriate to Fund any appearing deficit. If a recovery period is too short then there could be unnecessary burden placed on current tax payers and it is more important to focus on the stability of contributions for affordability and cashflow reasons.
- The recommendation is that Fund actuaries provide additional information about total contributions, discount rates and reconciling deficit recovery plans in the dashboard. We consider the dashboard, which was introduced in 2019, useful and conversations have already started between the four actuarial firms and GAD for the 2022 valuation and we do not foresee a significant number of changes.
- The recommendation for SAB to review asset transfer arrangements from local authorities to ensure that appropriate governance is in place around any such transfers to achieve long term cost efficiency. Although we do not agree with some of the terminology and references made by GAD regarding asset transfers, we appreciate the overriding desire to ensure that appropriate governance and paperwork is in place when additional contributions are made in the form of assets rather than cash. This is an action that is becoming more prevalent in LGPS Funds and therefore having a clear reporting process in place is welcomed.

## Conclusion

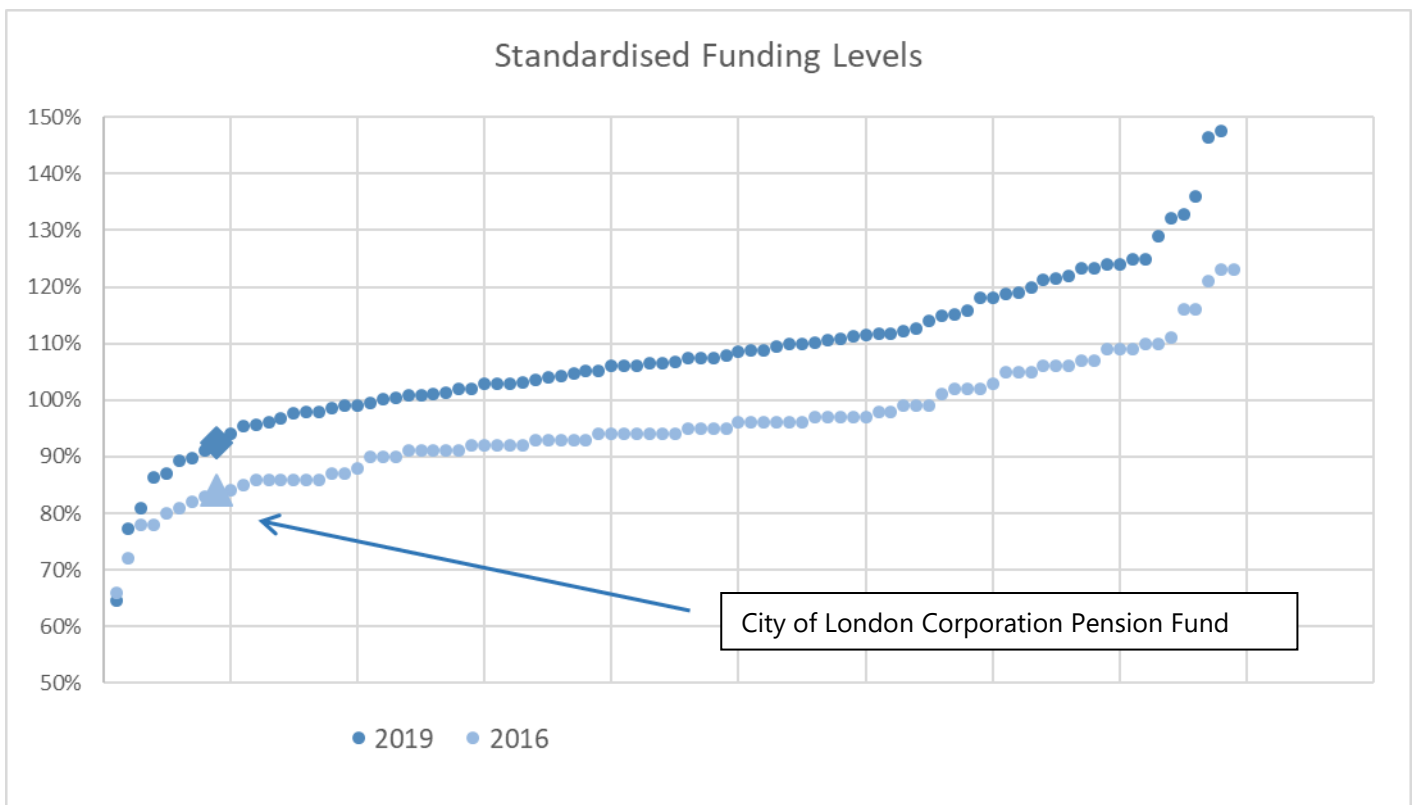
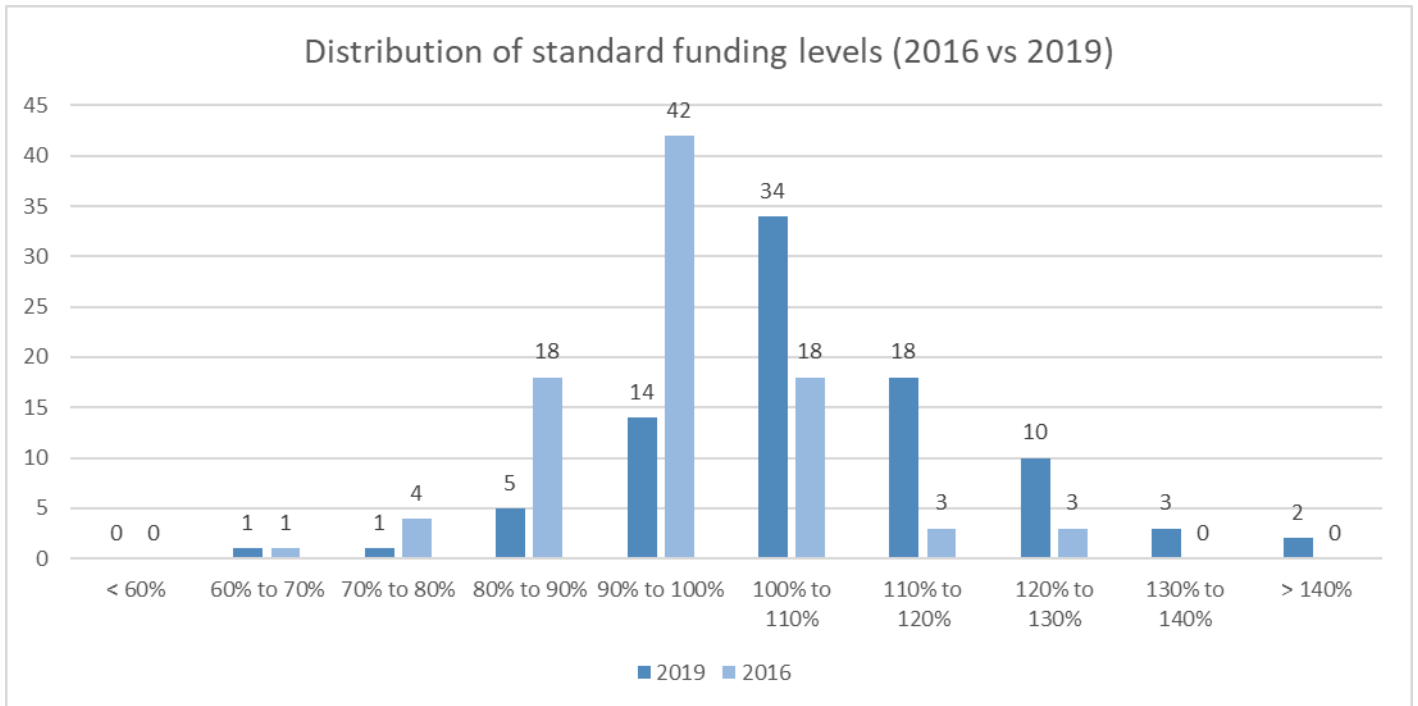
The City of London Corporation Pension Fund has met all the criteria of the Section 13 valuation, except for the level of contributions which were lower relative to other Funds with similar funding levels, raising amber flags.

The key aim is to ensure that the contributions are set at a suitable level to target 100% funding over an appropriate period using suitable assumptions for the City of London Corporation Pension Fund. The report makes it clear that the deficit end point at 2033 has been retained and GAD is reassured that employers have been adhering to their plan to remove the deficit by 2033. The amber flags were caused as a result of the Corporation's position relative to the other LGPS Funds and are not a reason for concern.

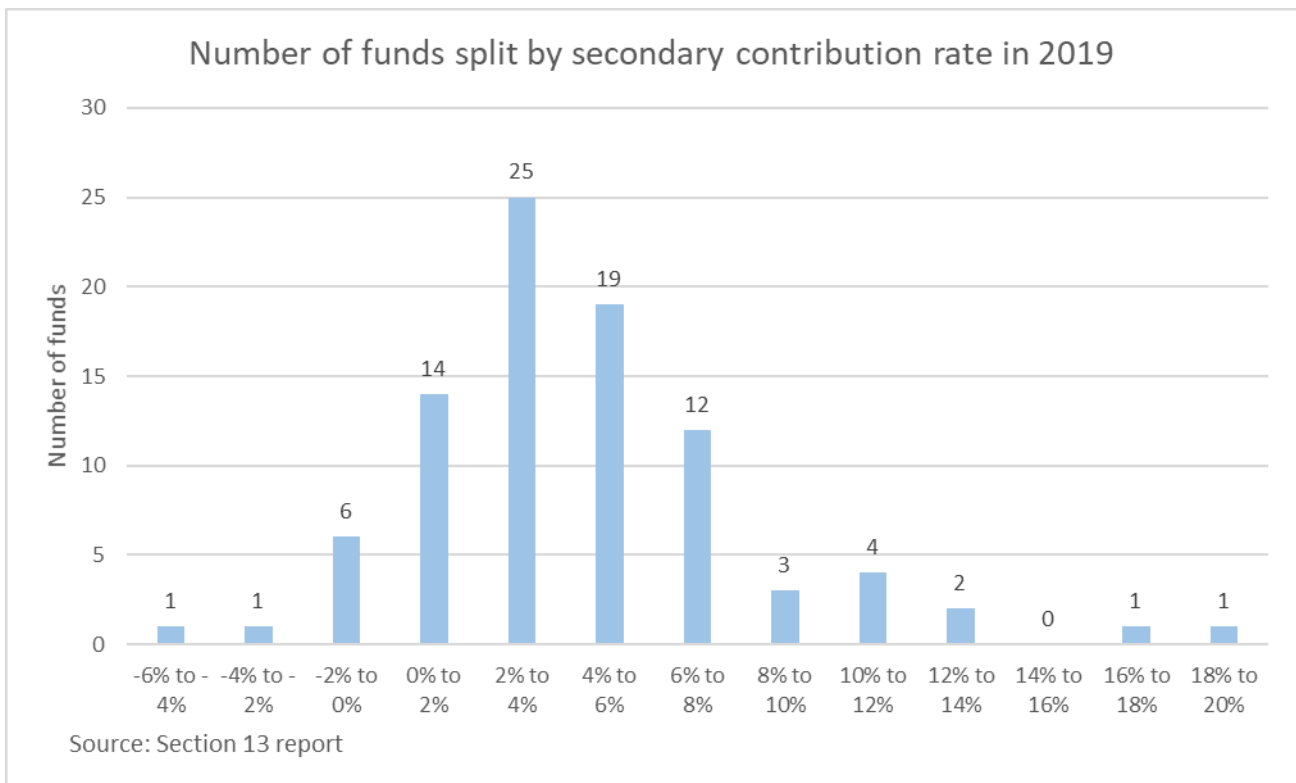
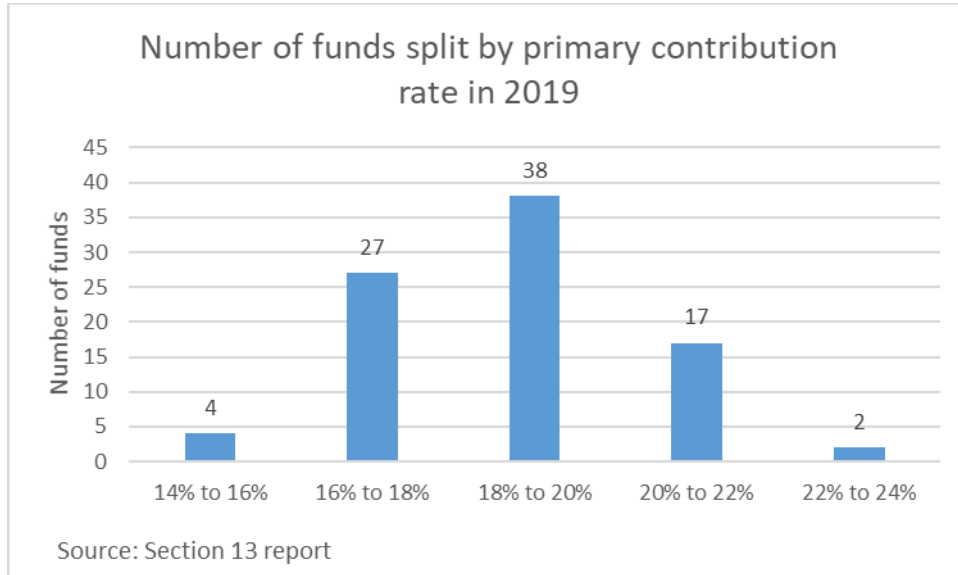
It is equally important to ensure that decisions taken by the Fund are taken for the right reasons and meet the Fund's own objectives, Funding Strategy Statement and Investment Strategy Statement. Although the Section 13 valuation is a useful check on the health of the LGPS and its Funds, it should not be a key driver for the City of London Corporation Pension Fund in making decisions.

## Appendix

The charts below show the distribution of the Funding levels on the SAB standardised basis. The unweighted average has increased from 96% in 2016 to 108% in 2019.



The charts below show the distribution of the primary and secondary rates in 2019. The primary and secondary rate of the City of London Corporation Pension Fund are 15.0% and 5.5%, respectively.





<b>Committee(s)</b>	<b>Dated:</b>
Planning & Transportation Finance Streets and Walkways Sub Court of Common Council	1 <sup>st</sup> February 2022 15 <sup>th</sup> February 2022 15 <sup>th</sup> February 2022 10 <sup>th</sup> March 2022
<b>Subject:</b> Annual On-Street Parking Accounts 2020/21 and Related Funding of Highway Improvements and Schemes	<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>	<b>N</b>
<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> Simon Owen, Chamberlain's Department	

## Summary

The City of London in common with other London authorities is required to report to the Mayor for London on action taken in respect of any deficit or surplus in its On-Street Parking Account for a particular financial year.

The purpose of this report is to inform Members that:

- the surplus arising from on-street parking activities in 2020/21 was £10.138m;
- a total of £5.712m, was applied in 2020/21 to fund approved projects; and
- the surplus remaining on the On-Street Parking Reserve at 31st March 2021 was £47.125m, which will be wholly allocated towards the funding of various highway improvements and other projects over the medium term.

## Recommendation

Members are asked to:

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

## Main Report

### Background

1. Section 55(3A) of the Road Traffic Regulation Act 1984 (as amended), requires the City of London in common with other London authorities (i.e. other London Borough Councils and Transport for London), to report to the Mayor for London on action taken in respect of any deficit or surplus in their On-Street Parking Account for a particular financial year.
2. Legislation provides that any surplus not applied in the financial year may be carried forward. If it is not to be carried forward, it may be applied by the City for one or more of the following purposes:
  - a) making good to the City Fund any deficit charged to that Fund in the 4 years immediately preceding the financial year in question;
  - b) meeting all or any part of the cost of the provision and maintenance by the City of off-street parking accommodation whether in the open or under cover;
  - c) the making to other local authorities, or to other persons, of contributions towards the cost of the provision and maintenance by them, in the area of the local authority or elsewhere, of off-street parking accommodation whether in the open or under cover;
  - d) if it appears to the City that the provision in the City of further off-street parking accommodation is for the time being unnecessary or undesirable, for the following purposes, namely:
    - meeting costs incurred, whether by the City or by some other person, in the provision or operation of, or of facilities for, public passenger transport services;
    - the purposes of a highway or road improvement project in the City;
    - meeting the costs incurred by the City in respect of the maintenance of roads at the public expense; and
    - for an “environmental improvement” in the City.
  - e) meeting all or any part of the cost of the doing by the City in its area of anything which facilitates the implementation of the Mayor’s Transport Strategy, being specified in that strategy as a purpose for which a surplus can be applied; and
  - f) making contributions to other authorities, i.e. the other London Borough Councils and Transport for London, towards the cost of their doing things upon which the City in its area could incur expenditure upon under (a)-(e) above.
3. In the various tables of this report, figures in brackets indicate expenditure, reductions in income or increased expenditure.

## 2020/21 Outturn

4. The overall financial position for the On-Street Parking Reserve in 2020/21 is summarised below:

	£m
Surplus Balance brought forward at 1st April 2020	42.699
Surplus arising during 2020/21	10.138
Expenditure financed during the year	(5.712)
<b>Funds remaining at 31<sup>st</sup> March 2021, wholly allocated towards funding future projects</b>	<b>47.125</b>

5. Total expenditure of £5.712m in 2020/21 was financed from the On-Street Parking Reserve, covering the following approved projects:

<b>Revenue/SRP Expenditure:</b>	<b>£000</b>
Highway resurfacing, maintenance & enhancements	(2,121)
Off-Street car parking contribution from reserves	(1,122)
Concessionary fares & taxi card scheme	(502)
City Streets COVID 19 – phase 3	(386)
West Smithfield Area Public Realm & Transportation	(351)
Bank Junction experimental safety scheme	(172)
Special needs transport	(61)
Aldgate maintenance for Open Spaces	(40)
City Wayfinding Signage/Legible London	(18)
London Wall car park waterproofing and repairs	(3)
Holborn Viaduct & Snow Hill pipe-subways	(2)
Thames Court footbridge	10
<b>Total Revenue/SRP Expenditure</b>	<b>(4,768)</b>
<b>Capital Expenditure:</b>	
Street lighting project	(436)
Traffic enforcement CCTV	(201)
Bank Junction improvements (All Change at Bank)	(163)
Barbican Podium waterproofing – phase 2	(102)
Holborn Viaduct & Snow Hill pipe-subways	(26)
City Wayfinding Signage/Legible London	(11)
Baynard House fire safety	(4)
Highways Management System	(1)
<b>Total Capital Expenditure</b>	<b>(944)</b>
<b>Total Expenditure Funded in 2020/21</b>	<b>(5,712)</b>

6. The surplus on the On-Street Parking Reserve brought forward from 2019/20 was £42.699m. After expenditure of £5.712m funded in 2020/21, a surplus balance of £4.426m was carried forward to future years to give a closing balance at 31st March 2021 of £47.125m.

7. Currently total expenditure of some £92.1m is planned over the medium term from 2021/22 until 2025/26 (as detailed in Table 1), by which time it is anticipated that the existing surplus plus those estimated for future years will be fully utilised.
8. The total programme covers numerous major capital schemes including funding towards the Barbican podium waterproofing; Bank Junction permanent improvement scheme; Holborn Viaduct & Snow Hill pipe-subways repairs; Baynard House fire safety; City Wayfinding Signage/Legible London; Traffic Enforcement CCTV; City Streets COVID-19; West Smithfield area public realm & transportation project; St Paul's gyratory; Minorities car park structural building report; Dominant House footbridge repairs; London Wall car park waterproofing, joint replacement & concrete repairs; London Wall car park ventilation, electrics, lighting & fire alarms; Fire safety at the car parks; Lindsey Street Bridge strengthening; Climate Action Strategy Cool Streets and Pedestrian Priority; and Beech Street. The progression of each individual scheme is, of course, subject to the City's normal evaluation criteria and Standing Orders.
9. The programme also covers ongoing funding of future revenue projects, the main ones being highway resurfacing, enhancements & road maintenance projects; concessionary fares & taxi cards; contributions to the costs of Off-Street car parks; special needs transport; and annual maintenance of Aldgate.
10. A forecast summary of income and expenditure arising on the On-Street Parking Account and the corresponding contribution from or to the On-Street Parking surplus, over the medium-term financial planning period, is shown below:

<b>Table 1 On-Street Parking Account Reserve Projections 2020/21 to 2025/26</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>Total</b>
	<b>Actual £m</b>	<b>Forecast £m</b>	<b>Forecast £m</b>	<b>Forecast £m</b>	<b>Forecast £m</b>	<b>Forecast £m</b>	<b>£m</b>
Income	15.1	14.1	13.3	13.6	13.9	14.1	84.1
Expenditure ( <i>Note 1</i> )	(5.0)	(4.5)	(4.7)	(4.8)	(5.0)	(5.0)	(29.0)
<b>Net Surplus arising in year</b>	<b>10.1</b>	<b>9.6</b>	<b>8.6</b>	<b>8.8</b>	<b>8.9</b>	<b>9.1</b>	<b>55.1</b>
Capital, SRP and Revenue Commitments	(5.7)	(10.0)	(26.6)	(35.1)	(10.8)	(9.6)	(97.8)
<b>Net in year contribution (from)/ to surplus</b>	<b>4.4</b>	<b>(0.4)</b>	<b>(18.0)</b>	<b>(26.3)</b>	<b>(1.9)</b>	<b>(0.5)</b>	<b>(42.7)</b>
(Deficit) / Surplus cfwd at 1 <sup>st</sup> April	42.7	47.1	46.7	28.7	2.4	0.5	
<b>(Deficit) / Surplus cfwd at 31<sup>st</sup> March</b>	<b>47.1</b>	<b>46.7</b>	<b>28.7</b>	<b>2.4</b>	<b>0.5</b>	<b>0.0</b>	

*Note 1: On-Street operating expenditure relates to direct staffing costs, current Saba enforcement contractor costs, fees & services (covering cash collection, pay by phone, postage & legal), IT software costs for enforcement systems, provision for bad debts for on-street income and central support recharges.*

11. A reduction in income is forecast from 2021/22 onwards, mainly relating to ongoing reductions in business operating following COVID-19 and future projections of motorist's compliance. There are also reductions in expenditure following Departmental savings on the parking operator enforcement contract costs due to reduced staff required during COVID-19 lockdown and reduced trade. Further additional savings from the new parking contract retender awarded from 1<sup>st</sup> April 2022 will also need to be phased into future expenditure projections.

## **Conclusion**

12. So that we can meet our requirements under the Road Traffic Regulation Act 1984 (as amended), we ask that the Court of Common Council notes the contents of this report, which would then be submitted to the Mayor of London.

## **Background Papers**

13. Road Traffic Regulations Act 1984; Road Traffic Act 1991; GLA Act 1999 sect 282.
14. Final Accounts 2020/21.

## **Report author**

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# Agenda Item 13

<b>Committee(s)</b>	<b>Dated:</b>
Finance Committee	15 February 2022
<b>Subject:</b> Chamberlain's Business Plan – Quarterly Update	<b>Public</b>
<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's	<b>For information</b>
<b>Report author:</b> Caroline Al-Beyerty – Chamberlain & CFO	

## Summary

Highlights from the last three months have included:

- Completion of the audits of the Bridge House Estate's (BHE) and City's Cash accounts.
- 2022/23 budget setting process and Medium-Term Financial Planning.
- Progressing grant awards for the COVID Recovery Fund for local/curb-side businesses within the square mile.
- Progression in the 'Finance for the Future' workstreams, with work majoring on developing the Chamberlain's TOM proposal and continuing to drive improvements in modelling capability for the major projects and MTFP's for City Fund and City's Cash; and
- Series of workshops to shape the specification of the ERP system replacement.

KPIs show that business rate collection is a little lower than was expected. The impact of pandemic continues to hamper ongoing recovery with an in-year Q3 collection rate for 2021/22 of 88.98% compared with 89.06% in 2020/21 and 94.33% in 2019/20 - a drop of 5.35% on the comparable pre-COVID position. The collection rate has been negatively impacted by the ending of the 100% Enhanced Retail Relief at the end of June as bills were issued for the first time. The City has also accepted longer payment arrangements than in the past which will also reduce in-year collection. It is hoped that the collection rate will improve over Q4.

Council Tax collection continues to improve with in year collection at 80.03% compared to 75.53% in 20/21 and only 2.17% behind 19/20. Commercial rent collection for Q2 is 84.28% compared to target 98% prior to the pandemic.

## Recommendation

Members are asked to note the report.

## **Main Report**

### **Current Position**

1. The last five months has been a productive period for the Finance team, with the production of the 2020/21 draft accounts and commencement of the audits; ongoing work relating to the COVID Recovery Fund; planning for the 2022/23 budget process and underpinning bilateral meetings; and continued work on the Finance for the Future workstreams to improve outcomes within the team and to its customers. Chamberlain's Court reopened for business in person 17 August 2021.
2. Chamberlain's staff have returned to the office a minimum of two days a week, with a minimum of three days a week from the end of February. Capacity of the office will shortly move from 40% to 60% bringing more desks back into action and allowing more colleagues to book desks on a given day.

### **20/21 Closing Accounts Update**

3. Statutory deadlines for City Fund draft and final accounts have moved from 1 June and 31 July (respectively) to 1 August and 30 September for the next two accounting years (2020/21 and 2021/22).
4. The draft City Fund accounts were published on 30 July, in line with the statutory deadline. Despite all efforts to sign off the City Fund accounts in December, this was not achieved due to a late technical query which could not be resolved in time. We have now agreed with BDO the actions needed and this work will be completed in the next week or so. Please note that this issue relates to the disclosures that support the cashflow statement and does not impact for main statements or change the underlying numbers in the accounts.
5. As previously flagged the City Fund audit should have been completed by 30<sup>th</sup> September. This was unachievable due to BDO resource constraints linked to delivery of last year's audits which were delayed due to the pandemic coupled with additional audit requirements. The audit sector more widely is highlighting a capacity issue in delivering to the revised local authority accounts publication deadlines; and DLUHC recently wrote to local authorities recognising the issue and have proposed several actions to address the continued delays including:
  - Providing £45m of additional funding to support local authorities over the next 3 years to strengthen financial reporting and meeting increased audit requirements;
  - Strengthening training and qualification options for local auditors and audit committee members;
  - Reviewing whether certain accounting and audit requirements could be reduced on a temporary basis, where these are of lesser risk to council. CIPFA is currently consulting on amendments to the valuation's requirements of operational property and a delay to implementing IFRS 16 covering lease recognition to reduce to burden on prepares and auditors of accounts;



- Extending the 21/22 audit deadline to 30 November 2022, and then 30 September until 2027/28.
6. These are welcomed interventions, however, due to the backlog of work created by these delays, it is likely that the 2021/22 accounts audit will still be impacted which for City Fund is coupled with new auditors beginning their term.
  7. The audits of BHE and City's Cash have been complete and signed off in December.

### **2022/23 budget setting**

8. Proposals for the 22/23 budget have been drafted and were initially presented at a joint meeting of Resource Allocation and Efficiency and Performance Sub Committees on 14 January. The proposals have taken into consideration feedback from bilateral meetings held to date, focusing on service delivery with a reduced financial envelope, alongside assumptions around inflation, policy priorities, returns on investments, capital requirements (including the latest estimates for major projects) and the outcome of Government funding announcements impacting City Fund and the City of London Police.
9. This will form the basis of the final proposals to be agreed by Finance Committee and the Court of Common Council in February/March.

### **Corporate Treasury Update**

10. The property insurance and the fine art insurance have both been successfully tendered (renewal date of 25 December). The Investment Consultant contract for the non-property investments for the Pension Fund, City's Cash and Bridge House Estates was successfully tendered and awarded to Mercer Limited

### **Business Rates, Business Support Grants, Council Tax & Accounts Receivable**

11. Business Rates collection has been maintained in difficult circumstances, with an in-year collection rate for Q3 2021/22 of 88.98% compared with 89.03% at the same point in 2020/21. This is still down on the pre pandemic level of 94.33% at Q3. The Business Rate in year collection rate is measured and reported nationally and is calculated by measuring the amount of business rates billed during the year (the collectable debit), against the amount collected by year end on 31<sup>st</sup> March. This means that significant changes to the collectable debit during the year will impact the collection rate. It also means that achieving 100% collection is impossible as arrangements with debtors or changes in liability that are billed later in the year may not be collected in year.
12. The ending of the 100% Enhanced Retail Relief in the middle of the year has resulted in an increase in the collectable debit and meant that the collection rate has been negatively impacted. It is appreciated that this sector has been significantly impacted by the pandemic and that these bills will be more difficult to collect. However, it is still expected that collection will improve during Q4.

13. Whilst 2021/22 in year collection has not improved as quickly as anticipated, it should be noted that the Business Rate Team have agreed longer arrangements and more creative payment plans to try to assist businesses weather the economic impact. This obviously impacts in year collection. However, cumulative collection which includes previous years arrears, has improved with an increase of 2.28% on this point last year. This indicates that longer arrangements and ongoing recovery continues to be successful.
14. The Business Rate Team has administered the Expanded Retail and Hospitality Relief for 2021/22 with 100% relief continuing to apply for three months, from 1 April 2021 to 30 June 2021, and at 66% for the remaining period, from 1 July 2021 to 31 March 2022.
15. The Team have finalised assessing and paying the various Government Business Support Grants that were available during 2021. All Business Support Grants were paid by the end of July 2021.
16. During December 2021 the Government announced to additional grant schemes to support retail, leisure and hospitality businesses through the recent period of restrictions. There will be funding for the Additional Restriction Grant (ARG), this is a discretionary grant, and the City will need to decide how to target this support. There is also an Omicron Hospitality and Leisure Grant which mirrors previous grant schemes. This provides businesses up to £6,000 in grant support depending on the rateable value of the property. It is expected that this scheme will be delivered during January once Government clarify the guidance.
17. Council Tax collection continues to improve with significant improvement at Q3 when compared to last year. Current in year collection is at 80.03% compared to 75.53% in 20/21. This is now only 2.17% behind 2019/20.
18. Investment Property Income collection is at 84.28% with arrears of £22.2m of which £20.3m relates to rent. This represents a marginal decrease in arrears in comparison with Q3. Whilst the recovery moratorium remains in place it will be difficult to significantly improve this position although efforts continue to engage with tenants to secure payment arrangements.

### **COVID Recovery Fund**

19. April saw the launch of the £50m COVID Recovery Fund for local/curb-side businesses within the square mile. Corporate Treasury and Revenues teams have worked to assess the grants and as at the 22 December, 311 payments have been approved with circa £13.7m paid.
20. Two Corporate Asset Recovery firms continue to review applications to the fund. This review ensures that the businesses we are supporting will be viable in 6-12 months. The firms give their recommendations, and the Corporation makes the final decision.

21. The scheme closed to new application at the end of July 2021, but payments may be made until end of March 2022.

### **Finance for the Future (FSD Transformation) workstreams**

22. The big focus in this quarter has been on developing the Chamberlain's TOM proposals, in the context of the wider and major programme to transform financial capability and culture. The structuring proposals were put to Finance Committee in December 2021 and approved by Establishment Committee in January 2023. The department is currently out to consultation on the new structure.

23. Work is also moving at pace on the Strategic Financial Analysis capability workstreams, with continuing development and testing of the markets project model and further, significant development of the City Fund and City's Cash MTFP models to provide better decision support into Committees on the financial position, scenarios and mitigation proposals.

### **ERP Oracle Project**

24. The Project will deliver the replacement of the current HR, Payroll and Finance systems (Midland HR and Oracle) into a single ERP solution primarily for the Corporation and its Institutional Departments in order to align with the new Target Operating Model (TOM). As the target operating model design has progressed and thinking on how enabling services will work, it is clear that the tools need to support a step change in culture and behaviours and free up resource for responsive value-added services, and agility in financial insight/advice. This replacement will enable the City to be "a first-class hub for financial and professional services", as well as provide the capability "to align teams and to provide those "enabling services to help the whole organisation to run effectively."

25. There are six phases to the ERP Programme:

- Discover
- Define and Develop Specification (Sept 2021- January 2022)
- Procure and Prepare (February – July 2022)
- Implementation (start September 2022)
- Embedding (Post go-live)
- Scale, Improve, Refocus ( On Going)

26. The team have completed the Discovery phase- identifying the 'as-is' and the 'to be' architecture maps and conducted soft market testing with several vendors. The findings informed the option appraisal and the approved outline business case.

27. The workshops have been completed for the Define and Develop Stage and findings reported to the Project Board. Next steps are to finalise the tender documentation. An officer tender working group, meeting weekly, with representatives across the organisation has been established for this purpose.

28. The new Project Manager will be on boarded on 14 February to take the programme into the third phase.
29. A Members Steering Group has also been appointed from key Committees to provide oversight and steer to the Project Board. Meetings are in the process of being set up.

### **Internal Audit Update**

30. Delivery of the programme of Internal Audit work is progressing well, with a total of 24 Audit reviews completed since 1 April 2021, work is at various stages of completion for a further 10 reviews.
31. In the past quarter, follow-up reviews have been undertaken in relation to 15 previous Audits. While recommendation implementation continues to be consistently high overall, this is currently found to be approximately 60% within the original timescales agreed. The Head of Audit and Risk Management is actively monitoring this performance measure.
32. The initial programme of work for 2022/23 has been prepared and reported to the January Audit and Risk Management Committee.

### **Freedoms**

33. The Chamberlains Court have continued to conduct ceremonies from mid-August. As COVID-19 cases increase more stringent measures have been put in place. Since returning in August the team have taken the following precautions in line with Corporation's cautious approach to the return:
- Reduced the numbers of guests invited to each ceremony.
  - Reduced number of ceremonies in one day so that guests are less likely to pass one another.
  - Move to digital by default approach, specifically card only payments in Chamberlain's Court, streamlined application process with online payments, document verification undertaken virtually.
34. A new Freedom applications system is to be implemented by the end of this quarter. The new software will manage freedoms administration providing the ability for statistical analysis as well as digitalising formerly manual processes. Users of the new system are to be provided with an enhanced experience when completing the application process. The system will provide increased resilience replacing an old heritage system which is no longer fit for purpose.
35. As the current Court Clerk prepares for retirement the post will be advertised shortly.

## **KPI Scorecard- other matters**

*The Score card reflects the 2021/22 Financial Year*

### **Appendices**

- Appendix 1 – Chamberlain's KPI Scoreboard

### **Contact:**

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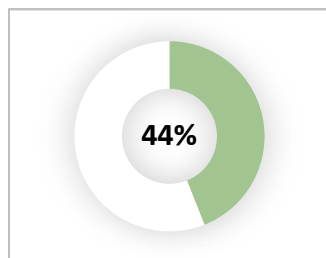
# Chamberlains KPI Scoreboard

As at 4th February 2022

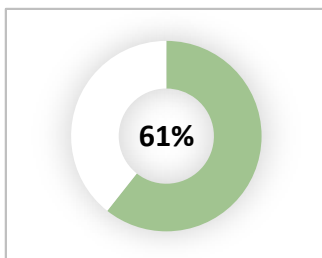


## Business Rates collection 21-22

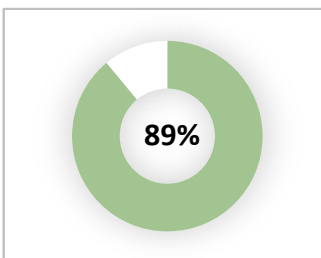
% collected (cumulative)



**Quarter 1**  
Target 28%



**Quarter 2**  
Target 58%



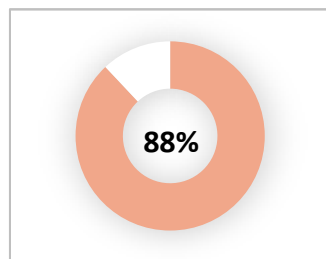
**Quarter 3**  
Target 89.25%

TBC

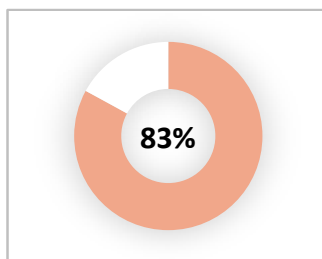
**Quarter 4**  
Target 99%

## Commercial Rent Collection 21-22

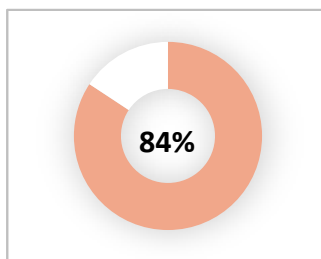
% collected



**Quarter 1**  
Target 98%



**Quarter 2**  
Target 98%



**Quarter 3**  
Target 98%

TBC

**Quarter 4**  
Target 98%



Publication of the Draft City Fund Accounts within Statutory Deadline of 31st July

**COMPLETE**



Publication of Audited accounts on 30<sup>th</sup> September  
*City's Cash completed in December City fund is still in progress*



Publication of City's Cash and BHE Accounts

**COMPLETE**

**IN PROGRESS (updates to July Committee)**  
Effective financial management: expenditure against departmental local risk budgets +/- 5% at year end

**ACHIEVED FOR 21/22**  
Delivery of a balanced budget and Medium-Term Financial Plan for City Fund, approved by Court of Common Council by 31 March



Professionally qualified accountancy staff as a % of total finance staff undertaking reporting, controls and decision support processes (measured annually)

**TARGET 25%** Page 71

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<b>Committee(s):</b> Finance Committee	<b>Dated:</b> 15 February 2022
<b>Subject:</b> Central Contingencies 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> Amanda Luk, Senior Accountant, Financial Services Division	

## Summary

This report has been produced to provide Members with an update on the Central Contingencies 2021/22 uncommitted balances.

## Recommendation(s)

Members are asked to:

- Note the Central Contingencies 2021/22 uncommitted balances.

## Main Report

### Background

1. Service Committee budgets are prepared within the resources allocated by the Policy and Resources Committee and, with the exception of the Policy and Resources Committee, such budgets do not include any significant contingencies. The budgets directly overseen by the Finance Committee therefore include central contingencies to meet unforeseen and/or exceptional items that may be identified across the City Corporation's range of activities. Requests for allocations from the contingencies should demonstrate why the costs cannot, or should not, be met from existing provisions.
2. In addition to the Central Contingencies, the Committee has a specific City's Cash Contingency of £125,000 to support humanitarian disaster relief efforts both nationally and internationally.

## Current Position

3. The uncommitted balances that are currently available for 2021/22 are set out in the table below:

2021/22 Central Contingencies – Uncommitted Balances 01 February 2022			
	City's Cash	City Fund	Total
	£'000	£'000	£'000
<b>Contingencies</b>			
2021/22 Provision	950	800	1,750
2020/21 Brought forward	0	206	206
<b>Total Provision</b>	<b>950</b>	<b>1,006</b>	<b>1,956</b>
Previously agreed allocations	(773)	(749)	(1,522)
Pending recommended allocation	0	0	0
Pending request on the agenda	0	0	0
<b>Total Commitments</b>	<b>(773)</b>	<b>(749)</b>	<b>(1,522)</b>
<b>Uncommitted Balances</b>	<b>177</b>	<b>257</b>	<b>434</b>
<b>National and International Disasters</b>			
Total Provision	125	0	125
Previous allocations	(75)	0	(75)
<b>Uncommitted Balance</b>	<b>50</b>	<b>0</b>	<b>50</b>

4. A contingency of £50,000 is held by Bridge House Estates (BHE). This is in case of a request for additional funding for a project that affects all three funds, enabling this Committee to consider the impact of the total request. The BHE Board would approve its portion of any such joint project. To date in 2021/22, there has been one joint funding request that affects all three funds, of which the BHE element is £31,000. All requests specific to BHE only are considered solely by the BHE Board.
5. At the time of preparing this report, there are no requests for allocations from contingency funds elsewhere on the agenda.
6. The sums which the Committee has previously allocated from the 2021/22 contingencies are detailed in Appendix 1.

## **Conclusion**

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

## **Appendices**

- Non- Public: Appendix 1 – Allocations from 2021/22 Contingencies

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