



Finance Committee

Date: TUESDAY, 20 SEPTEMBER 2022

Time: 12.45 pm

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

Members:

Deputy Henry Colthurst (Chairman)	Alderwoman Susan Langley
Deputy Randall Anderson (Deputy Chairman)	Gregory Lawrence
Munsur Ali	Alderman Tim Levene
Deputy Rehana Ameer	Paul Martinelli
Shahnan Bakth	Catherine McGuinness
Emily Benn	Deputy Andrien Meyers
Nicholas Bensted-Smith	Deputy Brian Mooney
James Bromiley-Davis	Eamonn Mullally
Alderman Professor Emma Edhem	Deputy Nighat Qureishi
Alderman Sir Peter Estlin	Paul Singh
Sophie Anne Fernandes	Tom Sleigh
Steve Goodman	Deputy Sir Michael Snyder
Martha Grekos	Deputy James Thomson
Deputy Madush Gupta	James Tumbridge
Deputy Ann Holmes	Mark Wheatley
Alderman Robert Hughes-Penney	Deputy Philip Woodhouse
Wendy Hyde	Deputy Christopher Hayward, Policy and Resources Committee (Ex-Officio Member)
Elizabeth Anne King	Deputy Keith Bottomley, Policy and Resources Committee (Ex-Officio Member)

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TBC**

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**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 19th July 2022.

For Decision
(Pages 7 - 14)

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

Report of the Chamberlain.

For Information
(Pages 15 - 16)

5. **DRAFT PUBLIC MINUTES OF THE OPERATIONAL PROPERTY AND PROJECTS SUB-COMMITTEE HELD ON 20TH JULY**

For Discussion
(Pages 17 - 26)

6. **RISK MANAGEMENT - TOP RISKS**

Report of the Chamberlain.

For Information
(Pages 27 - 34)

7. **2020-21 CITY FUND AND PENSION FUND STATEMENT OF ACCOUNTS - DELEGATION OF APPROVAL**

Report of the Chamberlain.

For Decision
(Pages 35 - 38)

8. **EIGHT AUTHORITY POOL**

The Chamberlain to be heard.

For Discussion

9. **TREASURY MANAGEMENT STRATEGY 2022/23 -PROPOSED AMENDMENT**

Report of the Chamberlain.

For Decision
(Pages 39 - 46)

10. **CITY RE LIMITED - PERFORMANCE MONITORING**

Report of the Chamberlain.

For Discussion
(Pages 47 - 70)

11. **CENTRAL CONTINGENCIES**

Report of the Chamberlain.

For Information
(Pages 71 - 72)

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

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

14. **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

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

To agree the non-public minutes of the meeting held on 19th July 2022.

For Decision
(Pages 73 - 78)

16. **DRAFT NON-PUBLIC MINUTES OF THE OPERATIONAL PROPERTY AND PROJECTS SUB-COMMITTEE HELD ON 20TH JULY**

For Discussion
(Pages 79 - 84)

17. **CAPITAL PROGRAMME REVIEW- UPDATE**

The Chamberlain to be heard.

For Discussion

18. **SALE OF LONG LEASES AT STORE STREET - REQUEST FOR DELEGATED AUTHORITY - CITY'S ESTATE**

Report of the City Surveyor.

For Decision
(Pages 85 - 86)

19. **CONTINGENCIES - NON-PUBLIC APPENDIX**

For Information
(Pages 87 - 88)

20. **NON-PUBLIC DECISIONS TAKEN UNDER DELEGATED AUTHORITY AND URGENCY PROCEDURES**

Report of the Town Clerk.

For Information
(Pages 89 - 102)

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

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

23. **CONFIDENTIAL MINUTES OF THE PREVIOUS MEETING**

To agree the confidential minutes of the meeting held on 19th July 2022.

For Decision

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FINANCE COMMITTEE

Tuesday, 19 July 2022

Minutes of the meeting of the Finance Committee held at Guildhall, EC2 on Tuesday, 19 July 2022 at 12.45 pm

Present

Members:

Deputy Henry Colthurst (Chairman)	Alderman Sir Peter Estlin
Deputy Randall Anderson (Deputy Chairman)	Steve Goodman
Munsur Ali	Wendy Hyde
Deputy Rehana Ameer	Alderwoman Susan Langley
Shahnan Bakth	Deputy Andrien Meyers
Emily Benn	Eamonn Mullally
James Bromiley-Davis	Deputy Christopher Hayward (Ex-Officio Member)

Observers

Nicholas Bensted-Smith
Deputy Madush Gupta
Deputy Ann Holmes
Deputy Nighat Qureishi
Deputy Philip Woodhouse

Officers:

Bob Roberts	- Director of Communications
Caroline Al-Beyerty	- Chamberlain's Department
Paul Wilkinson	- City Surveyor
Polly Dunn	- Town Clerk's Department
Gavin Stedman	- Markets & Consumer Protection Department
Sonia Virdee	- Chamberlain's Department
Genine Whitehorne	- Chief Operating Officer's Department
Sam Collins	- Chamberlain's Department
Dionne Corradine	- Chief Strategy Officer
Paul Chadha	- Comptroller & City Solicitor's Department
Anne-Marie Foster	- Museum of London
Phil Black	- Chamberlain's Department
Susie Pritchard	- Markets & Consumer Protection Department

1. APOLOGIES

Apologies for absence were received from Nicholas Bensted-Smith, Alderman Professor Emma Edhem, Martha Grekos, Madush Gupta, Ann Holmes, Alderman Robert Hughes-Penney, Elizabeth King, Alderman Tim Levene, Paul Martinelli, Catherine McGuinness, Nighat Qureishi, Tom Sleight, James Tumbridge, Mark Wheatley, Philip Woodhouse, and Keith Bottomley.

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 summary of the meeting held on 14th June be approved as an accurate record.

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

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

RESOLVED – that the Committee noted the Report.

5. **DRAFT PUBLIC MINUTES FROM THE PROPERTY INVESTMENT BOARD - 20TH JUNE 2022**

The Committee received the minutes of the Property Investment Board meeting of 20th June.

A Member queried whether, given the wider considerations about residents' concerns, responsibility for the London Wall West Development should sit with the Property Investment Board.

In response, the Chairman of Policy & Resources pointed out that, whilst PIB was the sponsoring Committee for this matter, the overall policy around the London Wall West site sits with the Policy & Resources Committee. P&R have discussed this subject extensively and provided a clear steer to officers that, whilst it was vital to consider and respond to the views and concerns of residents living in the vicinity of London Wall West, the receipts from the development were critical when it came to funding the new Museum of London. Maximising our return, whilst working to mitigate the concerns of residents without diminishing the overall site value was the optimal approach. Consultations would continue with residents, and it was hoped that the final proposal would be sensitive to the needs of all stakeholders.

In addition, the Chairman of P&R and the Chamberlain highlighted the work that had gone into the affordability modelling for the Centre for Music (the previous proposal for the site) and emphasised that, ultimately, the finances for that project did not stack up, even with the option of additional commercial activities included in the site. Whilst understanding the desire amongst residents for an alternative cultural offering on the site, it was pointed out that the receipt from the development of the site would be used for the completion of the new Museum of London, a major cultural attraction in its own right, so maximising the returns was vitally important.

The Chair of the Property Investment Board added that several residents had attended the PIB meeting earlier in the day to contribute to the discussions around London Wall West and this dialogue would continue.

The Chairman pointed out that whilst what ends up on the site is for others to determine, the acute fiscal situation we now find ourselves in determined that the financial return from the site is paramount, especially when considering the viability of the City's support of the new Museum.

A Member requested that, given the likelihood that this would remain a contentious issue for some time, all Members of the Court were kept abreast of these matters as we moved forward.

RESOLVED – That the Committee noted the Minutes.

6. **DRAFT PUBLIC MINUTES FROM OPERATIONAL PROPERTY AND PROJECTS SUB-COMMITTEE - 21ST JUNE 2022**

The Committee received the minutes of the Operational Property and Projects Sub-Committee meeting of 21st June.

RESOLVED – that the Committee noted the Minutes.

7. **EFFICIENCY AND PERFORMANCE SUB COMMITTEE - ROLE AND WORK PROGRAMME**

The Committee considered a Report of the Chamberlain concerning the future role and work programme of the Efficiency & Performance Sub-Committee.

RESOLVED – that the Committee approved the following:

- The proposed work programme outlined at paragraph 10 in the Report.
- Formation of an Efficiency and Performance working party rather than a Sub-Committee.

8. **CHAMBERLAIN'S DEPARTMENTAL RISK MANAGEMENT - MONTHLY REPORT**

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

Highlighting Risk CHB001b (concerning recruitment), a Member queried what action was being taken in response to the current high level of vacancies in the Department and across the organisation as a whole; she highlighted the City's failure to pay salaries comparable to market rates as a key factor behind the vacancy rate.

The Chamberlain responded that, at least in her Department, the picture was mixed, with higher vacancies in the Strategic Finance area compared to other sections, and, in general, a candidate pool which was not as wide as had been the case in previous years. More positively, however, successful appointments had been made to a number of key senior positions in recent weeks.

The Chamberlain also pointed out that recent interviews had revealed that working from home had become more of a normalised request from candidates, with several pulling out of the process due to the Corporation's three day a week policy.

In terms of mitigations, the Chamberlain, the City Surveyor, and the Chief Operating Officer highlighted several areas, including the establishment of Jobs Families, rationalisation of MFS requests, more competitive salaries in areas such as City Surveyors, and a renewed focus on non-pay rewards. These proposals, amongst others, would be presented formally to Members later this year in a Remuneration and Rewards Strategy Report. The COO pointed out that, if Members were minded to increase salary packages in line with the market, a further options paper would need to come back to Finance Committee to consider the budgetary implications.

An officer added that vacancies was now also on the Corporate Risk Register – The Executive Director of Human Resources and Chief People Officer would be managing this going forward.

RESOLVED – that the Committee noted the Report.

9. **2021/22 PROVISIONAL OUTTURN**

The Committee considered a Report of the Chamberlain concerning the 2021/22 Provisional Outturn.

In response to a query, the Chamberlain emphasised that overspending departments would be subject to star chambers led by her and the Town Clerk during the autumn and this would be supplemented by scrutiny from the Efficiency & Performance Working Party.

RESOLVED – that the Committee approved the following:

- Note the report.
- Agree to waive the deficit carry forward provision for 2021/22

10. **CAPITAL AND SUPPLEMENTARY REVENUE PROJECT OUTTURN 2021/22 FOR CITY FUND AND CITY'S CASH AND PRUDENTIAL INDICATORS**

The Committee received a Report of the Chamberlain concerning the Capital and Supplementary Revenue Project Outturn 2021/22 for City Fund and City's Cash and Prudential Indicators.

RESOLVED – that the Committee noted the Report.

11. **REVENUE OUTTURN 2021/22 - FINANCE COMMITTEE - OPERATIONAL SERVICES**

The Committee received a Report of the Chamberlain concerning the revenue outturn for the services overseen by the Finance Committee in 2021/22 with the final budget for the year.

RESOLVED – that the Committee noted the Report.

12. **BUDGET MONITORING Q1 2022/23**

The Committee received a Report of the Chamberlain concerning budget monitoring for Q1 2022/23.

RESOLVED – that the Committee noted the Report.

13. KEY INCOME COLLECTION UPDATE

The Committee received a Report of the Chamberlain concerning collection performance for the City of London's income streams including key income streams for Investment Property, Operational Property, Business Rates, and Council Tax.

RESOLVED – that the Committee noted the Report.

14. CHAMBERLAINS BUSINESS PLAN QUARTER 1 UPDATE

The Committee received a Report of the Chamberlain concerning the departmental Business Plan.

RESOLVED – that the Committee noted the Report.

15. 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.

16. DECISIONS TAKEN UNDER DELEGATED AUTHORITY AND URGENCY PROCEDURES

The Committee received 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).

RESOLVED – that the Committee noted the Report.

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

There were no questions.

18. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT

The following items of urgent business were raised –

The Chairman asked Members to endorse Madush Gupta to take his ex-officio role on the Operational Property and Projects Sub-Committee for the remainder of 2022/23. Members were content to endorse.

The Chairman informed Members that a Local Government finance training session would be provided by Grant Thornton in September/October. A formal invitation will follow in due course to all Members of the Finance Committee.

The Chairman's Open Surgery sessions would now revert to a frequency of once a month (approx. two weeks after meetings of the Finance Committee).

19. **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.
20. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**
RESOLVED – That the non-public minutes of the meeting held on 14th June be approved as an accurate record.
21. **DRAFT NON-PUBLIC MINUTES FROM THE PROPERTY INVESTMENT BOARD - 20TH JUNE 2022**
The Committee received the non-public minutes of the Property Investment Board meeting of 20th June.
22. **DRAFT NON-PUBLIC MINUTES FROM OPERATIONAL PROPERTY AND PROJECTS SUB-COMMITTEE - 21ST JUNE 2022**
The Committee received the non-public minutes of the Operational Property and Projects Sub-Committee meeting of 21st June.
23. **PROVISION FOR BAD AND DOUBTFUL DEBTS**
The Committee received a Report of the Chamberlain concerning the provision for Bad and Doubtful Debts as at 31st March 2022.
24. **CHAMBERLAIN'S FINANCIAL OUTLOOK**
The Committee received a presentation from the Chamberlain concerning the City's financial outlook going into the 2023/24 FY budget cycle.
25. **HEATHROW ANIMAL RECEPTION CENTRE - FORWARD PLAN**
The Committee considered a Report of the Executive Director – Environment concerning the Heathrow Animal Reception Centre.
26. **MUSEUM OF LONDON PAY AWARD**
The Committee considered a Report of the Director of the Museum of London concerning the Museum's Staff Pay Award.
27. **INTEGRATED FACILITIES MANAGEMENT FRAMEWORK AWARD**
The Committee considered a Report of the City Surveyor concerning the preferred suppliers to the Facilities Management Framework Award.
28. **CITY FUND - 95 QUEEN VICTORIA STREET - HEADLEASE VARIATION**
The Committee considered a Report of the City Surveyor concerning 95 Queen Victoria Street.
29. **CITY FUND - 21-26 GARLICK HILL, EC4 - SALE OF A LONG LEASEHOLD INTEREST**
The Committee considered a Report of the City Surveyor concerning 21-26 Garlick Hill.

30. **CITY'S ESTATE : MAJOR REFURBISHMENT / EXTENSION OF THE COURTYARD - 1 ALFRED PLACE BUILDING IN TOTTENHAM COURT ROAD, W1. - GATEWAY 3/4 REPORT**

The Committee considered a Report of the City Surveyor concerning 1 Alfred Place, W1.

31. **CITY'S ESTATE: 22-24 BRUTON LANE, 8-14 GRAFTON ST & 163/164 NEW BOND ST (THE GRAFTON SITE) - LEASE RESTRUCTURE AND DEVELOPMENT AGREEMENT.**

The Committee considered a Report of the City Surveyor concerning the Grafton Site.

32. **CITY'S ESTATE : LEASE RESTRUCTURE FOR A CAPITAL PREMIUM & LEASEHOLD ACQUISITION : NEW BROAD ST HOUSE AND IRONGATE HOUSE**

The Committee considered a Report of the City Surveyor concerning New Broad Street House and Irongate House.

33. **CONTINGENCIES NON PUBLIC APPENDIX**

The Committee noted the non-public appendix to ITEM 15 (Contingencies).

34. **NON-PUBLIC DECISIONS TAKEN UNDER DELEGATED AUTHORITY AND URGENCY PROCEDURES**

The Committee noted a Report of the Town Clerk detailing non-public decisions taken under delegated authority and urgency procedures since the last meeting.

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

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

36. **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.

37. **CONFIDENTIAL MINUTES**

RESOLVED – That the confidential minutes of the meeting held on 14th June be approved as an accurate record.

38. **IT SERVICE TRANSITION**

The Committee considered a Report of the Chief Operating Officer concerning the IT Service Transition.

The meeting ended at 2.17 pm

Chairman

Contact Officer: John Cater/ john.cater@cityoflondon.gov.uk

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FINANCE COMMITTEE – WORK PROGRAMME 2022-23

	July-22	Sept-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	March-23	April - 23
Budget Setting Process & Medium-Term Financial Planning	Update on Budget setting approach 22/23			Finance Committee' s Estimate report	Autumn Budget	2023/24 Annual Capital Bids	City Fund Budget Report and Medium-Term Financial Strategy City Cash Budget report and Medium-Term Financial Strategy		
Effective Financial Management Arrangements for The City Corporation	Capital Outturn report21/22 Budget Monitoring Q1 Provision for Bad and Doubtful Debts Revenue Outturn report 21/22 Rental Income and Business Rate update Q1	City Re Limited – performance monitoring		Capital Projects – Forecasting Capital Outturn Q1 Q2 Budget monitoring		Q3 Budget monitoring	Annual on-street parking Accounts 2021/22 and related funding of Highway Improvements and Schemes Revenue Budget monitoring Housing Review Account		Update of Finance Regulations
Financial Statements				City's cash financial statements City's Cash trust funds and sundry trust funds annual reports and financial statements	City Fund and Pension Fund statement of accounts				
Finance Committee as a Service Committee	Central Contingencies Risk Management Monthly Report Chamberlain's Business plan Q report	Central Contingencies Risk Management Update Report		Central Contingencies Risk Management Update Report Chamberlain's Business 2023-24 Chamberlain's Business plan Q report City Procurement Q update	Central Contingencies Risk Management Update Report	Central Contingencies Risk Management Update Report Chamberlain's Business plan Q report	Central Contingencies Risk Management Update Report City Procurement Q update	Central Contingencies Risk Management Update Report	Central Contingencies Risk Management Update Report Chamberlain's Business plan Q report

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OPERATIONAL PROPERTY AND PROJECTS SUB COMMITTEE **Wednesday, 20 July 2022**

Minutes of the meeting of the Operational Property and Projects Sub Committee held at Committee Rooms, West Wing, Guildhall on Wednesday, 20 July 2022 at 1.45 pm

Present

Members:

Alderman Timothy Hailes (Chair)
Deputy Rehana Ameer (Deputy Chair)
Deputy Randall Anderson
Deputy Michael Cassidy
Deputy Christopher Hayward
Deputy Shravan Joshi
Deputy Edward Lord
Anett Rideg

Officers:

Sarah Baker	- Chief Operating Officer's Department
Rohit Paul	- Chief Operating Officer's Department
Jason Hayes	- Community and Children's Services
Ian Hughes	- Environment Department
Tom Noble	- Environment Department
Ola Obadara	- City Surveyor's Department
Andrew Thwaites	- Open Spaces Department
Sonia Virdee	- Chamberlain's Department
Genine Whitehorne	- Chief Operating Officer's Department
John Galvin	- City Surveyor's Department
Alistair Cook	- City of London Police
Joseph Anstee	- Town Clerk's Department

1. APOLOGIES

Apologies for absence were received from Deputy Keith Bottomley and Paul Martinelli.

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

There were no declarations.

3. MINUTES

RESOLVED – That the public minutes and non-public summary of the meeting held on 21 June 2022 be agreed as a correct record.

4. PRESENTATION - PROJECT GOVERNANCE

The Chair advised that the presentation would be deferred in order that two proposals regarding projects could be considered by the Sub Committee.

The Chair advised that arising from concerns regarding the Gateway process and Project Procedure, he felt it was an appropriate time to undertake a review in order to assess processes both outside of and towards committee meetings. The Chair advised that he would seek delegated authority to the Town Clerk, in consultation with the Chair and Deputy Chair, to commission the review, which would be undertaken via a proper process, seeking the approval of the Policy & Resources Committee and engaging external assistance as appropriate.

A Member commented that they agreed with the Chair's analysis and that a review was desirable and necessary, the process having grown in an uncontrolled way. The Member added that capital outlay and investment should be for the benefit of the community, and that the process should encourage applications for smaller asks, but in as efficient a way as possible. The Member then gave his support to the wider projects procedure review. Another Member added that it seemed an appropriate moment to undertake this work and commended the leadership in tackling the matter.

The Chair advised that even with the full effect of increased delegation to officers as part of the interim project governance arrangements, thirteen decision items would still have been on the agenda for the meeting, and therefore delegation to officers could go further. The Chair added that the review must involve officers, and that there were positive elements of the existing arrangements that could be taken forward. Arising from the discussion, the Sub Committee endorsed the wider projects review and agreed to delegate authority for this to be actioned.

Secondly, the Chair proposed that arising from decisions taken at the previous day's Resource Allocation Sub Committee meeting, all Gateway reports up to Gateway 5 on the agenda should be deferred, with authority delegated to the Town Clerk, in consultation with the Chair and Deputy Chair, to agree the reports following a cost-based review of individual items. The Chair added that depending on the status of the project, officers should need to either submit re-costed proposals taking inflationary pressures into account, along with proposed mitigants, or submit a clear exposition of whether they were statutory or obligatory requirements or whether they were desirable rather than essential – along with the same costing analysis, and an assessment of breakage cost if the project were terminated.

The Chair commented that he felt this could be done in parallel with the wider projects review, and that this should not be considered a cancellation of any project. However, refreshed reports with the information requested would be required before projects could be progressed.

A Member commented that they supported this action, but queried the timescales of the pause and whether it might lead to a lengthening of the pipeline. The Chair responded that there was no reason decisions could not be taken quickly if the right information were provided. The Chair added that there would never be a perfect time to undertake this type of action, given that there would always be projects in flight, and that decisions requiring faster approval

could be prioritised or expedited if needed. A Member commented that some projects may cost more to pause or stop than to complete and asked that this be taken into account.

RESOLVED – That the Operational Property and Projects Sub Committee:

- i) Delegate authority to the Town Clerk, in consultation with the Chair and Deputy Chair, to commission a review of the Gateway process and Projects Procedure;
- ii) Agree to defer decisions on all Gateway 1-5 project reports, with authority delegated to the Town Clerk, in consultation with the Chair and Deputy Chair, to agree these reports pending approval to proceed with the project arising from the agreed capital programme review.

5. **GATEWAY 1-5 - CEMETARY EXCAVATOR REPORT**

RESOLVED – That authority be delegated to the Town Clerk, in consultation with the Chair and Deputy Chair, to agree the report pending approval to proceed with the project arising from the agreed capital programme review.

6. **GATEWAY 3 ISSUE - MANSION HOUSE STATION ENVIRONS - LITTLE TRINITY LANE PUBLIC REALM ENHANCEMENTS**

RESOLVED – That authority be delegated to the Town Clerk, in consultation with the Chair and Deputy Chair, to agree the report pending approval to proceed with the project arising from the agreed capital programme review.

7. **GATEWAY 3-4 - LONDON WALL CAR PARK JOINTS AND WATERPROOFING**

RESOLVED – That authority be delegated to the Town Clerk, in consultation with the Chair and Deputy Chair, to agree the report pending approval to proceed with the project arising from the agreed capital programme review.

8. **GATEWAY 4 ISSUE - CITY CLUSTER - WELLBEING AND CLIMATE RESILIENCE PROGRAMME: GREEN STREETS PROJECT**

RESOLVED – That authority be delegated to the Town Clerk, in consultation with the Chair and Deputy Chair, to agree the report pending approval to proceed with the project arising from the agreed capital programme review.

9. **GATEWAY 4C-5 - MOOR LANE ENVIRONMENTAL ENHANCEMENTS**

RESOLVED – That authority be delegated to the Town Clerk, in consultation with the Chair and Deputy Chair, to agree the report pending approval to proceed with the project arising from the agreed capital programme review.

10. **GATEWAY 6 - 150 BISHOPSGATE**

The Sub Committee considered a Gateway 6 report of the Executive Director of Environment regarding the 150 Bishopsgate project. The Chief Operating Officer confirmed that no additional funding would be required to close the project.

RESOLVED – That the Operational Property and Projects Sub Committee:

- i) Approve the content of this report and agree to close this project once the outstanding actions referred to in section 12 are complete;
- ii) Approve the budget adjustment related to staff costs to be actioned as outlined in Appendix 4;
- iii) Authorise the transfer of any underspend to the Jubilee Gardens project budget, part of the City Cluster Vision Wellbeing and Climate Change Resilience programme, subject to the developer's agreement (and any necessary agreements), or if the developer does not agree the transfer of underspend, authorise return of unused funds to the developer, including any accrued interest as per the S278 agreement.

11. GATEWAY 6 - BERNARD MORGAN HOUSE PUBLIC REALM

The Sub Committee considered a Gateway 6 report of the Executive Director of Environment regarding the project to deliver public realm enhancements in the area surrounding the new development at Bernard Morgan House. The Chief Operating Officer confirmed that no additional funding would be required to close the project. The Sub Committee noted that Members had received representations from a member of the public regarding the project. The Executive Director of Environment confirmed that a direct response to the correspondent had been provided regarding their concerns.

A Member advised that they had recently visited the site, and that the work deserved commendation. However, there were issues with the surrounding area such as paving requiring improvement, and the Member asked that this be looked at. Another Member commented that a complaint had been received in respect of a related matter and that any response should be co-ordinated between the Sub Committee and the Planning & Transportation Committee.

RESOLVED – That the Operational Property and Projects Sub Committee:

- i) Approve the content of this report and agree to close this project;
- ii) Approve the budget adjustment related to staff costs to be actioned as outlined in Appendix 4;
- iii) Authorise to use a portion of unspent funds (£15,000) for improvements to the north footway in Fann Street between Viscount Street and Golden Lane; and
- iv) Authorise the return of any underspend to the owner or their successor in title following finalisation of the account.

12. GATEWAY 6 - KENLEY REVIVAL PROJECT. A NATIONAL LOTTERY HERITAGE FUND (FORMERLY HLF) FUNDED PROJECT

The Sub Committee considered a Gateway 6 report of the Executive Director of Environment regarding the Kenley Revival Project. The Chief Operating Officer confirmed that no additional funding would be required to close the project. In

response to a question from the Chair, the Director of Open Spaces outlined the lessons learned from the project and clarified the central funding commitment during the project.

RESOLVED – That the Operational Property and Projects Sub Committee:

- 1) Agree that the positive balance in the project's capital budget of £30,666.41 be transferred to the West Wickham and Coulsdon Commons local risk budget as a reserve to contribute towards ongoing maintenance costs; and
- 2) Approve closure of the project.

13. **'INTERIM' POLICE CAPITAL LOAN-FUNDING REQUIREMENT, 22/23***

The Sub Committee received a report of the Commissioner of Police regarding the 2022/23 interim police capital loan-funding requirement.

RESOLVED – That the report be noted.

14. **GATEWAY 3 PROGRESS - WEST SMITHFIELD AREA PUBLIC REALM AND TRANSPORTATION PROJECT***

The Sub Committee received a report of the Executive Director of Environment regarding the West Smithfield Area Public Realm and Transportation project. In response to a question from a Member, the Executive Director of Environment advised that further formal consultation on the project was planned and officers would ensure this was properly advertised.

RESOLVED – That the report be noted.

15. **CITY SURVEYOR'S DEPARTMENTAL RISK REGISTER - JUNE 2022 UPDATE***

The Sub Committee received a report of the City Surveyor providing a quarterly update on the management of risks within the City Surveyor's Department.

RESOLVED – That the report be noted.

16. **CITY SURVEYOR'S BUSINESS PLAN 2021-26 QUARTER 4 2021/22 UPDATE***

The Sub Committee received a report of the City Surveyor providing details of progress in quarter 4 (January to March) 2021/22 against the 2021-26 Business Plan.

RESOLVED – That the report be noted.

17. **2021/22 ENERGY & DECARBONISATION PERFORMANCE Q4 UPDATE FOR THE OPERATIONAL PORTFOLIO***

The Sub Committee received a report of the City Surveyor presenting the 2021/22 Quarter 4 energy performance for CoL operational sites.

RESOLVED – That the report be noted.

18. **CAS NZ1, NZ3 AND RS3 WORKSTREAM UPDATE FOR THE OPERATIONAL PORTFOLIO***

The Sub Committee received a report of the City Surveyor presenting an update on the key actions of the operational buildings workstreams as part of the Climate Action Strategy (CAS).

RESOLVED – That the report be noted.

19. **MEES COMPLIANCE STRATEGY FOR OPERATIONAL BUILDINGS***

The Sub Committee received a report of the City Surveyor regarding the Operational Property portfolio's compliance with Minimum Energy Efficiency Standard (MEES) regulations.

RESOLVED – That the report and the number of properties without a valid EPC be noted.

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

There were no questions.

21. **ANY OTHER BUSINESS THE CHAIR CONSIDERS URGENT**

In addition to the reviews around the projects aspect of the Sub Committee's remit, the Chair advised that he had asked for a list of all operational properties and some information in respect of them such as vacancy and occupancy rates, and maintenance records, which would be circulated to Members of the Sub Committee after the meeting. The Chair added that the Sub Committee had responsibility for efficient management of the portfolio, and that they would need to consider all options to achieve this, including disposal. The Chair suggested that following the summer recess, the Sub Committee review the portfolio in conjunction with service committees to assess the use of these assets and their cost.

A Member commented that there had not been enough action in respect of maintenance, with numerous examples of overdue work going back over 20 years, which now had significant costs attached to them. The Member added that there was too much desire to hold on to ineffectual property, and a closer look and consideration of all options was required. Another Member commented that whilst they disagreed with the principle of disposal, it was right for the Sub Committee to review the operational property portfolio, and suggested that authority be sought from the Policy & Resources Committee or Court of Common Council for the Sub Committee to take required action.

The Chair advised that he would undertake sufficient fact-finding with a view to collecting enough detail and a breakdown of financial information such as cost and bow wave, and would seek any clarification required on governance mechanisms by which to resolve disputes.

22. **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 item(s) on the grounds that they involve the likely disclosure of exempt information as defined in Part I of the Schedule 12A of the Local Government Act.

Item No.	Paragraph No.
24-30, 32-34	3
31, 35	3,7
36-41	3
42	4
43-44	-
45	1,2,4

23. **NON-PUBLIC MINUTES**

RESOLVED – That the non-public minutes of the meeting held on 21 June 2022 be agreed as a correct record.

24. **INTEGRATED FACILITIES MANAGEMENT FRAMEWORK AWARD REPORT**

The Sub Committee considered a report of the City Surveyor.

25. **CITY ASSESSMENT CENTRE**

The Sub Committee considered a report of the Chief Operating Officer.

26. **GATEWAY 1-5 - CITY OF LONDON POLICE VEHICLE FLEET IMPROVEMENT PROGRAMME 2022/23**

The Sub Committee considered a report of the Commissioner of Police.

27. **GATEWAY 1-5 - CITY OF LONDON POLICE - HORSEBOX REPLACEMENT PROJECT 2022/23**

The Sub Committee considered a report of the Commissioner of Police.

28. **GATEWAY 2 - WALBROOK WHARF FEASIBILITY 2027 AND BEYOND**

The Sub Committee considered a report of the City Surveyor and the Executive Director of Environment.

29. **GATEWAY 2 - CENTRAL CRIMINAL COURT - CELL AREA DUCTING AND EXTRACT SYSTEM BALANCING**

The Sub Committee considered a report of the City Surveyor.

30. **GATEWAY 3 - BARBICAN FIRE SAFETY AND BARBICAN/GSMD CONFINED SPACES**

The Sub Committee considered a report of the City Surveyor.

31. **GATEWAY 3/4 - IN-CAR AUDIO-VISUAL**

The Sub Committee considered a report of the Commissioner of Police.

32. **GATEWAY 3/4 - REFURBISHMENT/EXTENSION OF: THE COURTYARD - 1 ALFRED PLACE, W1**
The Sub Committee considered a report of the City Surveyor.
33. **GATEWAY 4C - BARBICAN PODIUM WATERPROOFING, DRAINAGE AND LANDSCAPING WORKS (BEN JONSON, BRETON & CROMWELL HIGHWALK) PHASE 2 – 1ST PRIORITY ZONE**
The Sub Committee received a report of the Executive Director, Community and Children's Services.
34. **GATEWAY 4C - GUILDHALL COOLING PLANT REPLACEMENT**
The Sub Committee considered a report of the City Surveyor.
35. **GATEWAY 5 - BISHOPSGATE ARMOURY PROJECT**
The Sub Committee considered a report of the Commissioner of the City of London Police.
36. **GATEWAY 5 - WINDSOR HOUSE WINDOW REPLACEMENT AND COMMON PARTS REDECORATIONS**
The Sub Committee considered a report of the Executive Director, Community and Children's Services.
37. **GATEWAY 5 - YORK WAY ESTATE PROVISION OF SOCIAL HOUSING**
The Sub Committee considered a report of the Executive Director, Community and Children's Services.
38. **GATEWAY 5 ISSUE - INSTALLATION OF SPRINKLERS IN SOCIAL HOUSING BLOCKS**
The Sub Committee considered a report of the Executive Director, Community and Children's Services.
39. **DELEGATED AUTHORITY REQUEST - CITY FUND - REFURBISHMENT/EXTENSION OF 6 BROAD STREET PLACE AND 15-17 ELDON STREET**
The Sub Committee considered a report of the City Surveyor.
40. **DELEGATED AUTHORITY REQUEST - ASSESSMENT CENTRE FOR ROUGH SLEEPERS**
The Sub Committee considered a report of the Executive Director, Community and Children's Services, and the City Surveyor.
41. **CITY'S ESTATE & CITY FUND 21/22 CYCLICAL WORKS REVENUE OUTTURN REPORT***
The Sub Committee received a report of the City Surveyor.
42. **GATEWAY 5 PROGRESS - BARKING REACH POWER STATION - SITE REMEDIATION PROJECT***
The Sub Committee received a report of the City Surveyor.

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

There were no questions.

44. **ANY OTHER BUSINESS THAT THE CHAIR CONSIDERS URGENT AND WHICH THE SUB COMMITTEE AGREES SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**

There was no other business.

The Chair thanked officers for their attendance and asked those not presenting a confidential item to withdraw before the Sub Committee moved into confidential session.

45. **CITY SURVEYOR'S DEPARTMENT - TOM**

The Sub Committee considered a report of the City Surveyor.

The meeting ended at 2.37 pm

Chair

Contact Officer: Joseph Anstee
joseph.anstee@cityoflondon.gov.uk

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Committee(s)	Dated:
Finance Committee	20 September 2022
Subject: Chamberlain's Departmental Risk Management Update	Public
Does this proposal require extra revenue and/or capital spending?	No
If so, how much?	N/A
What is the source of Funding?	N/A
Has this Funding Source been agreed with the Chamberlain's Department?	N/A
Report of: The Chamberlain	For Information
Report author: Hayley Hajduczek, Chamberlain's Department	

Summary

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

There are currently no RED risks on the Corporate Risk Register within the responsibility of the Chamberlain and no RED risks on the Chamberlain's departmental risk register.

The Chamberlain'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 previously 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 this committee has requested reports are kept short with details held within the appendix, these reports will be altered to note only significant updates or changes and all the detail will be held in the Chamberlain's Departmental Risk Register in an appendix.

Current Position

2. This report provides an update on the current risks that exist in relation to the operations of the Chamberlain's Department.
3. CR35 Unsustainable Medium-Term Finances score remains at 12 (amber). There has been no event to cause a trigger (as agreed by this committee) to increase this score the full detail of this risk can be found in appendix 1.
4. Good progress continues to be made on the CHB 001 Chamberlain's department transformation. Learning champions have been assigned to identified learning areas, the first meeting of the champions is to be held in this month. Action plans have been developed by individual teams and will be used to draft the Chamberlain's Departmental Business Plan for 2023-24.

Conclusion

5. Members are asked to note the actions taken by Chamberlain'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

- Appendix 1 - Departmental Risk Registers

Background Papers

Chamberlain's Departmental Risk Management Update Reports to Finance Committee.

Hayley Hajduczek

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Chamberlain's Department

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Appendix 1 - CHB Corporate and departmental risks

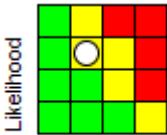
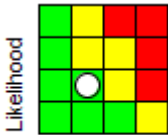


Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
CR35 Unsustainable Medium Term Finances <div>Page 29</div>	<p>Causes: High inflation –Office for Budget Responsibility forecasting peak in Autumn 2022 Contraction in key income streams and increase in bad debts following post pandemic change in working practices Police Transform programme fails to realise the budget mitigations anticipated within the MTFP Anticipated decline in public sector funding (local government and Police), increasing demands (revenue and capital) and an ambitious programme of major project delivery threaten our ability to continue to deliver a vibrant and thriving Square Mile</p> <p>Event: Inability to contain financial pressures within year (2022/23) and compensatory savings and/or income generation to meet the Corporation's forecast medium term financial deficit will not be realised.</p> <p>Effects: Additional savings over and above those identified through the Fundamental Review to meet this challenge are required, 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. Stakeholders experiencing reduced services and service closures.</p>	<div>Likelihood</div> <div>Impact</div>	12	<p>Retail Price Index rose by 12.3% and Consumer Price Index rose by 10.1% in 12 months to May 2022 (up by 3.3% and 3.1% respectively since March 2022). OBR are forecasting further increases, peaking in Autumn 2022, which will create pressures on service/departmental 2022/23 budgets and on the Housing Revenue Account.</p> <p>Pinch points are currently being identified by finance business partners. Mitigations now include bolstering inflation contingencies from carry forwards and tight financial disciplines. Further mitigations were discussed at Resource Allocation Sub Away Day in June.</p> <p>Income from investment property and from business rates holding up well. Reserves are not being utilised.</p> <p>The risk score is being maintained at amber 12, although the trajectory of risk is increasing. No trigger points reached at this stage.</p> <p>Further mitigations: Review capital programmes and major commitments;</p>	<div>Likelihood</div> <div>Impact</div>	8	31-Mar-2023	

19-Jun-2020 Caroline Al-Beyerty				operational property review (surplus/ageing assets), including options for cyclical works programme; untapped income generation. 08 Sep 2022			Accept	Constant
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Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CR35d	Inability of some ratepayers to pay rates due to change in working patterns post pandemic, especially retail, hospitality and leisure sectors. A reduction in demand for office space in the square mile, leading to lower occupation and business rate income. Triggers • Change to business rate reset (further deferral will result in a positive impact). • Shift from commercial to residential. • Reduction in Rateable Value (the risk is minimal). • Changes to methodology in business rate calculations.	<ul style="list-style-type: none"> Monthly monitoring in place. The 2021/22 collection rate figure is 95.29%, which is 0.97% up on last year and only 2.07% down on 2019/20 (97.36%). Collection continues to hold up in 22/23. The COVID Additional Restriction Relief scheme (CARF) has been provided to 11,500 businesses. This resulted in a 20% reduction to business rates bills for 21/22 and represents a total of £60m in relief. Collection fund deficit to be factored into the MTFP. There has been an increase in the amount of empty property resulting in more relief being claimed. 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. Impacts will continue to be monitored. 	Phil Black	08-Sep-2022	31-Mar-2023
CR35e	A reduction in key income streams and increase in bad Debt <i>Triggers: Increase in loss of property investment portfolio income over £5m p.a.</i>	<p>This is being monitored monthly, with action being taken to reduce spend where possible.</p> <p>Budget forecast for 22/23 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. The moratorium against legal action for recovery has now lifted.</p> <p>Sums to mitigate risk are being held in Reserves - £30m in City Fund.</p>	Sonia Virdee	08-Sep-2022	31-Mar-2023
CR35i	Impact on the HRA • Rising inflationary pressures in construction costs outstripping rental increases • Delays in residential units coming on stream delaying income • Increasing bad debt / long term reduction in commercial rent	<ul style="list-style-type: none"> Update report on latest projections for HRA presented to CCS and RASC in July. Option in the report for use of alternative sources of funding for Fire Safety Works element of Major Works Programme to enable HRA to remain in surplus. Need to monitor identified expenditure risks around recovery of leaseholder contributions following the decision not to allow the Appeal of the Great Arthur Cladding case. Housing 30 year Financial projections included in the July report. External HRA review commissioned, to be reported back to RASC in November. 	Mark Jarvis; Paul Murtagh	08-Sep-2022	31-Mar-2023

	<ul style="list-style-type: none"> • Expenditure risks around recovery of leaseholder contributions following Great Arthur house cladding case • Inability to fund future major works programme. 				
CR35j	<p>Impact of inflation</p> <ul style="list-style-type: none"> • Rising inflationary pressures on energy costs • Rising inflationary pressures on construction and labour costs 	<p>The MTFP approved on 10th March 2022 included the following mitigations:</p> <ul style="list-style-type: none"> • Inflation contingency held: 3% 22/23 and 1% 23/24 (23/24 includes 2% inflation increase within departments); • CF - £3m contingency ringfenced for construction inflation under Major Projects reserve. • CC - £1m contingency ringfenced for construction inflation under capital programme. • Initial exercise to capture key pressure points across CF and CC carried out by Finance Leadership Group and monitoring arrangements being put in place through finance business partners, in liaison with departmental management teams. <p>Mitigations were discussed at Resource Allocation Sub Committee Away Day, furthermore top up of contingencies from 2021/22 underspends have now been agreed.</p> <p>Update to Finance Committee to be presented on capital programme on 20th September, with report to RASC and P&R on 4th October.</p>	Sonia Virdee	08-Sep-2022	31-Mar-2023
CR35k	The effect of the war in Ukraine on finances and sanctions carried out.	Department of Community & Children's Services are monitoring the likely demands on services caused by the situation in Ukraine. So far numbers coming to the attention of services has been low and any related costs have been contained within existing budgets.	Sonia Virdee	08-Sep-2022	31-Mar-2023
CR35l	Achievement of current Savings Programme – includes flight path savings (Fundamental Review) and securing permanent year on year savings (12%).	<p>Biggest risk relates to Police - £13m p.a. cumulative sustainable savings included in MTFP. There is a risk to delivering elements of these savings plan and sustaining the savings.</p> <p>To monitor and manage residual risks to the Police MTFP post-BRP increase (including increased inflation, mitigation delivery risks and new areas of pressure or grant reduction).</p> <p>Star chamber led by the Chamberlain and Town Clerk are being planned over the Autumn to ensure departments are achieving savings. This is further supported by Member led bilateral meetings with service areas for departments that have not achieved year on year permanent savings.</p>	Alistair Cook; Sonia Virdee	09-Sep-2022	31-Mar-2023

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
CHB 001 Chamberlain's department transformation and knowledge transfer 12-Nov-2021 Caroline Al-Beyerty	Cause: The TOM changes are insufficient or implementation of radical change fails. The flexible retirement scheme has been taken up by many long term colleagues who will all be leaving the corporation by March 2022. The TOM is also creating anxiety which in turn could cause colleagues to find roles elsewhere. Event: Culture change is insufficient. Corporate memory is lost. The Chamberlain's Department is not fit for the future. Effect: Chamberlain's Department fails to deliver it's objectives.	 Likelihood Impact	6	Recruitment is now underway where vacancies have been held, with key roles being prioritised. Management is deploying temps where there are significant gaps to support the current team until permanent positions are filled. A training plan is under development to provide colleagues with the skills they need to be effective in their roles in the future. Learning champions have been assigned to identified learning areas required, the first meeting of the group is to be held in September. Following a series of workshops teams are now working on transformation action plans and defining roles. These plans will be used to draft the Departmental Business Plan for 2023-24. 08 Sep 2022	 Likelihood Impact	4	31-Mar-2023	Constant
							Reduce	

Action no	Action description	Latest Note			Action owner	Latest Note Date	Due Date
CHB001a	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.	Most areas have now successfully transitioned through this period successfully with only 2 roles left where a continued handover has been required to ensure business continuity.			Sonia Virdee	08-Sep-2022	30-Sep-2022
CHB001b	Colleagues are provided with the training they need to fulfil their role.	A training plan is under development. Learning champions have been assigned to identified learning areas required, the first meeting of the group is to be held in September.			Mark Jarvis	08-Sep-2022	31-Mar-2023

CHB001c	Chamberlain's TOM structure design and culture is fit for purpose.	Colleagues across the department have attended workshops setting out departmental strategy and to build transformative action plans to reach strategic goals. Teams are currently finalising these plans and these will be used to form the Departmental Business Plan.	Hayley Hajduczek	08-Sep-2022	31-Mar-2023
CHB001d	The corporate recruitment moratorium has lead to a significant number of vacancies being held across the department leaving gaps in capacity.	The corporate recruitment moratorium has led to a significant number of vacancies being held across the department leaving gaps in capacity. As the TOM structure begins to be implemented a recruitment plan is in place and teams are working to fill these. Key roles have been prioritised to ensure the right people are in post to implement the rest of the structure, particularly in the Financial Services Group.	Phil Black; Hayley Hajduczek; Kate Limna; Matt Lock; Sonia Virdee	08-Sep-2022	31-Oct-2022

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Agenda Item 7

Committee(s): Finance Committee – For decision	Dated: 20/09/2022
Subject: 2020-21 City Fund and Pension Fund Statement of Accounts – Delegation of Approval	Public
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	6/7
Does this proposal require extra revenue and/or capital spending?	N
If so, how much?	N/A
What is the source of Funding?	N/A
Has this Funding Source been agreed with the Chamberlain's Department?	N/A
Report of: The Chamberlain	For Decision
Report author: Neilesh Kakad, Chief Accountant	

Summary

Following the delay in approving the 20-21 City Fund and Pension Fund Accounts, linked to late audit queries and a national technical accounting issue with the accounting of infrastructure assets, we are now moving to a position where signing off the accounts is now possible. The latter issue is subject to change to the accounting code of practice and legislation in order to remedy the issue, this at this stage are progressing at differing timelines. To expedite the approval process may require acceptance of a qualified opinion to the accounts on this technical accounting point or else waiting for an indeterminate length of time to await a full resolution.

The need for a resolution to this issue has become more pressing as our new auditors can not begin their work on the 21-22 accounts until the previous auditors have provided an opinion on the 20-21 accounts and the other funds of the Corporation and external partners are reliant on the work of the City Fund auditor to complete their audits, potentially causing breach of statutory and legal requirements.

To move this forward it is proposed that the final version of the City Fund and Pension Fund Accounts be taken to Audit and Risk Management Committee as soon as possible to seek a recommendation to approve the accounts. This would normally progress to Finance Committee for final approval but, to fast track to approval process, we are seeking delegated authority to the Chairman and Deputy Chairman to sign off the accounts following the Audit and Risk Management Committee recommendation. This will enable us to bring to a close the 20-21 audit process and allow work to begin on 21-22 so to facilitate the completion on the other dependent financial statements.

Recommendation(s)

The Finance Committee are asked to:

- approve delegated authority for the Chairman and Deputy Chairman of the Finance Committee to approve and sign the 2020-21 City Fund and Pension Fund Statement of Accounts on behalf of the Court of Common Council.

Main Report

Background

1. The 2020-21 City Fund and Pension Funds Statement of Accounts were previously presented to your November 2021 Committee for approval with the expectation that final sign-off would be achieved in December 2021.
2. This process was delayed due to a late audit issue arising with respect to a disclosure note supporting the cashflow statement and a national technical accounting issue arising around the accounting of infrastructure assets. This latter issue meant all outstanding audits were prevented from being signed off until a resolution had been agreed, which has been led by the Chartered Institute of Public Finance and Accountancy (CIPFA) along with discussion with Govt.
3. This has meant that the 2020-21 City Fund and Pension Fund audits have remained open until these issues have been resolved.

Current Position

4. Following further work with our auditors, BDO, and anticipated changes to the CIPFA code of practice, which will seek to partially resolve the infrastructure asset issue, we believe that we will be in a position to sign-off the 20-21 accounts shortly. The code of practice change should remove a substantial part of the infrastructure asset issue and allow audit firms to provide an opinion. However, even with this change, the opinion is likely to be qualified in relation to this specific matter, although how this will be presented is currently under discussion.
5. In parallel work is also happening within Govt to provide a statutory override on this issue which would avoid the need for a qualification but at this point no firm timetable has been provided and therefore we are seeking to conclude the 20-21 audit as soon as possible.
6. It is proposed that the when available the accounts be re-submitted to the Audit and Risk Management Committee for review, upon which a recommendation is usually made to your Committee for final sign off.
7. However, a further delay in the approval process to go through the normal Committee cycle will have a negative impact in the following areas:

- The 20-21 accounts were required for sign off by November 2021. Whilst the issues that have delayed the sign off are not of our making, we are significantly beyond this deadline.
 - Our new auditors, Grant Thornton, cannot begin their work until the previous auditors have provided their audit opinion. This means that work on the 21-22 accounts is awaiting this sign off, which has implication not only for City Fund but also on the completion of the City's Cash, Bridge House Estates and partner organisations, like the Museum of London, from completing their accounts as they are reliant on the City Fund auditor providing assurance on the Pension Fund accounts. These entities have statutory filing deadlines alongside commercial commitments to provide audited statements.
 - Until an opinion is reached various elements of the City Fund financial position remain open to change including Govt claims and the impact of post balance sheet events which could lead to further challenge/change and more audit queries.
8. In order to prevent any further delay, we are requesting that delegated authority be given to the Chairman and Deputy Chairman to sign off the accounts immediately following the recommendation to approve by Audit and Risk Management Committee. Both Chairman and Deputy Chairman and members of this Committee will therefore participate in the scrutiny of the accounts.
 9. The papers for Audit and Risk Management Committee will be available for Finance Committee Members should they wish to raise any queries ahead of the Audit and Risk Management Committee meeting.

Conclusion

10. It is proposed that the delegated authority be granted to the Chairman and Deputy Chairman to sign off the 2020-21 City Fund and Pension Fund Statement of Accounts following the recommendation of Audit and Risk Management Committee.

Corporate & Strategic Implications

Strategic implications – none

Financial implications - none

Resource implications - none

Legal implications - none

Risk implications - none

Equalities implications – none

Climate implications - none

Security implications - none

Appendices

- None.

Neilesh Kakad

Chief Accountant

Chamberlain's Department

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Committee(s): Financial Investment Board Bridge House Estates Board Finance Committee	Dated: 13 September 2022 13 September 2022 20 September 2022
Subject: Treasury Management Strategy 2022/23 - Proposed Amendment	Public
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	All
Does this proposal require extra revenue and/or capital spending?	N/A
If so, how much?	N/A
What is the source of Funding?	N/A
Has this Funding Source been agreed with the Chamberlain's Department?	N/A
Report of: The Chamberlain	For Decision
Report author: Kate Limna/James Graham, Chamberlain's Department	

Summary

This report proposes an amendment to the Treasury Management Strategy Statement and Annual Investment Strategy 2022/23 (TMSS) to improve the alignment between the strategy and the various individual participants whose treasury management activities the TMSS applies to. The Bridge House Estates Board is asked to make a decision in respect of Bridge House Estates and the Financial Investment Board in respect of City's Cash and the smaller participants.

This proposed change, if agreed by the Bridge House Estates Board and the Financial Investment Board will need to be submitted to the Finance Committee and the Court of Common Council for formal adoption and the amendment to the 2022/23 TMSS would be applied retrospectively (i.e. backdated to 1 April 2022).

Recommendations

Financial Investment Board

Members are asked to note the report and to agree the amendment to the Treasury Management Strategy Statement and Annual Investment Strategy 2022/23 set out at paragraphs 11-15 and Appendix 1.

Bridge House Estates Board

Members of the Bridge House Estates Board are asked to note the report and agree the proposals in relation to Bridge House Estates set out at paragraph 15, noting the loss that would be realised as set out in paragraph 17.

Finance Committee

Subject to the outcome of the above, the Finance Committee is asked to formally adopt the amendment to the Treasury Management Strategy Statement and Annual Investment Strategy 2022/23 set out at paragraphs 11-15 and Appendix 1.

Main Report

Background

1. The Treasury Management Strategy Statement and Annual Investment Strategy (TMSS) for 2022/23 covers treasury management activity carried out across the organisation, including in respect of City Fund, City's Cash and Bridge House Estates, as well as some smaller participants. The TMSS defines treasury management activities as:

The management of the organisation's investments and cash flows, its banking, money market and capital market transaction; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

2. A major function of the TMSS is to set out how the Corporation will manage its surplus cash balances, in pursuit of the optimum return on its investments once security and liquidity criteria have been satisfied.
3. In setting the TMSS and managing its treasury management arrangements, the City adheres to the requirements of the CIPFA Code of Practice on Treasury Management, which was originally adopted by the Court of Common Council on 2 March 2010.
4. The current TMSS (for the financial year 2022/23) was approved by the Financial Investment Board on 9 February 2022; by Bridge House Estates Board on 16 February 2022; Finance Committee on 15 February 2022; and by the Court of Common Council on 10 March 2022.
5. As at the 31 March 2022 the City's treasury management investments are valued at £1,226.0m. Most of these balances relate to City Fund (85%), followed by City's Cash (12%) and BHE (2%). The residual 1% belongs to smaller participants in the TMSS.

Current Position

6. As the TMSS principally refers to the organisation's treasury management activities in the aggregate, treasury management investment policy decisions are made with reference to the organisation's "global" circumstances. The principal benefit of this approach has been that it enables all participants in the TMSS to pool resources and obtain access to investments with higher expected returns. Specifically, the TMSS groups investments under two headings – specified and non-specified investments – which are defined within the TMSS as follows:
 - **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year.
 - **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use. Once an investment is classed as non-specified, it remains non-specified all the way through to maturity i.e. an 18-month deposit would still be non-specified even if it has only 11 months left until maturity.

7. As at 31 March 2022, £156.4m (13%) of the Corporation's total treasury management investment portfolio is classified under non-specified investments. This allocation consists entirely of exposure to two short dated bond funds as shown below.

Short Dated Bond Fund Name	Original Principal	Market Value (31/03/2022)	Max Limit
L&G Short Dated Sterling Corporate Bond Index Fund	£75.0m	£78.0m	£100m
Royal London Investment Grade Short Dated Credit Fund	£75.0m	£78.4m	£100m

8. Non-specified investments are appropriate for investors who expect to maintain positive cash balances over a multi-year period and whilst this is expected to be the case for the City's overall cash position, officers recognise that there is scope to further optimise the TMSS so that it is better aligned with each and every individual participant's own particular circumstances.
9. By far the largest participant in the TMSS in terms of investment balances is City Fund. City Fund's investment balances are expected to endure for the foreseeable future, despite an anticipated decline over the medium term as the capital programme progresses and (as a consequence) the capital financing requirement increases. In contrast, cash balances relating to both Bridge House Estates and City's Cash are expected to decline to low levels over the medium term under the current plans for both funds. Moreover, some of the smaller participants in the TMSS maintain relatively small cash balances whose overall size can change quite markedly from one year to the next.

Options

10. Officers have identified three options for improving the current TMSS to better align with individual participants' circumstances:
- Option A – bifurcate the Annual Investment Strategy within the TMSS into two strategies: one for City Fund which includes exposure to the full range of investments (both specified and non-specified as defined in paragraph 6 above) permitted in the current TMSS and a second strategy for others which restricts exposure to specified investments only. This is officers' recommendation.
 - Option B – develop and maintain an individual treasury management strategy for each participant. Officers do not consider this a realistic option as the governance resource implications of maintaining numerous portfolios and managing portfolio risks on an individual basis would likely exhaust any benefit.
 - Option C – do nothing. Alternatively, the Corporation could continue to maintain a single investment strategy in the TMSS. Whilst this option is most straightforward operationally it does not address the varying risk tolerances that exist amongst the participants in the TMSS and therefore officers do not recommend this option is pursued.

Proposals

11. Under the recommended option (Option A), City Fund would maintain exposure to longer term investments. Optimising returns over the long term is an important consideration for the City Fund, which is projected to maintain sizeable cash balances over the foreseeable future. Non-specified investments are an appropriate and desirable tool for protecting the real terms capital value of cash over a multi-year investment horizon from the impact of inflation and are thus consistent with the security objective that is at the heart of the Corporation's TMSS.
12. All other participants in the TMSS, which either have a relatively short investment horizon (City's Cash and BHE) or relatively small amounts of cash to invest and thus a lower tolerance for volatility, would benefit from an increase in average credit quality at the expense of lower expected returns.
13. This option also avoids a proliferation of individual strategies and investment portfolios that accompanies Option B.
14. Officers therefore recommend that paragraph 5.1 of 2022/23 TMSS is amended in line with Option A. The proposed wording of this amendment is presented (and highlighted) in an extract of the 2022/23 TMSS at Appendix 1.
15. Officers further recommend that the Bridge House Estates Board and the Financial Investment Board agree that funds related to Bridge House Estates and City's Cash and the smaller participants (respectively) are invested in line with the simplified strategy.

Corporate & Strategic Implications

Financial implications

16. Should Members agree to Option A then officers would implement the amendment to the 2022/23 TMSS retrospectively (i.e. backdated to 1 April 2022).
17. Any cumulative changes in the market value of investments as at 31 March 2022 would be treated as realised capital gains/losses in the current year for exiting investors. Collectively, and excluding the City Fund's portion, this would amount to a realised loss of £1.1m as summarised below:

Participant Name	Realised Loss on disposal of non-specified investments
City's Cash	- 845,230
BHE	- 222,767
Smaller Participants (Aggregated)	- 46,204
Total	-1,114,201

18. Importantly it should be noted that capital returns comprise only part of the total return delivered by these investments, which also includes income returns. Taken together the short dated bond funds have delivered annualised total returns of 1.16% since the Corporation first invested in these instruments in 2021/22, which is in excess of returns

available from cash over this period (circa 0.60% p.a.).¹ That is to say, overall realised returns have been positive for participants in the TMSS.

Risk implications

19. City Fund would have a marginally more concentrated exposure to non-specified investments (currently short dated bond funds but potentially other investment categories in future) which would mildly increase expected risk and expected returns for the local authority. Officers expect this will be beneficial to the City Fund over the long term, as cash balances are expected to remain sufficiently high to tolerate short term volatility in returns.
20. All other participants in the TMSS (including BHE and City's Cash) would be invested in a portfolio with lower expected volatility and lower expected returns over the medium term. Whilst returns would likely be below those achievable by the original 2022/23 TMSS, they would be smoother from one year to the next, which is an important benefit for participants with a relatively a short investment horizon. Risks to capital would not be completely eliminated, it should be noted, as all participants would continue to hold exposure to credit and counterparty risks which would be managed in accordance with the approved creditworthiness policy within the TMSS.
21. It can also be noted that both treasury portfolios would still be subject to continual review to ensure they remain consistent with the circumstances of the underlying participants and managed within the parameters of the amended TMSS, which itself would be subject regular review and at least on an annual basis.

Other implications

22. The proposal does not entail any significant resource, legal, equalities, climate or security implications.

Conclusion

23. This report proposes an amendment to the Treasury Management Strategy Statement and Annual Investment Strategy 2022/23 (TMSS) to improve the alignment between the strategy and the various individual participants whose treasury management activities the TMSS applies to.

Appendices

APPENDIX 1 - Treasury Management Strategy Statement and Annual Investment Strategy 2022/23 (Extract)

Background Papers

Treasury Management Strategy Statement and Annual Investment Strategy 2022/23

Kate Limna

Corporate Treasurer

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¹ Returns for the non-specified investments are calculated using the internal rate of return method over the Corporation's investment holding period to 31 March 2022. Benchmark rates are calculated using a combination of daily one year LIBID rates and daily one year SONIA rates over the equivalent period.

**Treasury Management Strategy Statement and Annual Investment Strategy
2022/23 (Extract)**

5. Annual Investment Strategy

The Annual Investment Strategy sets out how the City will manage its surplus cash balances for the forthcoming year (i.e. investments held for treasury management purposes). It does not apply to other long-term investment assets, which are dealt with variously by other strategy documents (for instance the Capital Strategy for City Fund, or the Investment Strategy Statement for Bridge House Estates).

5.1. Investment Policy

The Department of Levelling Up, Housing and Communities (DLUHC - this was formerly the Ministry of Housing, Communities and Local Government (MHCLG)) and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This strategy deals solely with treasury (financial) investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy, (a separate report).

The City of London's investment policy will have regard to the DLUHC's Guidance on Local Government Investments ("the Guidance"), the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectorial Guidance Notes 2017 ("the CIPFA TM Code") and CIPFA Treasury Management Guidance Notes 2018.

The City's investment priorities are:

- (a) security; and
- (b) liquidity.

The City will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The risk appetite of the City is low in order to give priority to the security of its investments.

The borrowing of monies purely to invest or on-lend and make a return is unlawful and the City will not engage in such activity.

In accordance with the above guidance from the DLUHC and CIPFA, and in order to minimise the risk to investments, the City applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.

Ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration, the City will engage with its advisors to maintain a monitor on market pricing such as “credit default swaps” and overlay that information on top of the credit ratings.

Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

Investment instruments identified for use in the financial year are listed in Appendix 3 under the ‘specified’ and ‘non-specified’ investments categories.

- **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year.
- **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use. Once an investment is classed as non-specified, it remains non-specified all the way through to maturity i.e. an 18-month deposit would still be non-specified even if it has only 11 months left until maturity.

The City Fund will have exposure to Specified and Non-specified Investments. All other participants in the Treasury Management Strategy Statement and Annual Investment Strategy 2022/23 will have exposure to Specified Investments only.

The City will also set a limit for the amount of its investments which are invested for longer than 365 days (see Appendix 2).

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Committee	Dated:
Finance	20 September 2020
Subject: City Re Limited – Performance Monitoring	Public
Report of: The Chamberlain	For Discussion/Information
Report author: Kate Limna – Chamberlain’s Department	

Summary

The City established a Reinsurance Captive Insurance Company (the Captive), City Re Limited, on 24 December 2010, a separate legal structure which allows the City to share in the risks and benefits of insuring its property portfolio, whilst controlling the financial exposure.

This report provides information on the claims experience and Underwriting Profit and Loss Account for the eleventh accounting period of the Captive, from 1 April 2021 to 31 March 2022 and advises that the retained profit for the year is £258,675 (2020/21: £682,504) .

At its meeting on 4 July 2022, the Board of City Re Limited agreed that no dividend should be declared at the present time but that this would be reviewed at the next meeting on 20th September; a verbal update will be provided at today’s meeting.

Included in this report is information on the governance arrangements for the Captive and of various matters discussed at the Board meetings on 4 July, including the adoption of the accounts, and the receipt of the auditors’ Management and Governance Letter.

The auditors’ Management and Governance Letter and the signed, audited Directors’ Report and Financial Statements are attached to this report.

The report also provides an update on the appointment of the City Corporation’s Directors to City Re Limited, following the elections in March 2022 and the appointment of a new Chair (Henry Colthurst) and Deputy Chair (Randall Anderson) of the Finance Committee.

Recommendation

Members are asked

- (i) to note this report.

Main Report

Background

1. The Finance Committee, at its meeting on 26 October 2010, approved the principle of establishing a Reinsurance Captive Insurance Company (the City Captive) and, on 24 December 2010, such an entity, City Re Limited, was created, based in Guernsey, where the optimum managerial and administrative expertise is located to operate such a company. The City provided initial share capital of £500,000.
2. The Captive provides a separate legal structure which allows the City to share in the risks and benefits of insuring its property portfolio, whilst controlling the financial exposure. Effectively, the Captive allows the City to participate in its own insurance placement and to capture underwriting profits with a known capped downside financial risk.
3. Since it was established in 2010 and until 2017, the City Captive has received £1.664 million per annum as the reinsurance premium from the main insurers. When the property insurance was tendered in 2016 it was on the basis that the minimum reinsurance premium payable to the City Captive would be £2.04m and that it would be fixed as a percentage (44.6%) of the annual underlying premium going forward. For the policy year December 2018 - December 2019, the reinsurance premium was £2.58m, for policy year 2019/20 the reinsurance premium was £2.61m, for 2020/21 it was £2.65m and for 2021/22 it is £2.25m.

Main Characteristics of the Captive

4. The main elements of the Captive are set out below:
 - The City Captive covers the first £250,000 of each and every property claim, effectively leaving the main insurers, RSA and Aviva, to cover any greater losses.
 - From the insuring period (25 December to 24 December) for 2021/22 the City Captive received an initial reinsurance premium of approximately £2.25m (2020/21: £2.65m), against which payments are drawn down.
 - The maximum payable (downside) by the City Captive is limited to £250,000 per annum above the reinsurance premium received from RSA and Aviva i.e. for the 2021/22 insurance period this will be £2.5m i.e. 2.25m plus £250,000 (2020/21: £2.90m).
 - The Captive does not cover any terrorism risk which continues to be covered by RSA and Aviva and re-insured with Pool Re.

Financial Performance for period 1 April 2021 to 31 March 2022

5. The audited Financial Statements for the eleventh trading period of the City Captive were submitted for approval and signing to a meeting of the Board of Directors held in Guernsey on 4 July 2022, and these are attached to this report. The City of London Corporation's Directors on the City Re Board, (the Chair of the Finance Committee and the Chamberlain) along with the Corporate Treasurer attended the meeting in person.
6. At the meeting, the Board noted that the previous Chair and Deputy Chair of the Finance Committee had been unsuccessful in seeking re-election to the City of London Court of Common Council and as such we no longer eligible to be a

Director and Alternate Director respectively, as a representative of the City of London Corporation.

7. The Board proposed that Henry Colthurst, as Chair of the Finance Committee was elected to the Board and Randall Anderson, as Deputy Chair of the Finance Committee be elected as the alternate Director. Both appointments are subject to completion of the necessary due diligence requirements and approval by the Guernsey Financial Services Commission.
8. For the City's Directors, there is an alternate Director who can attend the Board meetings in the absence of either Director. The Corporate Treasurer is the nominate alternate Director for the Chamberlain and the Deputy Chair of the Finance Committee is the alternate Director for the Chair
9. The accounts also include an 'Incurred But Not Reported' (IBNR) loss reserve of £125,000 (2020/21: £125,000). The Directors consider, on an annual basis, whether to release the IBNR by the close of the following accounting period. At the Board meeting the Directors discussed in detail the level of the IBNR and whether the consistent, prudent but not excessive reserves policy of City Re Ltd remained appropriate. The Directors agreed that the IBNR should be set at £125,000 but that the actuarial formula for setting the figure should be revisited.
10. For the accounting period, City Re Limited achieved a retained profit of £ 258,675 (2020/21:£ 682,504). Under the Companies (Guernsey) Law 2008 and the Guernsey Insurance Business (Solvency) Rules 2015, and in order for the Captive to be able to carry out its business there are two solvency ratios that must be met - the Prescribed Capital Requirement (PCR) and the Minimum Capital Requirement (MCR). The Board noted that no breaches of solvency had occurred and that City Re continued to meet the solvency test.
11. The Board considered whether or not to declare a dividend. After due consideration of the finances and solvency position of City Re, the Board agreed that no dividend would be declared at this time and that consideration to a dividend would be given at the next meeting, depending on the financial performance at that time.
12. A further meeting is being held on 20 September and a verbal update will be provided to today's meeting.
13. When the Captive was set up the City Corporation provided share capital of £500,000 and it was always recognised that there would be "good periods" and "not so good periods" and in 2018/19 the City injected a further £250,000 as share capital (total share capital is now £750,000). Since its inception, the City Corporation has received dividends totalling some £4.53m. The level of dividend demonstrates the value for money in our insurance placement as without a captive the net premium costs may have been higher and the City would not have received the dividends. The table below sets out the dividends received in each financial year since inception.

Year	Dividend
2020/21	£1,000,000
2019/20	£500,000
2018/19	£0
2017/18	£0
2016/17	£161,341
2015/16	£140,984
2014/15	£830,013
2013/14	£92,569
2012/13	£810,883
15 months to 31/03/12	£997,747
	£4,533,537

Auditor's Management and Governance Letter and Company Compliance

14. Moore Stephens are the auditors for City Re Limited and they have issued their Management and Governance Letter which stated that there were no material issues arising during the course of their audit that required being brought to the attention of the Board
15. As in previous years the audited Directors' Report and Financial Statements will be made available as a distinct item on the City of London Corporation's website following this Finance Committee Meeting.

Conclusion

16. At their Board meeting on 4 July 2022, the Directors of City Re Limited
- confirmed that the IBNR should be set at £125,000;
 - noted that no breaches of solvency had occurred and that City Re continued to meet the solvency test; and
 - agreed that no dividend should be declared at the present time but that this would be reviewed at the next meeting.

A verbal update will be provided following the City Re Board meeting on 20 September.

Appendices

- Appendix – Auditors' Management and Governance Letter and Financial Statements to 31 March 2022

Kate Limna

Corporate Treasurer

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CITY RE LIMITED

Directors' Report and Financial Statements

For the year ended 31 March 2022

CITY RE LIMITED

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CITY RE LIMITED

CORPORATE INFORMATION

DIRECTORS:

Mr G A Hollingsworth
Mr S A Le Prevost
Mr J Ingham-Clarke (Appointed 8 July 2021)
Ms C Al-Beyerty (Appointed 7 December 2021)
Dr P R Kane (Resigned 30 April 2021)
Mr J Mayhew (Resigned 6 May 2021)

INSURANCE MANAGER:

Marsh Management Services Guernsey Limited
Mill Court
La Charroterie
St Peter Port
Guernsey
GY1 4ET

SECRETARY:

Marsh Management Services Guernsey Limited
Mill Court
La Charroterie
St Peter Port
Guernsey
GY1 4ET

REGISTERED OFFICE:

PO Box 155
Mill Court
La Charroterie
St Peter Port
Guernsey
GY1 4ET

AUDITOR:

Moore Stephens Audit and Assurance (Guernsey) Limited
Level 2, Park Place
Park Street
St Peter Port
Guernsey
GY1 3HZ

CITY RE LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 March 2022.

INCORPORATION

The Company was incorporated in Guernsey, Channel Islands on 20 December 2010 with registered number 52816. It operates in accordance with the provisions of The Companies (Guernsey) Law, 2008 and The Insurance Business (Bailiwick of Guernsey) Law, 2002 to carry out general insurance business, excluding domestic business.

ACTIVITIES

The principal activity of the Company during the year was to provide re-insurance protection to the RSA Group on the risks associated with material damage and loss of rent for the City of London's property portfolio.

RESULTS

The results for the year are shown on page 9.

DIVIDENDS

During the year a dividend was proposed and paid in the sum of £1,000,000 (2021: £500,000).

DIRECTORS

The directors of the Company who held office during the period are detailed on page 3.

DISCLOSURE OF INFORMATION TO AUDITOR

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

AUDITOR

The Auditor, Moore Stephens, has indicated its willingness to continue in office and offers itself for re-appointment at the forthcoming Annual General Meeting.

GOING CONCERN

The directors have, at the time of approving the financial statements, a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. They have considered the risks of the Covid-19 pandemic and do not consider that it will materially affect the going concern of the Company. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Approved by the Board of Directors and signed on behalf of the Board


Director:
Director:

Date:

4 July 2022

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Director's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and Financial Reporting Standard 103 "Insurance Contracts". Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the company and the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CITY RE LIMITED

Opinion

We have audited the financial statements of City Re Limited ("the Company") for year ended 31 March 2022, which comprise the Statement of Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and Financial Reporting Standard 103 "insurance Contracts" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008 and The Insurance Business (Balliwick of Guernsey) Law, 2002.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Guernsey, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised or issued.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by the law are not made; or
- we have not received all the information and explanations we require for our audit.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CITY RE LIMITED (Continued)

Matters on which we are required to report by exception (continued)

We have nothing to report in respect of the following matters where The Insurance Business (Bailiwick of Guernsey) Law, 2002 requires us to report to you if, in our opinion:

- the information given in the annual return prepared pursuant to section 33 is consistent with the financial statements; or
- there is any transaction outside of business which resulted in the statement of financial position showing a situation materially different from that of which would otherwise have obtained, and which is not adequately disclosed in the financial statements.

Responsibilities of directors

As explained more fully in the Statement of Directors' responsibilities, the Directors are responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit in respect of fraud are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses to those assessed risks; and to respond appropriately to instances of fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both management and those charged with governance of the company.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory requirements applicable to the company and considered that the most significant are UK Generally Accepted Accounting Practice, The Companies (Guernsey) Law, 2008, and The Insurance Business (Bailiwick of Guernsey) Law, 2002.
- We obtained an understanding of how the company complies with these requirements by discussions with management and examination of various statutory documentation such as the minutes and compliance reports.
- We assessed the risk of material misstatement of the financial statements, including the risk of material misstatement due to fraud and how it might occur, by holding discussions with management.
- We inquired of management as to any known instances of non-compliance or suspected non-compliance with laws and regulations and examined correspondence with the GFSC and legal advisors.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CITY RE LIMITED (Continued)

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (continued)

- We assessed the information to be submitted to the GFSC together with the audited financial statements on the annual Insurer's Return such as the Regulatory and Solvency Assessment and confirmed that the information was appropriate and materially correct.

Based on this understanding, we designed specific appropriate audit procedures to identify instances of non-compliance with laws and regulations. This included making enquiries of management and obtaining additional corroborative evidence as required.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Section 36 of the Insurance Business (Bailiwick of Guernsey) Law, 2002. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



MOORE STEPHENS AUDIT AND ASSURANCE (GUERNSEY) LIMITED

Level 2 , Park Place
Park Street
St Peter Port
Guernsey, GY1 3HZ

Date 4 July 2022

CITY RE LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2022

		31 Mar 2022	31 Mar 2021
	Notes	£	£
CONTINUING OPERATIONS			
REVENUE			
Gross premiums written	2	2,299,729	2,734,127
Change in unearned premium provision	2	302,561	(38,590)
Premium earned for the year		2,602,290	2,695,537
UNDERWRITING EXPENSES			
Claims charge	2	(1,819,285)	(1,567,262)
Claims reserve movement - outstanding loss reserves	2	(370,087)	(288,533)
Commission	2	(78,079)	(80,861)
Total underwriting expenses		(2,267,451)	(1,936,656)
UNDERWRITING RESULT FOR THE YEAR		334,839	758,881
Interest income	2	5,194	8,411
Administrative expenses	6	(77,419)	(74,395)
PROFIT BEFORE TAXATION AND COMMISSION		262,614	692,897
Profit commission payable	2	(3,939)	(10,393)
PROFIT BEFORE TAXATION		258,675	682,504
Taxation	5	-	-
RETAINED PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		258,675	682,504

The notes on pages 13 to 20 form part of these financial statements.

CITY RE LIMITED

STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2022

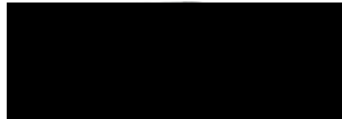
	Notes	31 Mar 2022 £	31 Mar 2021 £
CURRENT ASSETS			
Deferred commission		51,091	60,165
Insurance receivables		-	5,291
Prepaid expenses		8,928	15,851
Cash and cash equivalents		6,782,407	7,271,924
TOTAL ASSETS		6,842,426	7,353,231
 EQUITY AND LIABILITIES			
Issued capital	7	750,000	750,000
Retained earnings		670,342	1,411,667
TOTAL EQUITY		1,420,342	2,161,667
 LIABILITIES			
Trade and other payables	8	382,824	219,830
 TECHNICAL RESERVES			
Unearned premium reserve	2	1,702,943	2,005,504
Claims reserves	9	3,336,317	2,966,230
TOTAL EQUITY AND LIABILITIES		6,842,426	7,353,231

These financial statements were approved by the Board of Directors at a meeting on 4 July 2022

Signed on behalf of the Board of Directors



Director



Director

CITY RE LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2022

	Share Capital	Retained Earnings £	Total £
Balance at the 31 March 2020	750,000	1,229,163	1,979,163
Dividend paid during the year	-	(500,000)	(500,000)
Total comprehensive loss	-	682,504	682,504
Balance at the 31 March 2021	<u>750,000</u>	<u>1,411,667</u>	<u>2,161,667</u>
Balance at the 31 March 2021	750,000	1,411,667	2,161,667
Dividend paid during the year	-	(1,000,000)	(1,000,000)
Total comprehensive income	-	258,675	258,675
Balance at the 31 March 2022	<u>750,000</u>	<u>670,342</u>	<u>1,420,342</u>

The notes on pages 13 to 20 form part of these financial statements.

CITY RE LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2022

	31 Mar 2022 £	31 Mar 2021 £
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the year	258,675	682,504
Less interest income	(5,194)	(8,411)
(Decrease)/increase in unearned premiums	(302,561)	38,590
Increase /(decrease) in insurance receivables	5,291	(5,291)
Increase /(decrease) in prepaid expenses	6,923	(151)
Increase/ (decrease) in trade and other payables	162,994	(385,323)
Increase in claims reserves	370,087	288,533
Increase/(decrease) in deferred income	9,074	(1,158)
Net cash inflow from operating activities	505,289	609,293
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	5,194	8,411
Net cash from investing activities	5,194	8,411
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in share capital	-	-
Dividend paid during the year	(1,000,000)	(500,000)
Net cash outflow from financing activities	(1,000,000)	(500,000)
Net (decrease) /increase in cash and cash equivalents	(489,517)	117,704
Cash and cash equivalents brought forward	7,271,924	7,154,220
Cash and cash equivalents carried forward	6,782,407	7,271,924

The notes on pages 13 to 20 form part of these financial statements.

CITY RE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

1. BASIS OF PREPARATION

The company is a limited company, limited by shares and is incorporated in Guernsey. The address of its registered office is PO Box 155, Mill Court, La Charroterie, St Peter Port, Guernsey, GY1 4ET.

The principal activity of the company is to provide reinsurance protection to the RSA Group on the risks associated with the material damage and loss of rent insurance programmes of the City of London property investment portfolio.

The financial statements have been prepared in accordance with The Insurance Business (Bailiwick of Guernsey) Law, 2002, FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and FRS 103 "Insurance Contracts".

2. PRINCIPAL ACCOUNTING POLICIES

These financial statements are prepared under the historical cost convention.

The preparation of financial statements in compliance with FRS102 and FRS103 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the accounting policies.

(a) Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. They have considered the risks of the Covid-19 pandemic and do not consider that it will materially affect the going concern of the Company. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

(b) Gross premiums written

Gross premiums written is in respect of the provision of reinsurance protection to RSA Insurance Group Plc on the risks associated with material damage and loss of rent insurance programmes of the City of London portfolio.

(c) Unearned premiums

Unearned premium represents the proportion of premium which has been pre-paid for the following financial period.

(d) Claims

Claims are accounted for on an accruals basis. Provisions made for the cost of outstanding claims reported at the reporting date are included in the outstanding loss reserve. The estimate for the cost of claims incurred but not reported ("IBNR") is included in the IBNR reserve. The current IBNR is in the sum of £125,000 is determined by the Board of Directors using both historical data and any data available up to the approval of the financial statements, in relation to the provision of new claims and deterioration of existing claims.

(e) Commission

Fronting fees calculated as 3% of gross premiums written is payable to RSA Insurance Group Plc and are earned over the related policy period.

Profit commission calculated as 1.5% of the profit before tax in the financial period is payable to Marsh Management Services Guernsey Limited.

(f) Interest income

Interest income is accounted for on an accruals basis.

(g) Cash and cash equivalents

Cash and cash equivalents comprise bank balances, short term fixed deposits and short term notice accounts.

CITY RE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2022

3. FINANCIAL INSTRUMENTS

Financial Assets

Basic financial assets, including debtors and cash and cash equivalents, are initially recognised at transaction price, and are subsequently carried at amortised cost.

Debtors arising out of insurance operations

Debtors arising out of insurance operations consist of balances due from the insurer in respect of outstanding premiums.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. None of the financial assets at the year end are deemed to be impaired.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities

All financial liabilities are initially recognised at transaction price and are subsequently carried at amortised cost.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

The Company does not hold or issue derivative financial instruments.

Creditors arising out of insurance operations

Creditors arising out of insurance operations consist of balances due to the insurer in respect of outstanding claims payable.

Offsetting

Financial assets and liabilities are not offset in the accounts and the gross amounts are shown in the financial statements.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate.

CITY RE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2022

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

The most significant assumptions made relate to the level of future claims, the level of future claims settlements and the legal interpretation of insurance policies. Whilst the directors consider that the gross provision for claims are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amount provided. Adjustments to the amounts of provision are reflected in the financial statements for the period in which the adjustments are made.

Outstanding loss reserves.

The carrying amount of the reserve is £3,211,317 (2021: £2,841,230). There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. The level of provision has been set on the basis of the information that is currently available, including potential outstanding loss advices, experience of development of similar claims and on the advice of expert loss adjusters where appropriate.

IBNR

The current IBNR is in the sum of £125,000 (2021: £125,000) is determined by the Board of Directors using both historical data and any data available up to the date of approval of the financial statements, in relation to the provision of new claims and deterioration of existing claims.

5. TAXATION

The Company is taxed at the standard rate of income tax for Guernsey companies of 0%.

6. ADMINISTRATIVE EXPENSES

	31 Mar 2022	31 Mar 2021
	£	£
Management fees	51,975	51,912
Audit fees	6,100	5,930
Directors' fees	7,521	7,465
Company registration fees	6,873	5,675
Directors and officers insurance premium	4,400	2,683
Sundry expenses	550	730
	<u>77,419</u>	<u>74,395</u>

7. SHARE CAPITAL

	31 Mar 2022	31 Mar 2021
	£	£
ISSUED SHARE CAPITAL		
750,000 GBP1 Ordinary Shares	<u>750,000</u>	<u>750,000</u>

Dividends

Shareholders of ordinary shares are entitled to receive dividends declared by the Company.

Capital

On winding up of the assets of the Company, the holder of ordinary shares is entitled to repayment of the nominal amount paid thereon. Any surplus is attributable to holders of ordinary shares pro rata in proportion to the number of ordinary shares.

Voting rights

Ordinary shares carry one vote per shareholder at general meetings.

CITY RE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2022

8. TRADE AND OTHER PAYABLES	31 Mar 2022	31 Mar 2021
	£	£
Claims payable	243,030	201,298
Profit commission	14,332	10,393
Audit fees	6,000	6,000
Directors and officers premium	-	84
Insurance balances payable	102,965	-
Management fees	14,422	-
Directors' fees	2,075	2,055
	<u>382,824</u>	<u>219,830</u>
9. CLAIMS RESERVES	31 Mar 2022	31 Mar 2021
	£	£
IBNR reserve	125,000	125,000
Outstanding loss reserves	<u>3,211,317</u>	<u>2,841,230</u>
	<u>3,336,317</u>	<u>2,966,230</u>

10. FINANCIAL RISK MANAGEMENT

The Company is exposed to a range of financial risks through its financial assets, financial liabilities and policyholder liabilities. The most important components of these financial risks are market risk (interest rate risk), credit risk, currency risk and liquidity risk. The risk management policies employed by the Company to manage these risks are discussed below.

a) Credit Risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The Company manages the levels of credit risk it accepts by limiting its exposure to a single counterparty, or groups of counterparty. Such risks are subject to regular review by the Board of Directors.

The assets bearing credit risk and their associated credit ratings are shown below:

	31 Mar 2022	31 Mar 2021
	£	£
<i>Assets bearing credit risk</i>		
Cash and cash equivalents	6,782,407	7,271,924
<i>By Rating</i>		
A rated	6,782,407	7,271,924

No financial assets are past due or impaired at the reporting date and management expects no significant losses from non-performance by these counterparties.

b) Liquidity risk

Liquidity risk is the risk that the company cannot meet its obligations associated with financial liabilities as they fall due. The company has adopted an appropriate liquidity risk management framework for the management of the company's liquidity requirements. The company manages liquidity risk by maintaining banking facilities and monitoring premiums due and by continuously monitoring the forecast and actual cash flows and matching the maturity profiles of assets and liabilities. The company is exposed to liquidity risk arising from its insurance activities. Liquidity management ensures that the company has sufficient access to funds necessary to cover insurance liabilities and expenses. All financial liabilities are due to be settled within the next twelve months.

There were no significant changes to the company's liquidity risk exposure in the financial year nor the objectives, policies and processes for managing liquidity risk.

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2022

10. FINANCIAL RISK MANAGEMENT (Continued)

c) Interest rate risk

The Company is exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its bank deposits, cash and cash equivalents and cash flows. At 31 March 2022 the Company had various interest bearing accounts bearing interest rates ranging from 0.10% to 0.45% (2021: 0.10% to 0.45%).

During the year to 31 March 2022, if Bank of England interest rates had been 50 basis points higher with all other variables held constant, profit for the year would have been increased by £33,912 (2021: £36,360), as a result of interest received on cash and cash equivalents. However if Bank of England interest rates had been 50 basis points lower with all other variables held constant, no interest would have been received therefore a decrease to profit for the year by £5,194 (2021: £8,411).

The following are the underlying assumptions made in the model used to calculate the effect on profits and other components of equity:

- The bank balances at 31 March 2022 formed the basis of the calculation.
- A 50 basis point charge on these principal balances reflects the absolute increase or decrease in profit that could arise with such an interest rate movement. The directors have chosen the estimate of 50 basis points as this reflects the directors best estimate of the change in interest rates which could reasonably be expected to occur.

d) Currency risk

The company manages their foreign exchange risk by currently ensuring all commercial transactions or recognised assets and liabilities are denominated in its functional currency.

e) Concentration risk

Concentration risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The Board does not feel that the company is exposed to significant concentration risk at the current time.

11. MANAGEMENT OF INSURANCE RISK

The principal risk that the Company faces under its insurance contracts is that the actual claims are significantly different to the amounts included in the technical reserves. This could occur because the frequency or severity of claims and benefits are greater or lower than estimated. Insurance events are fortuitous and the actual number and amounts of claims may vary from year to year from the estimate established.

The Company provides re-insurance protection to the RSA Insurance Group Plc on the risks associated with material damage and loss of rent for the City of London's property portfolio. The re-insurance protection is limited to a maximum liability of £250,000 for each and every loss with an aggregate limit equal to £250,000 in excess of net written premium.

All risks covered under the Insurance policy are within the United Kingdom.

Claims development tables

The claims development table that follows shows claims reported per underwriting year which remain open in the respective policy year.

CITY RE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2021

11. MANAGEMENT OF INSURANCE RISK (Continued)

Claims development table at 31 March 2022

<u>Underwriting year</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
accounting period end	201,400	188,840	223,724	837,927	495,995	189,228
one year later	1,350,481	1,543,888	1,436,816	2,172,013	1,511,546	1,897,176
two years later	1,239,357	1,643,108	1,603,168	2,240,475	1,431,278	1,871,543
three years later	1,150,662	1,858,804	1,525,342	2,281,671	1,400,675	-
four years later	1,130,234	2,085,243	1,531,492	2,224,412	-	-
five years later	1,125,270	1,906,249	1,405,066	-	-	-
six years later	1,125,270	1,906,249	-	-	-	-
seven years later	1,124,274	-	-	-	-	-
Current estimate of cumulative claims	1,124,274	1,906,249	1,405,066	2,224,412	1,400,675	1,871,543
Cumulative payments to	(1,124,274)	(1,906,249)	(1,312,331)	(1,579,504)	(1,300,866)	(1,113,978)
Statement of Financial Position Reserves	-	-	92,735	644,908	99,809	757,565

The Company has currently provided for an Incurred but not Reported Reserve in the sum of £125,000 (2021: £125,000)

CITY RE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2022

12. CAPITAL MANAGEMENT

The Company defines capital in accordance with regulations prescribed by the Guernsey Financial Services Commission ("GFSC"). The Company's capital consists of:-

	31 Mar 2022	31 Mar 2021
	£	£
Share Capital	750,000	750,000
Retained earnings	670,342	1,413,038
Capital to meet Minimum Capital Requirements	1,420,342	2,163,038
Adjustments	-	-
Capital to meet Prescribed Capital Requirements	<u>1,420,342</u>	<u>2,163,038</u>

Its objectives when managing capital are:

- i) to comply with legal and statutory obligations and maintain capital resources commensurate with the nature, scale and risk profile of its business;
- ii) to provide a framework for monitoring the financial and capital position of the Company, including the procedures to be followed during periods of general financial distress, either due to internal or external events; and
- iii) to safeguard the Company's ability to continue as a going concern.

Under the rules prescribed by the GFSC, the Company must at all times maintain assets of a value sufficient to cover its liabilities, including liabilities arising under or in connection with contracts of insurance and that there is a suitable matching of assets and liabilities.

Under the current regulations, the GFSC rules require the Company to maintain a surplus of admissible assets over its liabilities which is at all times at least higher than both its MCR and PCR. The MCR represents the point at which the regulator would invoke the strongest action, while the PCR is the level of capital above which no action is required, with varying degree of action required if capital lies between MCR and PCR.

As at 31 March 2022, the Company held a surplus of £786,467 above its MCR requirement of £633,875 and a surplus of £559,124 above its PCR requirement of £861,218.

Management information to monitor the Company's capital requirements and solvency position is produced and presented to the Board on a regular basis ensuring that the Company meets its capital requirements at all times.

13. TECHNICAL PROVISIONS

Technical provisions arising from insurance contracts are included in these financial statements as follows:

	31 Mar 2022	31 Mar 2021
	£	£
Gross		
Unearned premium reserve	1,702,943	2,005,504
IBNR provision	125,000	125,000
Outstanding loss reserves	3,211,317	2,841,230
Total technical provisions, gross	<u>5,039,260</u>	<u>4,971,734</u>

Provisions for claims reported are estimated using the latest available information which comprises up to date reports from the claims handlers, loss adjusters and fronting insurers, on that basis there are no significant assumptions impacting on the level of the claims other than the assumption that the information used is complete and accurate.

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2022

14. RELATED PARTY DISCLOSURE

The parent Company and ultimate controlling party which has interests in 100% (2021: 100%) of the issued share capital of the company is the City of London Corporation, the municipal body of the City of London, acting in its City's Cash capacity.

Key management personnel of the company

Key management personnel include all directors who together have authority and responsibility for planning, directing and controlling the activities of the company. The total compensation paid to key management personnel for services provided to the company was £7,521 (2021: £7,465).

Committee(s): Finance Committee	Dated: 20 September 2022
Subject: Central Contingencies 2022/23	Public
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	n/a
Does this proposal require extra revenue and/or capital spending?	N
If so, how much?	n/a
What is the source of Funding?	n/a
Has this Funding Source been agreed with the Chamberlain's Department?	n/a
Report of: The Chamberlain	For Information
Report author: Laura Yeo, Financial Services Division	

Summary

This report has been produced to provide Members with an update on the Central Contingencies 2022/23 uncommitted balances.

Recommendation(s)

Members are asked to:

- Note the Central Contingencies 2022/23 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 2022/23 are set out in the table below.

2022/23 Central Contingencies – Uncommitted Balances 06 August 2022			
	City's Cash £'000	City Fund £'000	Total £'000
Contingencies			
2022/23 Provision	950	800	1,750
2021/22 Pending brought forward	234	608	842
Total Provision	1,184	1,408	2,592
Previously agreed allocations	(680)	(552)	(1,232)
Pending request on the agenda	0	0	0
Total Commitments	(680)	(552)	(1,232)
Uncommitted Balances	504	856	1,360
National and International Disasters			
Total Provision	125	0	125
Previous allocations	(25)	0	25
Uncommitted Balance	100	0	100

4. Since the last report to Committee in July two requests for a total sum of £100,000 were approved under urgency which are detailed in the Non-Public appendix.
5. At the time of writing this report there are no requests for funding on the agenda.
6. In the case of a request for additional funding for a project that affects all three funds, the Bridge House Estates Board would approve its portion of any such joint project. All requests specific to BHE only are considered solely by the BHE Board.

Conclusion

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

Appendices

- Appendix 1 - Allocations from 2022/23 Contingencies

Laura Yeo

Senior Accountant

Financial Services

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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