

PLEASE BRING THIS AGENDA WITH YOU

1

The Lord Mayor will take the Chair at TEN
of the clock in the morning precisely.



COMMON COUNCIL

SIR/MADAM,

You are desired to be at a Court of Common Council, at **GUILDHALL**, on
THURSDAY next, the **9th day of March, 2023**.

Members of the public can observe the public part of this meeting by visiting the
[City of London Corporation YouTube Channel](#)

IAN THOMAS,
Town Clerk & Chief Executive.

*Guildhall,
Wednesday 1st March 2023*

Sir Peter Estlin
Bronek Masojada

}

Aldermen on the Rota

1 **Apologies**

2 **Declarations by Members under the Code of Conduct in respect of any items on the agenda**

3 **Minutes**

To agree the minutes of the meeting of the Court of Common Council held on 12 January 2023.

For Decision
(Pages 9 - 24)

4 **Mayoral Visits**

The Right Honourable The Lord Mayor to report on his recent engagements.

5 **Policy Statement**

To receive a statement from the Chairman of the Policy and Resources Committee.

6 **Finance Committee**

To consider reports of the Finance Committee, as follows:-

(A) **City Fund 2023/24 Budget Report and Medium-Term Financial Strategy**

To approve the budget for 2023/24.

For Decision
(Pages 25 - 144)

(B) **2023/24 City's Cash Budgets and Medium-Term Financial Plan**

To approve the budget for 2023/24.

For Decision
(Pages 145 - 160)

7 **Bridge House Estates Board**

To consider reports of the Bridge House Estates Board, as follows:-

(A) **Bridge House Estates (BHE) Revenue Budget 2023/24 and Medium-Term Financial Plan**

To approve the budget for 2023/24.

For Decision
(Pages 161 - 172)

(B) **Annual Report and Financial Statements 2021/22**

To receive the Annual Report and Financial Statements for Bridge House Estates (BHE) for the year ended 31 March 2022.

For Information
(Pages 173 - 208)

8 **Bill for an Act of Common Council**

To:-

- Regularise Aldermanic qualification in respect of certain convictions.

(First and Second Reading).

Together with a report of the Policy and Resources Committee thereon.

For Decision
(Pages 209 - 222)

9 **Policy and Resources Committee**

To consider proposals for the introduction of an electronic voting system.

For Decision
(Pages 223 - 224)

10 **Corporate Services Committee**

To consider the draft Pay Policy Statement for 2023/24.

For Decision
(Pages 225 - 242)

11 **Civic Affairs Sub (Policy and Resources) Committee**

To consider recommendations concerning the provision of hospitality.

For Decision
(Pages 243 - 246)

12 **Bridge House Estates Board**

To consider a Conflicts of Interest Policy for Bridge House Estates.

For Decision
(Pages 247 - 258)

13 **The Freedom of the City**

To consider a circulated list of applications for the Freedom of the City.

For Decision
(Pages 259 - 266)

14 **Appointments**

To consider the following appointments:

Where appropriate:-

*denotes a Member seeking re-appointment

- (A) Three Members on the **Board of Governors of the City of London Freemen's School**. One vacancy for the balance of the term expiring in July 2026; one vacancy for the balance of the term expiring in July 2024 and one

vacancy for the balance of the term expiring in July 2023.

(No Contest)

Nominations received:-

John Foley

- (B) One Member on the **Capital Buildings Board** for the balance of the term expiring in April 2026.

(Contest)

Nominations received:-

Deputy Mark Bostock

Steve Goodman

Alderwoman Susan Pearson

- (C) Two Members on the **Member Learning and Development Steering Group** for the remainder of 2022/2023 civic year.

(No Contest)

Nominations received:-

Eamonn Mullally

- (D) Four Members on **The Honourable The Irish Society** for three year terms expiring in March 2026.

(Contest)

Nominations received:-

*Deputy John Absalom (eligible to serve one year of the three-year term).

James Bromiley-Davis

John Foley

John Griffiths

Tim McNally

Alpa Raja

Hugh Selka

- (E) Four Members on the **Christ's Hospital**. One vacancy for the balance of the term expiring March 2026; two vacancies for the balance of the term expiring March 2025 and one vacancy for the balance of the term expiring in March 2024.

(No contest)

Nominations received:-

James Bromiley-Davis

- (F) Two Members on the **Mitchell City of London Charity and Educational Foundation**. One vacancy is for a five-year term expiring in March 2028; one vacancy is for the balance of a term expiring March 2025.

(Contest)

Nominations received:-

Steve Goodman

*Alderwoman Susan Pearson

Ruby Sayed

- (G) Two Members on the **City of London Reserves Forces and Cadets Association** for three-year terms expiring March 2026.

(Contest)

Nominations received:-

*Deputy Simon Duckworth

Deputy Nighat Qureishi

Alpa Raja

- (H) Three Members on the **Guild Council of St Lawrence Jewry** for a one year term expiring March 2024.

(No Contest)

Nominations received:-

James Bromiley-Davis

*Alderman Gregory Jones

Deputy Charles Edward Lord

For Decision

15 Motions

To note one motion relating to Ward Committee appointments taken under urgency procedures since the last meeting in accordance with Standing Order 19 and 23(5).

By Deputy Graham Packham

“That Mary Durcan be appointed to Planning & Transportation Committee for the Ward of Castle Baynard in the room of Martha Grekos.”

In view of the scheduled timings for the meetings of these committees, and in the interests of ensuring the continued right of representation for the Ward of Castle Baynard, the appointment of Mary Durcan was granted by the Court under urgency procedures outlined in Standing Order 19 following the resignation of Martha Grekos from the Court of Common Council.

16 Questions

6

17 **Policy and Resources Committee**

To note action taken under urgency procedures in relation to the London Councils Grants Scheme 2023/24 Levy.

For Information
(Pages 267 - 268)

18 **Policy and Resources Committee and Finance Committee**

To note action taken under urgency procedures in relation to the Eight Authority Pool.

For Information
(Pages 269 - 272)

19 **Legislation**

To receive a report setting out measures introduced into Parliament which may have an effect on the services provided by the City Corporation.

For Information
(Pages 273 - 274)

20 **Ballot Results**

21 **Resolutions on Retirements, Congratulatory Resolutions, Memorials.**

22 **Awards and Prizes**

23 **Docquets for the Hospital Seal.**

MOTION

24 **By the Chief Commoner**

That the public be excluded from the meeting for the following items of business below on the grounds that they either involve the likely disclosure of exempt information as defined in Paragraphs 1, 3, and 7 of Part 1 of Schedule 12A of the Local Government Act, 1972, or relate to functions of the Court of Common Council which are not subject to the provisions of Part VA and Schedule 12A of the Local Government Act 1972.

For Decision

25 **Non-Public Minutes**

To agree the non-public minutes of the meeting of the Court held on 12 January 2023.

For Decision
(Pages 275 - 278)

26 **Civic Affairs Sub (Policy and Resources) Committee**

To consider a matter pertaining to the Members' Code of Conduct.

For Decision
(Pages 279 - 314)

27 **City of London Police Authority Board and Fraud and Cyber Crime Reporting and Analysis Procurement Committee**

To consider the business case for the City of London Police Fraud and Cyber Crime Reporting and Analysis Service.

For Decision
(Pages 315 - 322)

28 **City of London Police Authority Board and Finance Committee**

To consider proposals relating to the award of a contract.

For Decision
(Pages 323 - 328)

29 **Property Investment Board**

To consider reports of the Property Investment Board, as follows:-

- (A) **Lease Disposal** - To consider the disposal of a 150-year lease within the City Estate Portfolio.

For Decision
(Pages 329 - 336)

- (B) **Lease Disposal** - To note action taken under urgency procedures in relation to the disposal of City's Estate Freehold Property.

For Information
(Pages 337 - 338)

- (C) **Freehold Disposal** - To note action taken under urgency procedures in regard to the disposal of two City's Estates properties.

For Information
(Pages 339 - 340)

30 **Corporate Services Committee**

To note action taken under urgency procedures in relation to the creation Grade I Posts and one Grade J post.

For Information
(Pages 341 - 344)

31 **Policy and Resources Committee**

To note action taken under urgency procedures in relation to the Loyal Address.

For Information
(Pages 345 - 348)

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LYONS, MAYOR

COURT OF COMMON COUNCIL

12th January 2023
MEMBERS PRESENT

ALDERMEN

Alexander Robertson Martin Barr (Alderman)
Sir Charles Edward Beck Bowman (Alderman)
Professor Emma Edhem (Alderman)
Alison Gowman (Alderman)
Timothy Russell Hailes (Alderman)

Robert Picton Seymour Howard (Alderman)
Robert Charles Hughes-Penney (Alderman)
Sheriff Alastair John Naisbitt King DL (Alderman)
Tim Levene (Alderman)
Ian David Luder (Alderman)
The Rt Hon. The Lord Mayor Nicholas
Stephen Leland Lyons (Alderman)

Professor Michael Raymond Mainelli (Alderman)
Bronek Masojada (Alderman)
Susan Jane Pearson (Alderwoman)
Sir David Hugh Wootton (Alderman)
Kawsar Zaman (Alderman)

COMMONERS

Joanna Tufuo Abeyie
George Christopher Abrahams
Munsur Ali
Rehana Banu Ameer, Deputy
Brendan Barns
The Honourable Emily Sophia Wedgwood Benn
Nicholas Michael Bensted-Smith
Christopher Paul Boden, Deputy
Mark Bostock, Deputy
Tijs Broeke
James Bromiley-Davis
Timothy Richard Butcher
Michael John Cassidy, Deputy
Henry Nicholas Almroth Colthurst, Deputy
Anne Corbett
Simon Duckworth, Deputy
Peter Gerard Dunphy, Deputy

Mary Durcan
Helen Lesley Fentimen
Sophie Anne Fernandes
John William Fletcher, Deputy
John Foley
Marianne Bernadette Fredericks, Deputy
Martha Grekos
John Griffiths
Jason Groves
Madush Gupta, Deputy
Caroline Wilma Haines
Christopher Michael Hayward, Deputy
Ann Holmes, Deputy
Wendy Hyde
Shravan Jashvantrai Joshi, Deputy
Elizabeth Anne King
Gregory Alfred Lawrence

Frances Leach
Natasha Maria Cabrera Lloyd-Owen, Deputy
Charles Edward Lord, OBE JP, Deputy
Antony Geoffrey Manchester
Paul Nicholas Martinelli
Andrew Paul Mayer
Catherine McGuinness CBE
Andrew Stratton McMurtrie
Timothy James McNally
Wendy Mead
Eamonn James Mullally
Deborah Oliver TD
Henrika Johanna Sofia Priest
Alpa Raja
Anett Rideg
David Sales

Ian Christopher Norman Seaton
Hugh Selka
Alethea Silk
Paul Singh
Tom Sleigh
Sir Michael Snyder, Deputy
Naresh Hari Sonpar
James Michael Douglas
Thomson, Deputy
Shailendra Kumar Kantilal Umradia
Mark Raymond Peter Henry Delano Wheatley
Ceri Wilkins
Glen David Witney
Philip Woodhouse, Deputy
Dawn Linsey Wright
Irem Yerdelen

1. Apologies The apologies of those Members unable to attend this meeting of the Court were noted.
2. Declarations There were no additional declarations.
3. Minutes *Resolved* – That the Minutes of the Court meetings held on the 8 December 2022, are correctly recorded.

4. Mayoral
Engagements

The Right Honourable the Lord Mayor reported on his recent engagements, including a visit to New York City and meeting with the Vietnamese Ambassador and the Chilean Ambassador. The Lord Mayor informed the Court that he would be hosting the Mayor of London for the London Government Dinner, and visiting Scotland, Ireland, Australia and the Gulf.

5. Policy
Statement

The Chairman of the Policy and Resources Committee offered his congratulations to his predecessor as Chair of the Committee, Catherine McGuinness, on her receipt of a CBE in the New Years Honours List. She had stewarded the City Corporation through a period of immense change and challenge.

The Chairman reflected on the theme of challenges in 2022 and looked forward to the year ahead, and the best ways to support the City, its residents and its local businesses.

He informed the Court that officers in the Innovation & Growth department had begun work on Vision 2030 to lay the foundations for the future success of the UK's financial and professional services sector, by harnessing the City Corporation's vital role as the sectors leading champion to produce a compelling vision for the future. The initiative was one of many ways in which the Chairman was working with the Lord Mayor to promote the financial and professional services sector and the UK's competitiveness both locally and abroad.

The Chairman would be joining the Lord Mayor in his visits to Scotland and Ireland and would also be visiting Paris to expand on the future UK/EU relationship post-Brexit.

The Chairman reflected on the effect that changes in the economic climate had had on City residents and its local businesses. The Chairman had listened to the challenges these groups faced at two City-wide resident meetings, and thanked his fellow Chairs and officers who had joined him for these. Leaflets had been delivered to every household in the Square Mile, and to residents on the City Corporation's housing estates, with information on how they could access services and programmes aimed at easing the cost of living crisis.

Following a question at the previous Court meeting on what support the City could provide to children and young people, the Chairman had written to the Chair and Executive Member for Children and Young People at London Councils, to ask whether there was any scope for developing proportionate pan-London proposals on free school meals. He understood that the Education Board would be receiving an oral update on the use of the City Premium Grant at its February meeting, with a written update to follow in April.

Finally, the Chairman informed the Court that the Policy and Resources Committee had voted in December to designate Simpsons Tavern in Cornhill as an Asset of Community Value.

The Chairman was confident that, while the above issues demonstrated that the City Corporation faced challenges from the global to the local, these could be

overcome and that the City would finish 2023 in a better place than it had started.

6. **POLICY AND RESOURCES COMMITTEE**

(Deputy Christopher Michael Hayward)

15 December 2022

Public Space Protection Order – London Marathon Related Disorder

The Court considered a report relating to the renewal of the current London Marathon Public Spaces Protection Order (PSPO), which expires in March 2023, to continue to effectively mitigate anti-social behaviour and violent disorder previously experienced with certain sections of the race route through the City of London.

Resolved – That the making of a Public Space Protection Order be approved, as set out in Appendix 1 to the report, in accordance with Section 59 of the Anti-social Behaviour, Crime and Policing Act 2014, along the route of the London Marathon.

7. **PORT HEALTH AND ENVIRONMENTAL SERVICES COMMITTEE**

(Deputy Keith David Forbes Bottomley)

29 November 2022

Animal Reception Centre – Heathrow Airport: Annual Review of Charges

The Court considered a report relating to an increase to be applied to the Schedule in respect of services provided at the Heathrow Animal Reception Centre (HARC), for the forthcoming financial year 2023/24.

Resolved - that the Byelaws contained at Appendix A to the report be made and the Comptroller and City Solicitor be instructed to seal the Byelaws accordingly.

8. **CIVIC AFFAIRS SUB-COMMITTEE**

(Deputy Charles Edward Lord, OBE JP)

6 December 2022

Applications for Hospitality

(a) Afternoon reception following the official opening of the City Junior School

It was proposed that the City Corporation hosts an afternoon reception following the official opening of the City Junior School on Friday 27th January 2023.

The City of London Junior School is a joint venture between the City of London School and City of London School for Girls and is the first new independent school to have opened in the City in 128 years. The Lord Mayor and Baroness Hall, a Gray's Inn bencher and supporter of the school, will officially open the school and unveil a plaque to mark the occasion.

Resolved - That hospitality be granted and that arrangements are made under the

auspices of the Board of Governors of the City Junior school; the costs to be met from City's Cash within approved parameters.

(b) Industry and Parliament Trust Programme 2023

It was proposed that the City Corporation continues to collaborate with the Industry and Parliament Trust on a series of meetings in 2023 related to areas of interest to the City Corporation. Guests and speakers would include a City representative such as the Lord Mayor or Policy Chair, parliamentarians, policy makers, and prominent business, academic and industry representatives.

Resolved - That hospitality be granted and that arrangements are made under the auspices of the Policy and Resources Committee; the costs to be met from City's Cash within approved parameters.

(c) Major League Baseball London Series 2023 Official Welcome Reception

It was proposed that the City Corporation hosts an evening reception at Guildhall on Friday 23rd June 2023 as the official welcome event prior to the 2023 Major League Baseball London Series.

In June 2019, Major League Baseball (MLB) organised two regular season games at London Stadium in the Olympic Park, with these being the first games ever played in London. Two further games were due to take place in 2020 but were postponed due to the Covid-19 pandemic. Following the positive feedback from the 2019 games, MLB invited European cities to bid to host games in future years, with the Greater London Authority (GLA) putting together a successful bid in 2020 to host two games in London each year from 2023 – 2026.

Resolved - That hospitality be granted and that arrangements are made under the auspices of the Policy and Resources Committee; the costs to be met from City's Cash within approved parameters.

(d) Private View to launch 'The Big City' exhibition

It was proposed that the City Corporation hosts a private view in Guildhall Art Gallery to launch 'The Big City' exhibition on Thursday 9th February 2023.

The exhibition 'The Big City: London Painted on a Grand Scale' will be on display from 10th February until 23rd April 2023 in Guildhall Art Gallery. 'The Big City' will celebrate artists who have painted London on a monumental scale and will feature the collection's largest paintings.

Resolved - That hospitality be granted and that arrangements are made under the auspices of the Culture, Heritage and Libraries Committee; the costs to be met from City's Cash within approved parameters.

(e) Early evening reception following Pride Flag Raising

The 2023 Pride in London Parade will take place on Saturday 1st July 2023, with advice from the Department for Culture Media and Sport to Government Departments being for the Rainbow Flag to be flown during the week from Monday

26th June 2023.

It was proposed that the Pride Flag fly at Guildhall in line with Government advice and that the City Corporation hosts a reception in the Old Library following the flag raising on Monday 26th June. The reception will provide an opportunity for the City Corporation to show its continuing support for the LGBT+ community and its commitment to promoting diversity and inclusion throughout London.

A question was raised regarding whether staff networks across other City businesses were being engaged for this and other similar events. The Chair of the Sub-Committee responded to confirm that colleague resource groups and staff networks across a range of businesses would be approached for relevant occasions. This had been undertaken recently, with success, at the recent Hannukah event.

Resolved - That hospitality be granted and that arrangements are made under the auspices of the Communications and Corporate Affairs Sub-Committee; the costs to be met from City's Cash within approved parameters.

(f) Early evening reception to mark the Installation of the new Vicar of St Lawrence Jewry

It was proposed that the City Corporation hosts an early evening reception to mark the Installation of the new Vicar of St Lawrence Jewry Church on Wednesday 19th April 2023.

The Chair of the Sub-Committee informed the Court that the date of this event may change following news that the original candidate identified for this role would no longer be taking up the post.

Resolved - That hospitality be granted and that arrangements are made under the auspices of the Civic Affairs Sub-Committee; the costs to be met from City's Cash within approved parameters.

(g) Supper for the City Benefices

The City of London Corporation has a long-standing patronage of Church of England Benefices in the dioceses of London, Southwark and Chelmsford. These form an important element in the relationship with the Church extending beyond the City of London.

It was proposed that the City Corporation hosts a supper for Benefices, with the aim of bringing together the representatives of each benefice, to promote City relationships and provide a forum for informal discussion on matters of common interest.

Resolved - That hospitality be granted and that arrangements are made under the auspices of the Civic Affairs Sub-Committee; the costs to be met from City's Cash within approved parameters.

9. Freedoms

The Chamberlain, in pursuance of the Order of this Court, presented a list of the under-mentioned, persons who had made applications to be admitted to the Freedom of the City by Redemption: -

John Anthony Barnes <i>Vincent Dignam</i> <i>John Paul Tobin</i>	a Ductwork Ventilation System Company Director <i>Citizen and Carman</i> <i>Citizen and Carman</i>	Dartford, Kent
Stephen Bediako, OBE <i>Thomas Sleigh, CC</i> <i>Tijs Broeke, CC</i>	a Social Entrepreneur <i>Citizen and Common Councillor</i> <i>Citizen and Goldsmith</i>	Lambeth, London
Børge Brende <i>The Rt. Hon The Lord Mayor</i> <i>Ald. Sir William Anthony Bowater Russell</i>	President of the World Economic Forum <i>Citizen and Merchant Taylor</i> <i>Citizen and Haberdasher</i>	Geneva, Switzerland
Robert James Brown <i>Gary John Smith</i> <i>Dr Anthony Guy Smart, MBE</i>	a Banker, retired <i>Citizen and Furniture Maker</i> <i>Citizen and Furniture Maker</i>	Abbey Wood, London
Adele Caroline Bywater <i>Peter Holmes-Johnson</i> <i>James David Fell</i>	a Talent Acquisition Manager <i>Citizen and Woolman</i> <i>Citizen and Constructor</i>	Brentwood, Essex
Jane Sainthill Charman <i>John Anthony Telfor Saywell</i> <i>Alison Rebecca Gill</i>	a Veterinary Physiotherapist <i>Citizen and Carman</i> <i>Citizen and Horner</i>	Hatfield Broad Oak, Essex
Rajiv Kumar Chityal <i>Ann-Marie Jefferys</i> <i>Anne Elizabeth Holden</i>	a Global Strategic Sales Company Vice President <i>Citizen and Glover</i> <i>Citizen and Basketmaker</i>	Hounslow, Middlesex
Mary Patricia Crowley <i>Sir Michael Bear</i> <i>Lady Barbara Anne Bear</i>	a Fundraising Consultant, retired <i>Citizen and Pavior</i> <i>Citizen and Musician</i>	Golders Green, London
Jane Elizabeth Crowther <i>Sir Michael Bear</i> <i>Lady Barbara Anne Bear</i>	a Registered Nurse <i>Citizen and Pavior</i> <i>Citizen and Musician</i>	Golders Green, London
William Thomas Diggins <i>Antony Charles Greene</i> <i>Derek Martin Morley</i>	a Hairdressing Salon Company Director <i>Citizen and Loriner</i> <i>Citizen and Furniture Maker</i>	Northampton, Northamptonshire

Kimberly Suzanne Douglas <i>William Smith</i> <i>Oliver Jack Corry Gotto</i>	an Advertising Strategy Planner <i>Citizen and Actuary</i> <i>Citizen and Broderer</i>	Brixton, London
Christopher Ray Ezekiel <i>Reginald Beer</i> <i>Donald Howard Coombe, MBE</i>	a Software Company Owner <i>Citizen and Poulter</i> <i>Citizen and Poulter</i>	Poplar, London
Martin Christopher Flannery <i>John Moran</i> <i>Vincent Dignam</i>	a Plant Hire Company Director <i>Citizen and Carman</i> <i>Citizen and Carman</i>	Pinner, Middlesex
Patrick Flannery <i>John Moran</i> <i>Vincent Dignam</i>	a Plant Hire Company Director <i>Citizen and Carman</i> <i>Citizen and Carman</i>	Ruislip, Middlesex
Patrick Flannery <i>John Moran</i> <i>Vincent Dignam</i>	a Plant Hire Company Director <i>Citizen and Carman</i> <i>Citizen and Carman</i>	Kilburn, London
Dr Ellen Merete Hagen <i>Ian Mayes, KC</i> <i>Robin Griffith-Jones</i>	a Physician <i>Citizen and Security Professional</i> <i>Citizen and Merchant Taylor</i>	City of London
Nicole Calanit Hausdorff <i>Ald. Emma Edhem</i> <i>Hamish McArthur</i>	a Parliamentary Counsel <i>Citizen and Woolman</i> <i>Citizen and Glazier</i>	Earls Court, London
Lee Christopher Hensley <i>Alan Shelley</i> <i>Graham George Howell</i>	an Aerospace Industry Machinist <i>Citizen and Blacksmith</i> <i>Citizen and Carmen</i>	Gloucester, Gloucestershire
Joanne Cary Higgs <i>Ald. Robert Picton Seymour Howard</i> <i>Ald. Sir Charles Edward Beck Bowman</i>	a Pre-School Practitioner and Ward Beadle <i>Citizen and Gardener</i> <i>Citizen and Grocer</i>	Southampton, Hampshire
Lisa Kathleen Honan, CBE <i>Stephen Willis</i> <i>Dr Millan Sachania</i>	a Diplomat, retired <i>Citizen and Musician</i> <i>Citizen and Musician</i>	Bromley, London
Laura Jane King, MBE <i>John Nigel Major McLean, OBE</i> <i>Ald. & Sheriff Alastair John Naisbitt King</i>	a Fine Foods Company Director <i>Citizen and Musician</i> <i>Citizen and Blacksmith</i>	Walton On Thames, Surrey
Alex Lawrence <i>Anthony John Paice</i> <i>Gerald Michael Edwards</i>	a Paralegal <i>Citizen and Mason</i> <i>Citizen and Fruiterer</i>	Stockbridge, Hampshire

Jennifer Frances Mill <i>Stephen Willis</i> <i>Dr Millan Sachania</i>	a Tour Guide <i>Citizen and Musician</i> <i>Citizen and Musician</i>	Bromley, Kent
Véronique Morel-Kane <i>Deputy James Henry George Pollard</i> <i>Biagio Fraulo</i>	a Chartered Wealth Manager <i>Citizen and Skinner</i> <i>Citizen and Management Consultant</i>	Wandsworth, London
Alan George Myatt <i>Alan Shelley</i> <i>Graham George Howell</i>	a Town Crier for the City of Gloucester <i>Citizen and Blacksmith</i> <i>Citizen and Carmen</i>	Gloucester, Gloucestershire
Melanie Suzanne Robinson, CBE <i>Captain Robin Batt</i> <i>Lord Mountevans</i>	a Royal Navy Officer <i>Citizen and Master Mariner</i> <i>Citizen and Shipwright</i>	Fareham, Hampshire
Daniel Douglas Ronen <i>Roger William Whitworth</i> <i>Peter Michael</i>	a Chartered Engineer <i>Citizen and Scrivener</i> <i>Citizen and Scrivener</i>	Edgware, Middlesex
Dr June-Alison Sealy <i>David Arnold Raines</i> <i>Susan Liv Keane, JP</i>	a Justice of the Peace <i>Citizen and Distiller</i> <i>Citizen and Glazier</i>	Golders Green, London
Jane Shakeshaft <i>Ald. Vincent Keaveny</i> <i>David Anthony Barrett</i>	a Catering Operations Director <i>Citizen and Solicitor</i> <i>Citizen and Coachmaker & Coach Harness Maker</i>	Woolwich, London
Devesh Srivastava <i>Dominic Gerard Christian, CC</i> <i>Deputy Henry Nicholas Almroth Colthurst</i>	an Insurance Executive <i>Citizen and Insurer</i> <i>Citizen and Grocer</i>	Mumbai, India
James Clement Wheeler-Mallinson <i>Scott Marcus Longman</i> <i>Michael David Wear</i>	a Chartered Wealth Manager <i>Citizen and Educator</i> <i>Citizen and Educator</i>	Haywards Heath, West Sussex
Professor Sir Christopher John Macrae Whitty, KCB <i>The Rt. Hon The Lord Mayor</i> <i>Simon D'Olier Duckworth, OBE, DL</i>	Chief Medical Officer for England <i>Citizen and Merchant Taylor</i> <i>Citizen and Skinner</i>	Westminster, London
Lt Cdr Josephine Jane Young <i>Clare Hughes, OBE</i> <i>Lord Mountevans</i>	a Clinical Psychologist <i>Citizen and Cooper</i> <i>Citizen and Shipwright</i>	Epsom, Surrey

12. Questions

*Grekos, M., to
the Chairman of
the Policy and
Resources
Committee*

Assets of Community Value

Noting the recent decision by the Policy and Resources Committee not to list St Bride's Tavern as an Asset of Community Value (ACV) counter to the advice of officers, Martha Grekos expressed her doubts that Members had been properly equipped to make the decision and had not received legal training to make these decisions. She also felt that Members had not properly read the reports in advance. She therefore asked the Chairman if there were any plans to train Members on making decisions on these issues.

Responding, the Policy Chairman said that it was for officers to advise and for Members to decide, and this was precisely what had happened in the case of St Bride's Tavern. The Policy and Resources Committee was the body responsible for taking a decision on listing a premises as an Asset of Community Value and that, in the specific case of St Bride's Tavern, it had been clear that the Committee had not been convinced that the designation was justified. On the matter of training, the Chairman encouraged those interested to join the recently re-established Member Learning and Development Steering Group, which would be meeting to consider a refreshed Member Learning Strategy. It was incorrect to say that Members were required to undertake legal training in order to participate in general decision-making, other than with regards to licensing and planning.

He expressed disappointment at the insinuations made by the questioner. The comments were not appropriate, did not have substance and were unacceptable, and expressed a hope that they would be withdrawn. He understood that all Members take the responsibility of discharging their duties seriously, and reminded the Court again that while Members relied on the expert advice of officers, they were not bound to follow this advice.

In response, Martha Grekos questioned whether the matter was planning related and if there was a requirement for Members to have legal training.

Deputy Marianne Fredericks asked a supplementary question of the Chairman of Policy and Resources, referring to the Chairman's statement that it is the role of officers to advise and Members to decide. Deputy Fredericks agreed that in most cases, this was correct, but reminded the Court of an application for a designation of an ACV that had had to be retaken after originally being refused. Deputy Fredericks said that the report on St Bride's Tavern had said that the submitted evidence met the national criteria and the City Corporation's guidelines for designation, and therefore asked why it had not been approved.

In reply, the Chairman said that Members were guided by legality and officer's advice on their legal functions. If he had been told that the decision should have automatically been approved as it met national criteria, then he felt it should have been taken under a delegated decision by officers and not referred to Members, and if referred to Members there should not have been a recommendation in the report.. He undertook to look into the matter further outside of the Court and would take further legal guidance to confirm that Members had discharged their responsibilities legally and correctly.

Deputy Ann Holmes asked a supplementary question, referring to her eight years of

experience on the Member Development Steering Group. She had frequently requested that all Members receive planning training, as decisions around this came up at many Committees, and were also a large part of ward business for Members. She asked the Chairman if she would be minded to consider that training on planning be given to all Members.

The Chairman said that the Civic Affairs Sub Committee would be considering the new draft strategy for such training, and was confident that the Chair of this Committee would take the comments into account at the relevant meeting.

*Singh, P., to the
Chairman of the
Policy and
Resources
Committee*

Diversity on the Court

Paul Singh asked the Chairman of the Policy and Resources Committee how the Committee could work with the Court of Alderman to address issues of diversity, with a particular focus on the diversity of ethnicity among Sheriffs and the Lord Mayor.

In reply, the Chairman reflected that Lord Lisvane had rightly pointed out that a lack of diversity was a weakness for the City Corporation and that improving the diversity of candidates in the Court elections had been a key part in the campaign for 2021-22. The campaign had been successful in increasing the number of people eligible to stand for election by growing the size of the Ward Lists. The campaign had also focused on communicating the need to register voters reflecting the workforce of the City, including those from diverse backgrounds. The Chairman noted that the City Corporation could continue to improve its engagement with diversity networks in workplaces across the Square Mile to feed into Common Council and Aldermanic elections. He said that without increasing awareness of the City Corporation among eligible candidates across the City, these individuals would never get to the point of considering standing. The best way of increasing the diversity of the Court, including the Court of Alderman and civic officers, was to increase the diversity of candidates who came forward for election. The Chairman reminded Members that it was ultimately for the electorate to decide who to vote for. Every Member played an ambassadorial role in raising awareness of the City Corporation and its activities, helping to take people on the journey from being unaware of the City Corporation to actively considering standing for election. The Chairman assured Mr Singh that the core element of the forthcoming community engagement plan would be to involve the workplace diversity networks and introduce them to the idea of standing as candidates in the future, with a report to be brought forward in the coming months.

The Chairman, referring again to Lord Lisvane's report, reminded Members that the Equality Act prescribed nine protected characteristics, which were not always visible or immediately obvious. He said that it was important to be careful not to identify people on sight. He said that the activities being undertaken were improving outcomes in this important manner in the Court and the Court of Alderman but recognised that there was always more work to be done.

Tom Sleight asked a supplementary question of the Chairman, referring to his own experience as the founder of the Member Diversity Working Party and the work that had been done to make the Court more reflective of the diversity of London, asked if the Chairman agreed that it was time to reactivate the Member Diversity Working

Party. He also said that the Ward Lists did not apply to candidates for Alderman. He acknowledged that there were nine protected characteristics, but said that the Working Party had been focused on gender and race.

The Chairman of the Civic Affairs Sub Committee made a point of order to say that the Policy and Resources Committee and Corporate Services Committee had established an Equality, Diversity & Inclusion Sub-Committee, with responsibility for Member diversity.

The Chairman thanked both Members and confirmed that the Ward Lists were only applicable to candidates for Common Council seats. He said that the Alderman formed part of the wider Court of Common Council and played a full role in the work of the Committees and the wider activities of the City Corporation. The Chairman informed the Court that he had spoken with the Chairman of the General Purposes Committee of Aldermen, and they had both agreed to meet to look at the Community Engagement Plan as it impacts on the Court of Alderman. The Chairman reminded the Court that over the two years of the pandemic, the City had been unable to hold aldermanic elections, and it was only recently possible to hold these again. The evidence of these recent elections demonstrated a much wider breadth of candidates standing.

Frances Leach asked the Chairman if he would make a commitment to widening the intake of candidates from diverse socio-economic backgrounds. The Chairman agreed with these comments.

Greg Lawrence asked the Chairman if he could look into the question of diversity among Freemasons. In reply, the Chairman said that the issue being discussed was that of diversity among candidates for the Court of Common Council and the Court of Alderman, not diversity in masonic lodges.

*Wheatley, M., to
the Chairman of
the Policy and
Resources
Committee*

Ethical Policy

Mark Wheatley asked a question of the Chairman of the Policy and Resources Committee, asking for an update on the development of an Ethical Policy for the City Corporation.

The Chairman replied that, subject to the agreement of the Chief Commoner, it was his intention to include discussion of a draft ethical policy statement at the informal Court meeting in February.

*Boden, C.
Deputy, to the
Chairman of the
Policy and
Resources
Committee*

Employment support for adults with learning difficulties

Deputy Christopher Boden asked a question of the Chairman of the Policy and Resources Committee concerning what employment support the City Corporation could provide for adults with learning difficulties.

The Chairman said that the disability employment gap remained a significant challenge, with only half of disabled adults across the UK in employment compared to just half of non-disabled adults. The lowest employment rate for any disability was one in three adults with autism in employment.

The Chairman acknowledged that this was a cause close to the Lord Mayor's heart,

and that he and the Court were aware of the Lord Mayor's support for Neurodiversity in Business.

The Chairman was pleased to say that the City Corporation had been successful the previous year in securing Department for Education funding for Supported Internships, a programme which supports adults with disabilities to provide work placements within the City and wider London based employers.

The Chairman also highlighted the work of Central London Forward, a body based at the City Corporation which operates the devolved Work & Health Programme for Central London and manages the Central London Integration Hub, which brings together employment and skills support to help adults with disabilities.

Salisbury Square Development

*Lawrence, G., to
the Chairman of
the Finance
Committee*

Gregory Lawrence asked of the Finance Committee Chairman whether the Finance Committee would report the full financial picture of the Salisbury Square development to this Court, to see what the business case and whether there would be an undertaking to stop any further spending on the project until the Court has received the information.

The Finance Chairman responded by confirming that oversight of the Salisbury Square Development, comprising the new Court complex and Police Head Quarters, was a development within the remit of the Capital Buildings Board. That board was tasked with delivering the project from within a budget envelope set by this Court when it made the decision to proceed in 2018. The Court report at the time had made it clear that a full economic appraisal had not been carried out at that stage - only a financial appraisal, which reflected on the wider economic and reputational benefits that arose from the scheme.

The Chairman recalled historic concerns about failing police accommodation and mounting costs of maintaining an ageing estate. The Court had made its decision to proceed within that context and set a budget envelope which currently stood at £596m.

Following that decision, commitments had been made. What had not been anticipated at the time were the later pandemic, or cost inflation of the scale now being experienced.

The Chairman said that an immediate halt to works to save costs sounded tempting, it would incite an unfavourable reaction from HMCTS and Government. There would be enormous implications, reputational and otherwise, if the City Corporation went back on committed obligations and contractual agreements. It was unlikely that this course of action would save money given costs associated with delays and redesigns.

The Chairman said that responsibility for expenditure lay with the Capital Buildings Board. The role of the Finance Committee was limited - provided that such decisions sit within the approved envelope. Nevertheless, on behalf of the Finance Committee, the Chairman had recently asked officers to ensure that the Finance Committee is provided with a high level monthly summary of financial progress of

all major Capital Buildings projects. Their ability to stay within their budgets forms a crucial part of financial planning. The aim is to ensure that all Members of the Finance Committee can monitor the position robustly but objectively and are presented with no sudden surprises which impact budgets and expectations elsewhere.

In conclusion, the Chairman said that he could not give the commitment which the Honourable Member requests, and that it was not in his remit to countermand the approved position of this Court.

The Chairman thanked the Honourable Member for highlighting the financial pressures which this Honourable Court is going to face for the foreseeable future, and hoped that vigilance and balanced judgment from all members would help the inevitable demands from all sides made as part of budget setting to be addressed wisely and prudently, and kept within the financial envelope that could afforded.

Under Standing Order 13(10), Members were advised that remaining questions not dealt with owing to the expiration of the 40 minutes time limit shall be deferred for consideration at the following meeting and shall be put in advance of other questions, or may, with the consent of the questioner, be answered in writing within two working days, a copy of the answer being placed in the Members' Reading Room.

13.
Legislation

The Court received a report on measures introduced by Parliament which might have an effect on the services provided by the City Corporation as follows:-

Statutory Instruments

Date in force

The Police, Crime, Sentencing and Courts Act 2022 (Commencement No. 5) Regulations 2022 No. 1227

31st January
2023

These Regulations bring into force provisions of the Police, Crime, Sentencing and Courts Act 2022 relating to the duty under the Act on specified authorities to collaborate with each other to prevent and reduce serious violence. The specified authorities under the Act include the Common Council of the City of London, in its capacity as a local authority, and the Commissioner of the City of London Police.

The Environment Act 2021 (Commencement No. 5 and Transitional Provisions) Regulations 2022 No 1266

1st January
2023

These Regulations bring into force provisions of the

Environment Act 2021 which require public authorities, including the Common Council in its capacity as a local authority, to take action to conserve and enhance biodiversity and to produce biodiversity reports detailing the action taken. This strengthens the requirement under existing legislation for local authorities and local planning authorities to have regard to the conservation of biodiversity when delivering their functions.

The Prevention and Reduction of Serious Violence (Strategies etc.) Regulations 2022 No 1305 31st January 2023

The Police, Crime, Sentencing and Courts Act 2022 places duties on specified authorities, including the Common Council in its capacity as a local authority, to collaborate to prevent and reduce serious violence. This includes a duty to prepare and implement a strategy for exercising the authority's functions to prevent and reduce serious violence in its area. These Regulations provide for the publication and dissemination of a serious violence strategy and confer functions on local policing bodies, including the Common Council, to enable them to assist specified authorities in relation to their duties of preventing and reducing serious violence.

The text of the measures and the explanatory notes may be obtained from the Remembrancer's Office.

Read.

(The text of the measures and the explanatory notes may be obtained from the Remembrancer's Office.)

14. In recognition of a number of Members and Officers of the City Corporation and City of London Police in the New Year's Honours List:-
Resolutions

Duckworth, S.D'O., O.B.E., D.L. Deputy, Colthurst, H.N.A., Deputy
Resolved unanimously – That the sincere congratulations of this Court be offered to Catherine McGuinness, CBE, on her recent appointment by His Majesty the King as a Commander of the Most Excellent Order of the British Empire, in recognition of her services to the financial sector and to educational inclusion.

Duckworth, S.D'O., O.B.E., D.L. Deputy, Colthurst, H.N.A., Deputy
Resolved unanimously – That the sincere congratulations of this Court be offered to Paul Double on his recent appointment by His Majesty the King as a Commander of the Royal Victorian Order, in recognition of his services to the Platinum Jubilee of Her Late Majesty the Queen.

Duckworth, S.D'O., O.B.E., D.L. Deputy, Colthurst, H.N.A., Deputy
Resolved unanimously – That the sincere congratulations of this Court be offered to Commander David Lawes, on his recent appointment by His Majesty the King as a Officer of the Most Excellent Order of the British Empire, in recognition of his services to policing.

It was noted that a further two individuals associated with the City were referred to in the New Year's Honours List and congratulations were consequently extended to:-

Mouhssin Ismail, lately the Principal of Newham Collegiate Sixth Form Centre, for his recent appointment by His Majesty the King as an Officer of the Most Excellent Order of the British Empire, in recognition of services to education.

William Michael Thornton, who was awarded the British Empire Medal in recognition of services to the community in docklands, following decades of involvement at Billingsgate Market.

17. Hospital Seal There were no docquets for the Seal.
18. Awards & Prizes There was no report.
20. *Resolved* – That the public be excluded from the meeting for the following items of business below on the grounds that they involve the likely disclosure of exempt information as defined in Paragraph 3 and 4 of Part 1 of Schedule 12A of the Local Government Act, 1972.
21. Non-public minutes *Resolved* – That the non-public minutes of the last Court held on 8 December are correctly recorded.
22. **PROPERTY INVESTMENT BOARD**
The Court was asked to approve the disposal of a long leasehold.
23. **PROPERTY INVESTMENT BOARD**
The Court was asked to approve the purchase by City's Estate of a freehold interest.
24. **BRIDGE HOUSE ESTATES BOARD**
The Court received a report relating to an investment property forming part of the charity's permanent endowment.
25. **PROPERTY INVESTMENT BOARD**
The Court received a report of action taken relating to the refurbishment and extension of City property.

The meeting commenced at 1pm and ended at 2.13pm

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Report – Finance Committee

City Fund 2023/24 Budget Report and Medium-Term Financial Strategy

To be presented on Thursday, 9th March 2023

*To the Right Honourable The Lord Mayor, Aldermen and Commons
of the City of London in Common Council assembled.*

SUMMARY

This report presents the overall financial position of the City Fund (i.e., the City Corporation's finances relating to Local Government, Police and Port Health services).

The last few years have been very challenging with the global pandemic and the war in Ukraine. Inflation has been a growing issue over the last six months and as we go into the 2023/24 financial year, is now the largest financial threat that the Corporation faces. In addition, the City Corporation is undergoing its own period of significant change in response to these events and its ambition to deliver on key priorities such as its move to net zero and support to major capital projects.

Additional funding will be required across the medium term for cost pressures within children and community services; to accommodate changes in pay and price uplift assumptions; and to address the growing backlog of cyclical works on our operational properties.

The huge pressure on our finances from delivering our ambitious capital programme also constrains the ability for future investment. Your Policy and Resources Committee and Resource Allocation Sub-Committee have reviewed the affordability of the capital programmes and, in light of inflationary pressures, has refined deliverables, for instance: a reforecast of the Salisbury Square Development; the business as usual (BAU) capital programme has been rephased and, in some cases, schemes have been stopped. But wider thinking is now needed on how best to secure third party investment on the major capital projects and our asset base to relieve the pressure on our own capital resources.

Additionally, it has become clear through the bilateral meetings with your service committee chairmen during the autumn that a more commercial approach to revenue generation is required e.g., advertising income. A more commercial approach is also required to our operational asset base, ensuring that we maximise operational effectiveness and only retain the buildings really needed to deliver services.

Although the Local Government Financial Settlement includes a welcome increase in the level of funding for social care, there has been a macro shift in funding patterns with the expectation from the Government that more will be raised from local taxpayers. This is also the case for the Police funding settlement, where a small increment has been applied to the baseline grant and the Government's assumption is that Policing cost pressures would be covered through the levy on council taxpayers of up to £15 (increased from £10 from the prior year). Following the steer from your

Resource Allocation Sub-Committee in the summer, potential tax increases have been modelled for Member consideration.

The final settlement also approved the extension of the '8 Authority Pool' with 7 neighbouring billing authorities, which will enable the pool partners to keep more of the business rate growth they generate – this pool will cover 4 of the 6 most deprived Boroughs. For City Fund this will potentially yield £8m. This pool is an extension for one year only, after which the Corporation intends to return to a pan-London Pooling. It is therefore recommended that any gains from the pool is ringfenced to the major capital projects - recommendation in this Report proposes this supports the urgent health and safety works at the Barbican Centre.

Tough decisions have been needed to remain within the overall envelope for the 2023/24 budget setting.

The medium-term financial outlook is summarised in the table 1 below:

Table 1					
Surplus/ (Deficit)	2022/23	2023/24	2024/25	2025/26	2026/27
£m					
City Fund surplus (deficit)	27.18	22.76	13.69	(13.03)	(11.02)
City of London Police surplus/(deficit)	0.40	(0.60)	(3.20)	(3.20)	(6.10)
City Fund position including Police deficit	27.58	22.16	10.49	(16.23)	(17.12)
*General Fund Reserve – working capital	20.00	20.00	20.00	20.00	20.00
**Major Project Financing Reserve	55.79	52.58	60.00	35.61	13.19
***Build Back Better Fund Reserve	14.84	13.69	9.59	5.93	2.17
****Security Reserve	1.00	1.00	1.00	1.00	1.00

*General fund reserve maintained at minimal prudent amount for working capital.

** Major project financing reserve includes adjustments for financing the revenue element of major capital projects which is not included in the deficit/surplus. Also releasing the £30m risk reserves to support the essential funding needed on cyclical works programme, which is profiled from 2024/25 and included in the surplus/(deficit).

*** Build Back Better fund reserve includes adjustments for financing the revenue element of climate action.

****Security Reserve ringfenced to support security pressures.

City Fund (including Police) is balanced over the medium-term financial plan (MTFP) producing a £26.9m surplus over the medium term. The Government has pushed back its reform of Business Rates by another two years; this means that we have extra retained Business Rates growth of £27m in 2023/24 and £27m in 2024/25, which is very welcome and gives a much-needed boost to the financial position. In addition, City Fund has benefited from an increase of £1.62m in baseline funding as well as one-off funding of £1.89m in 2023/24. Continuing on a positive note, the increase in interest rates on our Treasury balances has been very beneficial in countering inflationary and other pressures. However, despite the additional income, the forecast deficits in the latter years need to be addressed. Modelling over the 10-year horizon estimates annual deficits (including Police) of £23m from 2027/28 onwards. Deficits are largely caused by inflation, pressures in adult and children's services, inflationary

pressures in pay and prices, major projects financing, plus an assumed reset in retained business rates growth in 2025/26.

There are increasing demands on Police services, namely, for protest activity; increasing violence and disorder because of increases in the use of the Night-time Economy; creating a safe and secure environment for Destination City; and increasing cyber threats. These demands sit within the context of a notable shift in the balance of central funding towards locally levied taxes, provided elsewhere through increases in Council Tax.

There is a statutory duty to remain balanced across the medium-term taking one year with the next over the five-year period. There are several options being recommended within this Report to close the medium-term deficits, however, this leaves very little margin to support unforeseen financial challenges.

For 2023/24, Members will need to consider whether to:

- Increase the Adult Social Care precept by 2% - this is needed to address £0.2m pressures within Adult Social Care and would also position the City Corporation better for the Fair Funding Review, as low Council Tax and limited increases in Council Tax will not position us well.
- Increase the core Council Tax by 2.99% - this is needed to address £1m pressure on children services (children with special education needs and unaccompanied asylum-seeking children aged between 18 and 25).
- Increase the Business Rates Premium up to 0.2p in the £ - smaller and regular increases is much needed to support the new inflationary pressures. Also, the Corporation is unable to levy taxes in the same way other Police Crime Commissioner Offices are able to do through a precept on Council Tax – for 2023/24 increased to £15 without needing a referendum. If we do not increase the BRP by 0.2p - City Fund is only balanced across the medium-term due to the retained business rates growth. Without this, further aggressive savings and support to Police is required.
- Increase rents for social tenants within the Housing Revenue Account by 7%. With inflation expected to be between 6% and 8% in 2023/24 – increases in costs above what has already been budgeted will put HRA into deficit by circa £0.15m in 2023 - there is a requirement to balance HRA across the MTFP and a 7% increase in rent is permitted. Intelligence from London boroughs indicate that most local authorities will be increasing rents by the full 7%. This increase is higher than previous modelling of 5% - the impact of modelling a 7% rise in rents puts the HRA into a small surplus by circa £0.07m in 2023/24.

Turning to the **capital position**, your Resource Allocation Sub-Committee decided there would be no new capital bids for 2023/24, instead an opportunity to prioritise delivery of already approved capital schemes (circa £300m including capital programmes funded from external contributions). A Capital Review took place in the autumn, where officers were given the opportunity to put forward revised forecasts considering inflationary pressures. Any further pressures are to be contained within agreed budgets through value engineering. Where this is not practicable, it is recommended alternative sources of funding are explored (i.e., Community Infrastructure Levy (CIL), On Street Parking Reserves (OSPR), Grants, underspends from existing capital programmes, and or reprioritisation of already approved capital

programmes). Given no new bids have been approved, your Resource Allocation Sub-Committee agreed to holding a contingency under the capital programme of £3.0m for urgent health and safety capital schemes, subject to approval of business cases.

This Report recommends a number of measures to stabilise the position in 2023/24 and that will support the steps that will need to be taken over the medium-term, supported by:

- **Tax increases** – Resource Allocation Sub-Committee agreed to model tax rises.
- **Target Operating Model (TOM)**
 - the need to move to service transformation and culture shift.
- **Resource Prioritisation Refresh (RPR)**
 - workstreams – to reprioritise funds aligned to Corporate Priorities.
 - new additional pressures identified – expectation RPR workstreams to create headroom to reallocate funds.

For TOM and RPR above additional funding is required to support the transformation/invest to save opportunities – the Report recommends underspends from 2022/23 central contingencies are carried forward to progress the workstreams and bring in expertise to support the much-needed change in the operating model.
- **One-off spends** addressed within resource envelope/added to MTFP, with exceptional items funded from underspends carried forward from 2022/23 central contingency underspends -i.e., energy
- **Disposal of operational property** – ensuring a sustainable portfolio fit for the future.
- **Major Capital Projects**
 - Barbican Centre renewal – urgent works need to be prioritised – see recommendation 1.6. Plus, the need for a Business Plan that reduces annual support from City of London (CoL) – to make financial case work, and the need to review alternative opportunities for funding.
 - Reinforcing the cap on major capital project spend.

Members will also want to note that increased revenue pressures have been accommodated by reprioritising existing budgets and signal an expectation that additional pressures that might arise during 2023/24 will be absorbed within local risk budgets. However, where one-off cost pressures have been approved by Members these have either been built into the medium-term or accommodated through underspends from 2022/23.

Recommendations

Following your Finance Committee's consideration of this City Fund report, it is recommended that the Court of Common Council is requested to:

1.0 Note the overall budget envelopes for City Fund.

- 1.1 Additional funding is required for new on-going cost pressures and have been included as budget uplifts:

- 1.1.1 Agreed pay award from 1st July 2022.
 - 1.1.2 Assumptions for the 2023/24 pay award are held centrally – the final settlement will be approved by your Corporate Services Committee.
 - 1.1.3 Pressures on Adult Social Care and Children Services.
 - 1.1.4 Health and Safety team to be offset from increase in income from RPR workstream(s).
 - 1.1.5 For Cyclical Works Programme (CWP): Following the meeting with the Joint Resource Allocation Sub Committee (RASC) and Service Committee Chairmen, additional headroom has been created for 2023/24 to address urgent health and safety issues – profiled over two years. Plus, a further £9.5m additional funding allocated (profiled over two years) from 2024/25 is included within the medium-term to support the bow wave. Recommendation to release £30m of general fund risk reserves to support CWP backlog (paragraph 25).
 - 1.1.6 Approve an uplift in grant to the Museum of London by £0.159m in 2023/24
-
- 1.2 To address inflationary pressures, remove the 2% efficiency saving requirement, using this overall sum plus carry forward underspends from 2022/23 to bolster the inflation contingency. Going forward, flat cash assumptions are no longer sustainable year-on-year and assumptions include 3% uplift in 2024/25, returning to 2% from 2025/26.
 - 1.3 Fund one-off pressures and opportunities for transformation/invest to save opportunities in 2023/24 outlined in paragraph 24 from forecast carry forward underspends from 2022/23.
 - 1.4 Unfunded additional revenue bids (paragraph 5) to be avoided during 2023/24, unless these can be prioritised from savings or income generated under the Resource Prioritisation & Refresh (RPR) workstreams – plus realign resources to the revised Corporate Plan to new areas requiring investment whilst delivering a sustainable MTFP.
 - 1.5 Increase the rents for social tenants within the Housing Revenue Account as recommended by management from 5% to 7% (paragraph 16).
 - 1.6 Following the meeting with Joint RASC and Service Committee Chairmen, concerns were raised on the urgent health and safety works needed at the Barbican Centre. It is recommended to ringfence £13m from the Major Projects reserve (£13.19m balance on major projects reserve) to support these works subject to business case approval.

- 1.7 As in previous years, it is recommended the earmarked security reserve retains £1m as a minimum to support future revenue security pressures and is reviewed regularly to ensure sufficient funds are available at all times.
- 1.8 Mitigating the Police Deficit: City of London Police (CoLP) planned mitigations over and above £12m mitigations already built in 2022/23 budgets, £6.6m in 2023/24 with £4.6m from 2024/25 onwards. Chamberlain's recommendation to increase in BRP of up to 0.2p in the £ in 2023/24 to further support mitigating residual deficits in Police MTFP and pressures under security.
- 1.9 Approve the overall financial framework and the revised Medium-Term Financial Strategy (paragraph 19-43).
- 1.10 Approve the City Fund Net Budget Requirement of £160.5m (Appendix A, paragraph 16)

Key decisions:

The key decisions are in setting the levels of Council Tax and National Non- Domestic rates:

2.0 Council Tax

- 2.1 To approve an increase of 2% on social care precept, raising circa £170k, in response to on-going pressures in homelessness and adult social care. This is recommended given the pressures within adult social care totalling £200k p.a. (paragraph 46).
- 2.2 To approve increase of 2.99% on core Council Tax, raising circa £250k p.a. This is recommended to address £1m pressure on children services (for children with special education needs and unaccompanied asylum-seeking children aged between 18 and 25- unfunded) (paragraph 47).
- 2.3 To note, if both increases are adopted, the 4.99% increase will increase income by £420k and raise the Band D rate by circa £47.51 to £1,003.62 (before GLA precept); this is much needed to support vulnerable members of society.
- 2.4 To determine that a fully funded means tested council tax reduction scheme will continue in place for those on low incomes and least able to pay more.
- 2.5 To determine that the Local Discretionary discount for Care Leavers between the ages of 18 to 25 is continued for 2023/24.
- 2.6 Determine the amounts of Council Tax for the three areas of the City (the City, the Middle Temple and the Inner Temple to which are added the precept of the Greater London Authority (GLA) - Appendix B.

- 2.7 Determine that the relevant (net of local precepts and levies) basic amount of Council Tax for 2023/24 will not be excessive in relation to the requirements for a referendum.
- 2.8 Determine, the current 100% discount awarded to unoccupied and unfurnished and uninhabitable dwellings is continued at zero (0%) for the financial year 2023/24.
- 2.9 Determine that the premium levied on long-term empty property for 2023/24 of 100%, 200% and 300% on properties that have been empty for 2, 5 and 10 years respectively is continued in 2023/24.
- 2.10 It is recommended that, having regard to the government guidance issued, the Chamberlain be given the discretion, delegated to the Assistant Director, Shared Services, to reduce or waive the long-term empty premium charge in exceptional circumstances.
- 2.11 Approve that the cost of highways, street cleansing, waste collection and disposal, drains and sewers, and road safety functions for 2023/24 be treated as special expenses to be borne by the City's residents outside the Temples (Appendix B).

3.0 Business Rates

- 3.1 To approve an increase of up to 0.2p in the £ in Business Rate Premium raising up to circa £4.2m p.a. Increase in inflation has increased pressure on City Fund – smaller and regular increases of the Premium are much needed to support security on City Fund and Police inflationary pressures (Appendix A, paragraph 21).
- 3.2 Note that the Non-Domestic Rate multiplier of 51.2p and a Small Business Non-Domestic Rate Multiplier Rate of 49.9p have been set by Central Government for 2023/24 (Appendix A, paragraph 20).
- 3.3 Note that, in addition, the GLA is levying a Business Rate Supplement in 2023/24 of 2.0p in the £ on properties with a rateable value of £75,000 and above (Appendix A, paragraph 22).
- 3.4 Delegate to the Chamberlain the award of discretionary rate reliefs under Section 47 of the Local Government Finance Act 1988 (Appendix A, paragraph 21).

4.0 Capital Expenditure

- 4.1 Approve the Capital Strategy (Appendix F).
- 4.2 Approve the Capital Contingency Budget for City Fund and the allocation of central funding from the appropriate reserves to meet the £3m contingency to support urgent health and safety new capital bids– release of funding

being subject to approval at the relevant gateway and specific agreement of your Resource Allocation Sub-Committee at gateway 4(a) (Appendix A, paragraph 33).

4.3 Approve the continuation of the allocation of central funding in 2023/24 to provide internal loan facilities for police and the HRA, currently estimated at £9.8m and £13.5m respectively (Appendix A, paragraph 33).

4.4 Approve the Prudential Code indicators (Appendix D).

5.0 Treasury Management Strategy Statement and Annual Investment Strategy 2023/24 (Appendix E)

5.1 Approve the Treasury Management Strategy Statement and Annual Investment Strategy for 2023/24, including the treasury indicators – Appendix E.

5.2 Approve the authorised limit for external debt (which is the maximum the City Fund may have outstanding by way of external borrowing) at £365.1m for 2023/24; and the Minimum Revenue Provision (MRP) for 2023/24 at £1.3m (MRP policy is included within Appendix E – Treasury Management Strategy Statement and Investment Strategy Statement 2023/24 - appendix 2).

5.3 Approve the addition of multi-asset funds to the list of permitted non-specified investments subject to an overall limit of £50m (Appendix E, sub appendix 3). The Corporation is expected to maintain significant surplus cash balances for the foreseeable future. Multi-asset funds enable the Corporation to mitigate the gradual erosion of the real value of these long-term cash balances from the effects of inflation.

5.4 Approve the new policy for managing environmental, social and governance (ESG) risks within treasury investment activity (Appendix E, paragraph 5.4).

6.0 Chamberlain's Assessment

6.1 Take account of the Chamberlain's assessment of the robustness of estimates and the adequacy of reserves and contingencies (paragraphs 54-57 and Appendices A, C and H respectively).

Main Report

Background

1. This report sets out the revenue and capital budgets for City Fund for your Finance Committee and the Court of Common Council to approve.
2. The last few years have been challenging with the global pandemic, war in Ukraine, as well as combatting inflationary pressures and it has been said for much of the global economy, 2023 is going to be a tougher year as the US, Europe and China see their economies slow. As prices continue to rise and higher interest rates are imposed, the likelihood of a recession looming in 2023 is high. In addition, the City Corporation is undergoing its own period of significant change in response to these events and its ambition to deliver on its key policy priorities such as its move to net zero and support to major projects. The pressures and risks to the City Corporation's finances are likely to continue into the 2023/24 financial year and there is still a need to manage a significantly unprecedented range of external challenges, namely:
 - Economists warning of a UK recession during 2023 – as high inflation and rising interest rates slow the pace of growth.
 - Biggest financial challenge for the Corporation is inflation which is highly volatile - peaking now at 10.5%, between 6% to 8% 2023/24 and forecast (which may be optimistic) to fall to 2% in 2024/25.
 - Continued impact on global supply chain bottlenecks.
 - Austerity 2.0 is cushioned for the next two years but really bites in 2025/26 with real public sector spending reductions. This will be unsustainable, and messaging from the local government sector has already started with Treasury.
 - Nationally, there has been a macro shift in the financial burden for local government funding moving to the council taxpayer e.g., the increase in the allowable precept for Policing from £10 to £15 to cover inflationary pressures. Council Tax now provides 50% of local government funding. There are some new monies for Adult Social Care, but half of this is from a 2% precept on Council Tax.
3. More positively, the Fair Funding Review will be politically difficult to implement unless there is more money in the system – potentially impacting the Business Rates growth reset.
4. Bilateral meetings have taken place during the autumn for departments and service committees currently overspending – this provides an opportunity for service committees to highlight how they intend to tackle cost pressures for the 2023/24 financial year and to discuss risks and opportunities.

5. Your Policy and Resources Committee and Finance Committee have messaged clearly that cost pressures should be managed within existing resources. New on-going pressures will need to be managed within local risk budgets; and or through any headroom identified through the Resource Prioritisation Refresh (RPR) workstreams. However, finding sustainable efficiencies will likely require time, capacity, and upfront investment.
6. Tough decisions have been needed to remain within the overall envelope in 2023/24.
7. To mitigate the risks from high inflation/health and safety concerns:
 - A review of Major Capital Projects and business as usual (BAU) capital programmes has reprioritised current spend – for major capital projects: a Salisbury Square Development reforecast. The BAU capital programme has been rephased and, in some cases, schemes have stopped. Your Resource Allocation Sub-Committee agreed that there would be no new capital bids for 2023/24 with contingencies held for urgent health and safety works.
 - For revenue pressures, additional contingencies are held centrally for pay and prices, however it is recommended underspends from 2022/23 are carried forward to support known one-off pressures e.g., energy.
 - There is a significant risk of not addressing the CWP, further delays to repairs and maintenance will lead to deterioration of the Corporation's operational properties, there is a risk of an increase in health hazards and an increase in major capital projects.
 - There is also a significant risk of not addressing the Barbican urgent health and safety works pending full business case.
8. Aggressive assumptions have been made in respect of inflationary pressures, significantly impacting pay and prices. The current upward pressure on inflation is expected to subside over the medium-term as supply chains recover, global demand rebalances, and the effects of energy price increases wear off.
9. Furthermore, impact of a recession in 2023 is unknown – potentially impacting income streams, particularly: rental income from investment properties; event bookings; and events at the Barbican – this needs close monitoring.
10. In setting the budget for 2023/24 and the MTFS for future years, consideration has been given to the high degree of uncertainty and therefore risk in determining Local Government funding levels.
11. The Government recently confirmed the Local Government Finance Settlement for 2023/24 and the Policing Minister published the revenue allocations for Police forces for 2023/24. The Local Government Finance Settlement assumes local authorities use locally levied taxes to support rising pressures, for example in social care, with the exception of a small uplift that has been applied to the baseline and additional one-off funding to partly support increases in inflation. This is also the case for the Police funding settlement, where a small increment has been applied with support for additional officer uplift. The Government's

assumption is that Policing cost pressures would be covered through the levy on council taxpayers.

12. Revenue streams are likely to be under considerable pressure as the Government intends to change current funding mechanisms to reflect an increased emphasis on need and to reset the current business rates retention system:
 - **Two Year Settlement** – the 2023/24 Local Government Finance Settlement is a two-year settlement confirmed annually, no information is available on how the planned increase in grant funding will be distributed to local authorities.
 - The **Fair Funding Review** of local government funding is likely to shift resources away from London.
 - **Business Rates** – danger from a reset which would remove the City's recent growth receipts (forecast at £27m) in 2025/26.
13. The final settlement also approved the extension of the '8 Authority Pool' with 7 neighbouring billing authorities, which will enable the pool partners to keep more of the business rate growth they generate – this pool will cover 4 of the 6 most deprived boroughs. For City Fund this will potentially yield £8m. This pool is an extension for one year only, after which the Corporation intends to return to a pan-London Pooling. It is therefore recommended that any gains from the pool is ringfenced to the major capital projects - recommendation in this Report proposes this supports the urgent health and safety works at the Barbican Centre.
14. The forecast includes the £32.6m revenue impact from funding already approved capital programmes across the medium term, with capital receipts reserves standing at £15m by 2026/27.
15. Although the City Fund, excluding Police, is forecast to be in surplus by £22.8m in 2023/24, it can only be balanced, over the next four years, with the use of general fund reserves and further savings and/or revenue raising by increasing Council Tax and Business Rate Premium. Despite significant savings made over the last decade (most recently 12% in 2021/22), planned savings from the Fundamental Review, and mitigations in place under Police, overall, City Fund, including Police, faces substantial growing annual deficits over the planning period and the 10-year horizon – estimated at £23m p.a. from 2027/28 onwards.
16. The HRA is under increasing pressure, heavily impacted by inflation and major capital projects. There is a statutory requirement for the HRA budget to be balanced across the MTFP. With inflation expected between 6% and 8% in 2023/24 – increases in costs will put HRA into deficit and there are no reserves available. A 7% increase in rent is permitted. Modelling an increase on pay and prices (in line with City Fund assumptions) and increase in rent to 7% moves 2023/24 into a small surplus of £0.07m. Intelligence from London boroughs indicate that most local authorities will be increasing rents by the full 7%.

17. Over the next year we will focus on making operational efficiencies through the target operating model (TOM) and RPR as well as improving how we prioritise our resources to ensure:

- Service transformation and cultural shift
- That we are spending on key priorities; and
- That our plans are sustainable in the medium-term.

The coming year will see the work for the next Corporate Plan highlighting our priorities, alongside this, we will progress the work through RPR to ensure we have the right resources to support our post-pandemic priorities.

18. There are several options being recommended to close the medium-term deficits, however this leaves very little margin to support unforeseen financial challenges:

- **Tax increases:** Your Resource Allocation Sub Committee agreed to model tax rises - i.e., increases in Council Tax and Business Rates Premium, it is recommended an increase in Council Tax by 4.99% and steady increase in Business Rate Premium by up to 0.2p in the £ is levied to support on-going pressures.
- **Resource Prioritisation Refresh (RPR)**
 - Workstreams to reprioritise funds aligned to corporate priorities;
 - Where additional pressures are identified and approved – expectation RPR workstreams to create headroom to reallocate funds.
- **One-off spends** addressed within the resource envelope/added to MTFP, with exceptional items funded from underspends carried forward from 2022/23 central contingency underspends.
- **Disposal of operational property** – ensuring a sustainable portfolio fit for the future.
- **Need to attract 3rd party investors** to support major capital projects.

Overall Financial Strategy

19. The City of London Corporation's overall financial strategy seeks to:

- manage the on-going effects of the post-pandemic environment, war in Ukraine, and inflation impacting on the economy and income;
- maintain and enhance the financial strength of the City Corporation through its investment strategies for financial and property assets;
- pursue budget policies which seek to achieve a sustainable level of revenue spending and create headroom for capital investment and policy initiatives, such as Destination City – renewed vision for the Square Mile;
- create a stable framework for budgeting through effective financial planning;
- promote investment in capital projects which bring clear economic, policy or service benefits;
- manage the affordability to support major capital projects now and in the future; and
- financial strategy to be developed following review of the investment asset

base and fund income requirements during 2023.

Measures to the 2023/24 budget

20. At its July meeting, your Resource Allocation Sub-Committee approved the budget envelopes that service committees will use to deliver their services in 2023/24. It is intended that business planning will address how service committees intend to focus their resources to achieve key outcomes in-year. RPR will need to realign resources to corporate priorities; for new corporate priorities requiring investment (including pressures highlighted by departments through bilateral meetings) the expectation is for RPR workstreams to create headroom to reallocate funds, rather than being able to deliver further significant savings – supporting the change in the operating model, which includes a review and disposals of operational property, and opportunities for income generation.
21. For City Fund, our local authority fund, the Government has pushed back its reform of Business Rates for another two years to 2025/26, which is very welcome. This means that we have extra retained Business Rates growth for 2023/24 and 2024/25.
22. Tough decisions have been needed to remain within the overall envelope in 2023/24. Although, the following, on-going resourcing is required for:
 - Changes in core underlying assumptions for pay and prices. Agreed pay award from 1st July 2022; and
 - Across the medium term to cover uplifts, Members will need to consider the recommended inflation uplifts and for these to be included in the MTFP and financed:
 - Assumptions for 2023/24 pay award held centrally;
 - Going forward flat cash assumptions are no longer sustainable year on year;
 - Assumptions include 3% uplift in 2024/25; before
 - Returning to 2% uplift from 2025/26 onwards; and
 - 3% uplift to the grant to the Museum of London
23. **Cost pressures or bids for new activities** have been identified in individual services and by their service committee, these costs need to be funded within the overall envelope or by considering tax setting responsibilities:
 - a. In adult and children's' services, principally for children with special education needs and care leavers and unaccompanied asylum-seeking children (aged between 18 and 25). It is proposed that funding is provided through tax setting measures, significantly supporting vulnerable members of society (paragraph 44 to 47).
 - b. Funding for a new health and safety team, which is critical to address statutory responsibilities on the health and safety of our service users and staff. Funding will be provided through the income generation workstream

under the Resource Prioritisation Refresh (RPR) and an income target has been included in the budget.

- c. Funding for the US office will be covered through reprioritisation of local risk budget – Innovation & Growth.

24. **One off or time limited funding** has been requested by Committees or identified through bilateral meeting with the Service Committee Chairmen for the following items which can be funded through forecast underspends on the current year budget. We are currently forecasting underspends of circa £8m on City Fund:

- a. Transformation funding to support the cultural change needed under phase 2 of the TOM, and support to progress the workstreams under RPR - sums to be confirmed but likely in the region of £2m to £3m in 2023/24, to be funded from 2022/23 underspends across City Fund and City's Cash (Delegate to the Chamberlain in consultation with RASC Chairman and Deputy Chairman under the carry forward approval process).
- b. Short term energy price inflation caused by the war in Ukraine – estimated at £1.3m; prices are expected to return to 'normal' levels in the medium term.
- c. Charity Review. Finance Committee approved additional time-limited support to complete the Corporate Charities Review & support the scoping of the Natural Environment Charities Review, this was recommended to be funded from 2022/23 underspends - £0.394m in 2023/24 and £0.120m in 2024/25, split across City Fund and City's Cash.
- d. CIO Function. Your Corporate Services Committee, Finance Committee and Policy and Resources Committee approved, in November 2021, the creation of a new Strategic Investment advisory function working alongside Corporate Treasury and Investment Property, to provide expert advice on the investment strategy/allocation advice between property and financial investments. Corporate Services Category Board approved a two-year contract which commences in January 2023 - £0.45m in 2023/24 and £0.45m in 2024/25.
- e. Additional pressure on estate refurbishment for Leadenhall Market and 2nd floor of 31 Worship Street has arisen from the current economic conditions where tenants have not been able to renew the leases. This is subject to Property Investment Board approval and if approved, the recommendation is to fund from 2022/23 underspends – estimated £0.836m.
- f. Electoral services and City Occupier database approved by your Policy and Resources Committee in November 2021, totalling £0.068m – essential transformation to support the restructure of the statutory function of the Electoral services, removing duplication of services.

- g. The balance to be held to support inflationary pressures which cannot be contained with allocated budgets.
25. The CWP continues to build a backlog – circa £138m over the next five years. There is significant risk of not addressing the CWP, further delays to repairs and maintenance will lead to deterioration of the Corporation's operational properties, there is a risk of an increase in health hazards and an increase in major capital projects. Headroom has been created for 2023/24 to address urgent health and safety issues - £4.98m (split: City Fund £2.764m and £2.216m City's Cash – profiled over two years (year 1 - 75%, year 2 - 25%)), an opportunity to prioritise delivery of already approved CWP. Plus, a further £15m (split: City Fund £9.5m and £5.5m City's Cash) additional funding allocated profiled over two years from 2024/25 to support the bow wave. Recommendation to release £30m of general fund risk reserves to support CWP backlog. Robust programme of delivery required, including sufficient resources identified to deliver the programme in a timely manner – potential risk of cost creep.
26. There is also a significant risk of not addressing the urgent health and safety works at the Barbican Centre. This Report recommends the balance of £13m from Major Projects Reserves is ringfenced to support these works, subject to business case approval.
27. In light of no new bids for the capital programme it is recommended a general contingency is held under the capital programme up to £3m for urgent health and safety capital programmes. If the contingency is approved a business case will be required for approval under the correct governance process.
28. As in previous years, it is recommended the earmarked security reserve retains £1m as a minimum to support future revenue security pressures and is reviewed regularly to ensure sufficient funds are available at all times.
29. Increasing demands on Police services for protest activity; increasing violence and disorder because of increases in the use of the Night-time Economy; creating a safe and secure environment for Destination City; and increasing cyber threats. These demands sit within the context of a notable shift in the balance of central funding towards locally levied taxes, provided elsewhere through increases in Council Tax.
30. Delivering the 2023/24 budget will enable us to push ahead on reshaping the City Corporation and re-aligning resources to new Corporate priorities. Key follow up themes for 2023/24 include:
- Scope for embedding change, building on collaboration - breaking silos, and progressing with service transformation and culture shift and introduction of greater ways of working.
 - Resource Prioritisation Refresh (RPR), supporting the change in the operating model:
 - workstreams – to reprioritise funds aligned to Corporate Priorities, includes a review of operational property, opportunities for income generation, and continuous improvement.

- Additional pressures identified – expectation RPR workstreams to create headroom to reallocate funds.
- Disposal of operational property, ensuring a sustainable portfolio fit for the future.
- Containing the costs of major capital projects and other capital programmes and securing third party capital where possible.
- Barbican renewal - urgent works to be prioritised, plus the need for a Business Plan that reduces annual support from City of London (CoL) – to make financial case work, need to review alternative opportunities for funding – CIL, grants, OSPR etc.

Latest forecast position

31. The additional two years of business rate growth retention benefits City Fund by £27m in 2023/24 and £27m in 2024/25 together with the release of risk reserves, producing a surplus of £22.2m (in 2023/24) giving a much-needed boost to the financial position. In addition, an increase in interest rates in Treasury balances has been very beneficial in countering inflationary and other pressures. However, there are significant ongoing inflationary pressures on pay and prices across the Corporation umbrella and needs to be closely monitored. There is potential growth of £8m under the 8 Authority Pool (see paragraph 33 below). Whilst the additional income is very welcome, these are one-off funding, and it is not recommended to support BAU (business as usual) and is much needed to support the major capital projects.
32. The Local Government Financial Settlement intends that taxes are levied locally to support rising pressures, with the exception of additional funding to baseline of £1.62m and one-off funding of £1.88m to partly support increases in inflationary pressures in City Fund.
33. The settlement also approved the extension of the '8 Authority Pool' to 2023/24 with 7 neighbouring billing authorities, which will potentially yield £8m for City Fund. The City of London alongside Brent, Barnet, Enfield, Hackney, Haringey, Tower Hamlets, and Waltham Forest, formed a tactical pool in 2022/23 with the aim of keeping the levy payments the City of London and Tower Hamlets make to government, in London. The impact from forming the 8 Authority Pool in 2022/23 retained £9m additional income in City Fund, compared to the £12m expected. This pool will cover 4 of the 6 most deprived boroughs, which supports the Government's levelling up agenda. This pool is for one year only, after which the Corporation intends to return to a pan-London Pooling. Approval was received from the Secretary of State on 6th February to proceed. Income from the pool has not been factored into plans as it is volatile, besides which, this is one-off funding and should not be applied against on-going costs. It is therefore recommended that any gains from the pool is ringfenced to the major capital projects - recommendation in this Report proposes this supports the urgent health and safety works at the Barbican Centre.

34. Whilst City Fund (including Police) is in surplus in 2023/24, the forecast very quickly moves into deficits in later years. This is predominately due to reset in Business Rates Growth, the impact of financing major capital projects, and the increase in Police pressures. However, overall, the City Fund is in surplus by £26.9m (taking one year with the next over the 5 years). Despite taking the above measures set out under paragraphs 23-27, City Fund is struggling to accommodate on-going pressures. A reminder, City Fund has a statutory requirement to remain balanced over the medium-term, which is another reason to consider the role of tax setting in mitigation. Your Resource Allocation Sub-Committee approved modelling periodic increases in Business Rates Premium into the MTFP.
35. Police have committed to implement a further £6.6m in mitigations in 2023/24, this is over and above the circa £12m mitigations already built in and will need to be monitored carefully to ensure deliverability. The Police Settlement has slightly increased by £0.4m (over and above assumptions already in place) but the amount to support the additional officer uplift has been ringfenced and will only be paid over if officer numbers reach their target. This will not cover inflationary pressures. The settlement also enables Forces to set up to a £15 precept on Council Taxpayers to cover rising cost pressures. The City Corporation's small residential population does not yield anywhere near the sums provided by local funding for other police forces and therefore the precept mechanism on the council taxpayer is not applied.
36. The Court of Common Council in March 2022 approved an increase in Business Rates Premium by 0.4p in the £, to restore parity in local funding allocations and address the structural deficits which had risen in the Force's finances. A continued rise in inflation on pay and prices has put Policing pressures back into significant deficit by £12.7m across the medium-term. The pay deal in September 2022 on officers and staff added a further pressure of £3.3m on top of the £2m already forecast. It should be noted officer pay rises is nationally set – every 1% increase will add a further £0.7m p.a. It should be noted a significant hike in GLA council tax precept is likely for the Metropolitan Police Force, this will again put the City of London Police out of kilter with the local funding allocations of other forces; without an increase in the Business Rate Premium – smaller and regular increases are needed.
37. City Fund's overall financial position includes significant risks and a great deal of uncertainty. The medium-term plan is shown in the table 2 below. Despite the extra income from retained Business Rates growth; additional funding from government; increases in interest income on treasury balances; and mitigations in place, City Fund finances, including Police, face substantial growing annual deficits. The Fund is forecast, to move into significant deficits, from 2025/26 onwards due to the inclusion of financing costs of major projects: the Museum of London Relocation Project, Police Accommodation in the Salisbury Square Project together with the increase in Police pressures.

Table 2

Surplus/ (Deficit)	2022/23	2023/24	2024/25	2025/26	2026/27
£m					
City Fund*	15.29	10.82	(1.07)	(27.79)	(25.78)
Fundamental Review savings	2.61	2.60	5.42	5.42	5.42
12% incl. TOM	9.28	9.34	9.34	9.34	9.34
City Fund before Police deficit	27.18	22.76	13.69	(13.03)	(11.02)
City of London Police	0.40	(0.60)	(3.20)	(3.20)	(6.10)
City Fund position including Police deficit before additional funding required	27.58	22.16	10.49	(16.23)	(17.12)
Adult Social Care 2%	0.00	0.17	0.17	0.17	0.17
Council Tax 2.99%	0.00	0.25	0.25	0.25	0.25
Proposed 0.2p increase in BRP	0.00	4.20	4.20	4.20	4.20
City Fund, incl. Police after increase in taxes	27.58	26.78	15.11	(11.61)	(12.50)
City Fund Reserves					
**General Fund Reserve – working capital	20.00	20.00	20.00	20.00	20.00
***Major Project Financing Reserve	55.79	52.58	60.00	35.61	13.19
****Build Back Better Fund Reserve	14.84	13.69	9.59	5.93	2.17
*****Security Reserve	1.00	1.00	1.00	1.00	1.00

*After Major Projects financing

**General fund reserve maintained at minimal prudent amount for working capital.

***Major project financing reserve includes adjustments for financing the revenue element of major capital projects which is not included in the surplus/(deficit). Also leasing the £30m risk reserves to support the essential funding needed on cyclical works programme, which is profiled from 2024/25 and included in surplus/(deficits).

****Build Back Better fund reserve includes adjustments for financing the revenue element of climate action.

*****Security Reserve ringfenced to support security pressures.

38. City Fund (excluding Police) in 2023/24, is forecast to be in surplus by £22.8m, largely due to an extra year of business rates retention income and increase in interest rates in Treasury balances (albeit at a much-reduced level to previous years).

39. Key points to note include:

- a. The impact of a recession is unknown and revenue streams are likely to be under considerable pressure. In addition, although the final settlement confirms business rates retention, there is still so much uncertainty around a business rates reset beyond this spending review period – from 2025/26, however, prudent measures have been taken and the MTFP has been compiled on the basis of a business rates reset in 2025/26. If a more pessimistic view is taken on retained business rates income, it removes the £27m growth - pushing City Fund into an estimated £4.2m deficit in 2023/24.
- b. The CWP continues to build a backlog - £138m over the next five years. Your Operational Property and Projects Sub Committee recommended to take

- back a Report in April 2023 to address the backlog with a recommended option of ring fencing it to deliver as a project. This requires a clear plan, including how this is delivered within timescales, and it moves forward with a sustainable capital programme working closely with the RPR – operational property workstream. The MTFP includes existing approvals, an additional amount for 2024/25 for urgent health and safety works, plus £9.5m p.a. (profiled over two years) from 2024/25 onwards, we recommend releasing the £30m general risk reserves; and
- c. Significant pressures highlighted by departments through Member bilateral meetings will require close monitoring and mitigations to be put in place. This is also the case for further requests for fundamental review savings to be pushed out – giving time to pin down the TOM.
 - d. The Police commitment to secure £6.6m additional mitigations in 2024/25 will need to be reviewed to ensure these and prior year savings are sustainable across the medium-term.
 - e. In parallel with the external threats, the City Fund revenue budget will start to come under increasing pressure from major projects financing costs and opportunity costs – through loss in rental income/asset growth.
 - f. It should be noted the latest forecast position under City Fund has been updated since the report to the Joint Resource Allocation Sub Committee and Service Committee Chairmen. These changes have reduced the overall surplus over the MTFP by £5.0m and have impacted the following areas:
 - Interest income on treasury balances updated with latest information which has had a favourable impact on City Fund balances; but adverse impact from:
 - Headroom created for CWP – urgent health and safety works in 2024/25
 - Policing pressures updated with latest information approved by Police Authority Board.

Police

- 40. The City of London Police is under increasing pressure forecasting £12.7m deficits across the MTFP, despite having implemented circa £12m mitigations already built in and have committed to implement a further £6.6 mitigations in 2023/24. The Police budget is facing significant medium-term pressures at a time of increasing demand on Police services. While the 2023/24 Police Funding Settlement has made some provision for the Force's officer pay award – July 2022, it is £1.8m less than was assumed in the Police MTFP (net of additional grant contribution from the Home Office). The Police Settlement has slightly increased by £0.4m from assumptions already included, but the amount to support the additional officer uplift has been ringfenced and is dependent on performance in maintaining the year 3 officer uplift target.
- 41. The Force is unable to sustain inflationary pressures over and above the small increase in the funding settlement and mitigations in place – further mitigations will impact on services and ability to maintain the officer uplift, which will impact ringfenced funding. Government's assumption is that Policing cost pressures would be covered through taxes locally.

42. The Police Settlement enables Forces to set up to a £15 (increased by £5 from prior years) precept on Council Taxpayers to cover rising cost pressures. The City Corporation's small residential population does not yield anywhere near the sums provided by local funding for other police forces.
43. The ratepayers consultation took place on 6th February 2023 where the Chairman of your Policy & Resources Committee and the Chairman of your Finance Committee, alongside the Commissioner of the City of London Police presented a compelling narrative to ratepayers in support of an increase in Business Rate Premium. The responses from those that attended was not unduly hostile.
44. **Council Tax:** Given the pressures to City Fund, Members will wish to consider council tax increases. Local authorities are permitted to levy a social care precept of 2% and a further uplift of Council Tax by 2.99% within the referendum threshold. These have been modelled in the 2023/24 budget. In this context, Members may wish to consider:
- Reminder of paragraph 11 – where Local Government financial settlement has been set with the intentions for maximum taxes are levied locally in order to support rising pressures.
 - Current intelligence suggests that most authorities, including those at the lowest end of the Council Tax league table, are considering increases of up to 4.99%, including the social care precept. There is a risk that the Corporation will stand out if it does not increase and will move closer to the bottom of the table.
 - There is a cumulative benefit in the medium-term.
 - It could reduce any penalisation in the Fair Funding Review, where an implied council tax level might be assumed (above our current level) which could result in a loss of funding.
 - Those on lowest incomes will be eligible for council tax relief (Council Tax Reduction Scheme). The City continues to operate a means tested 100% relief scheme.
 - The Council Tax for the current year, 2022/23, is £956.11, expressed at band D and excluding the GLA precept of £118.46 or comparative purposes.
45. The City has seen increasing cost pressures in social care, tackling homelessness, and children services (for children with special education needs and unaccompanied asylum-seeking children aged between 18 and 25 – unfunded). **The recommendation is, therefore, to levy an Adult Social Care precept of 2% as well as increase the core Council Tax by 2.99%.**

46. The Adult Social Care precept of 2% would generate around £170k. An increase of 2.99% in council tax, would generate around £250k. For comparative purposes, Westminster band D excluding GLA precept is currently £468.54 (£864.13 including the GLA precept); Wandsworth, £470.46 (£866.05 including the GLA precept); and Hammersmith and Fulham £831.96 (£1227.55 including the GLA precept).
47. Despite receiving additional uplift in grant funding of £0.37m, this does not come close to closing the gap on pressures experienced within adult social care and children services at £1.2m. Increasing council tax by 4.99% will still leave a cost pressure of £0.41m on overall City Fund Finances. Not increasing taxes will increase the cost pressure on City Fund finances to £0.83m and will need to be reprioritised within the existing resources.
48. The steer from the Joint Resource Allocation Sub Committee and Service Committee members was supportive unanimously on this matter. In making this decision, Members may wish to consider the points in paragraph 46 above.
49. **Business Rates Premium** - The premium on City businesses was last increased in 2022/23 from 0.8p to 1.2p in the £, to restore parity in local funding allocations and address the structural deficits which has risen in the Force's finances. Given the pressures on security and Policing, Members may wish to consider increasing the Business Rate Premium up to 0.2p in the £, raising up to circa £4.2m p.a. in particular to enable the provision of vital policing services as set out in Appendix A, paragraphs 9-15 to be sustained and enhanced.
50. There is a statutory requirement to balance City Fund (including Police), and currently City Fund is only balanced due to the delay in reset in Retained Business Rates growth and increase in interest income from treasury balances. These increases are **not** permanent and do not support on-going pressures, therefore, if we do not increase the BRP by 0.2p now, City Fund will not be able to address significant deficits in later years and only pushes the problem further out with anticipated deficits of circa £23m p.a. from 2027/28 (assuming everything stays the same). Smaller and regular increases are much needed, without new significant savings targets, changes to major capital project assumptions and/or service impact.
51. Key assumptions used in the forecast have been set out in Appendix A.

A strategic response to continuing challenges

52. This Report recommends a number of measures to stabilise the position in 2023/24 and that will support the steps that will need to be taken to shore up the medium-term, through: taxes rises; ensuring continuation of permanent year-on-year savings; building on collaboration breaking silos; progressing with service transformation and RPR workstreams – supporting the change in the operating model which includes a review and disposals of operational property, opportunities for income generation, as well containing the cost of major capital projects and other programmes.

53. In addition, there is a need to make sure the position does not get worse by reinforcing the cap on the major capital projects and securing third party capital where possible.

Robustness of Estimates and Adequacy of Reserves and Contingencies

54. Section 25 of the Local Government Act 2003 requires the Chamberlain to report on the robustness of estimates and the adequacy of reserves underpinning the budget proposals.

55. In coming to a conclusion on the robustness of estimates, the Chamberlain needs to assess the risk of over or under spending the budget. To fulfil this requirement the following comments are made:

- provision has been made for all known liabilities, together with indicative costs (where identified) of capital schemes yet to be evaluated but continue to monitor risks arising from a looming recession during 2023, and maintain a contingency fund carried forward from 2022/23 underspends. In addition, recommendation is to release the £30m of general fund risk reserves to support the growing backlog of cyclical works on our operational properties;
- the estimates and financial forecast have been prepared at this stage on the basis of the Corporation remaining debt free until such time as external borrowing may be needed to bridge the gap for major capital projects (the Museum of London relocation and the Combined Courts project);
- prudent assessments have been made regarding key assumptions;
- new no capital bids for 2023/24, instead an opportunity to prioritise delivery of already approved capital schemes (circa £300m including capital programmes funded from external contributions). Process is in place seeking to ensure that capital expenditure is contained within affordable limits and that it can be demonstrated that each project is of the highest corporate priority;
- although the City Fund financial position is vulnerable to inflationary pressures and a potential recession, impacting - income, rent levels and student numbers, it should be noted that:
 - the City Surveyor has carried out an in-depth review of rent incomes; and
 - an increase in interest rate on Treasury balances has been very beneficial in countering inflationary and other pressures;
- a strong track record in achieving budgets gives confidence on the robustness of estimates;
- balancing 2023/24 with 'one-off' measures will give more time in terms of service transformation and culture shift, plus ensuring permanent year-on-year savings; and
- resource prioritisation & refresh workstreams will realign existing resources to new corporate priorities, where this is not possible to create headroom to

reallocate funds – noting finding sustainable efficiencies will require time, capacity and upfront investment.

56. An analysis of usable City Fund Reserves is set out in Appendix C. Depletion of City Fund reserves is a consideration for the medium-term: although reserve balances are forecast to remain healthy in 2023/24, the potential call on reserves to support revenue and capital expenditure beyond 2023/24 reinforces the need for further efficiencies and income generation.
57. In assessing the adequacy of contingency funds, the Chamberlain has reviewed the allocation and expenditure of contingency funds over the past four years and concluded that the estimates are robust. This takes account of your Finance Committee contingencies, your Policy and Resources Committee contingency and the Policy Initiatives Fund. In each of the past four years the provision of funds has been more than sufficient resulting in an uncommitted balance for each contingency fund in each year. On this basis the existing contingency provision will remain unchanged for 2023/24. A full analysis of contingency fund provision and expenditure is provided in Appendix H.

Risks- Summary

58. There are risks to the achievement of the latest forecasts:

Within the City Corporation's control:

- Ensuring permanent year-on-year permanent savings from the 12% savings programme and income schemes under the Fundamental Review;
- Maximising taxes locally, not doing this increases pressure to make further savings/cuts in services in later years;
- Delay in RPR workstreams - unable to reprioritise resources to corporate priorities and or create headroom to reallocate resource;
- Ability to retain / recruit staff under the current salaries structure;
- Achievement of Police savings targets needed to mitigate the Force deficit; and
- Major capital projects not being delivered within estimated costs.

Outside the City Corporation's control:

- Economists warning of a UK (global) recession during 2023, impact on income streams is unknown, particularly: rental income, event bookings, and events at the Barbican – this needs close monitoring;
- Significant inflationary risks, highly volatile, not only impacting pay and prices there is a continued impact on global supply chain bottlenecks;
- Business Rates income - volatility around the growth forecasts and appeals, are dependent on full occupation of new builds and potential changes to office demand as in a post-pandemic world;

- Austerity 2.0 cushioned for the next two years; this really bites in 2025/26 with real public spending power reductions;
- Macro-shift from central funding to local funding; and
- Fair Funding Review which could affect government support to fund services.

Equalities Implications

59. During the preparation of this report, all Chief Officers were asked to consider and have now confirmed there would not be any potential adverse impact of the various budget policy proposals on equality of service. This was with particular regard to service provision and delivery that affects people, or groups of people, in respect of disability, gender and racial equality.

Conclusion

60. Over the last decade there has been a significant effort across the Corporation family to commit to delivering year-on-year permanent savings to get us to a balanced 2023/24 budget and on track for sustainable MTFP. But there is a big task still ahead to manage the significant unprecedented range of external challenges e.g., warning of a global recession, inflation, continued impact on global supply chain bottlenecks, austerity 2.0 (cushioned for next two years), and macro shift from central to local funding. In addition, the City Corporation is undergoing its own period of significant change in response to these events and its ambition to deliver on its key policy priorities such as its move to net zero and support to major projects. The Corporation family can no longer sustain further cuts, and finding sustainable efficiencies will likely require time, capacity, and upfront investment.

61. There are risks to the achievement of the 2023/24 budget position and MTFP, in particular: income volatility from a looming recession, significant pressures on pay and prices and tough decisions have been needed. However, officers have continued to work together with Members to mitigate on-going pressures through new initiatives.

62. The Local Government Financial Settlement intends that taxes are levied locally to support rising pressures. The Government's assumption is that Policing cost pressures would be covered through the levy on council taxpayers. There is a statutory requirement for the City Fund including Police to remain balanced across the MTFP.

63. Delivering the 2023/24 budget enables us to push ahead on reshaping the City Corporation: to enable the move to service transformation and culture shift; increasing opportunities through RPR workstreams to align resources to Corporate Priorities; to be able to respond in a more agile and flexible way to the challenges ahead.

64. This Report recommends a number of measures to stabilise the position in 2023/24. Increases in Social Care, Council Tax and Business Rate Premium should be considered in view of wider developments across London, Government expectations to maximise taxes locally, the Fair Funding Review and pressures on Police budgets.

65. The Court is, therefore, asked to approve the recommendations set out at the start of this Report.

All of which we submit to the judgement of this Honourable Court.

DATED this 21st day of February 2023.

SIGNED on behalf of the Committee.

Deputy Henry Colthurst
Chairman, Finance Committee

Appendices

- Appendix A – Key Assumptions
- Appendix B – Calculating Council Tax
- Appendix C – City Fund Useable Reserves
- Appendix D – Prudential Indicators
- Appendix E – Treasury Management Strategy Statement and Annual Investment Strategy 2023/24
- Appendix F – Capital Strategy
- Appendix G – City Fund Budget Policy
- Appendix H – Review of contingency funds
- Appendix I – Court Report Appendix 2023-24

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Key assumptions used in the forecast

1. The following paragraphs detail the key assumptions that have been used in the construction of the 2023/24 budget and Medium-Term Financial Strategy (MTFP):

Income

2. The City Fund has two key income streams, investment property rental and treasury income. Detailed stress testing and scenario analysis has been carried out on key income assumptions for all funds and more sophisticated funds modelling has enabled a holistic assessment of overall financial health, including ability of net assets and underspends from 2022/23 carried forward to meet risks of potential funding shortfalls.
- Property rental income is forecast on the expected rental income for each property, allowing for anticipated vacancy levels, expiry of leases and lease renewals. This has included further pressure on void costs where properties are not fit for relet. It should be noted a further reduction in rental income is anticipated in later years as a consequence of the planned disposal of properties to fund the major projects. Outside these changes, the City's rental income is protected to some extent: 1) through investing in a diversified property portfolio - reducing the risk, and 2) in the short-term as our leases are long term with medium-term specified break clauses. Forecast rental income is regularly reviewed and any potential reduction will be factored into updates to the medium-term financial plan.
 - Cash balances are invested in a diversified range of money market and fixed income instruments in accordance with the Treasury Management Strategy with the aim of providing a yield once security and liquidity requirements have been satisfied. The forecast for treasury management income takes account of the likely path of short-term interest rates (chiefly, the Bank of England base rate) over the upcoming financial year. The Bank of England's Monetary Policy Committee (MPC) raised the base rate incrementally from 0.25% which was applicable at 31 December 2021, to 3.5% in December 2022, and more recently to 4.0% in February 2023, which was the tenth successive rise since December 2021, with a terminal peak of 4.5% expected by June 2023. It is estimated to remain at this rate until December 2023 when it will fall to 4.25%, and then continue to incrementally fall as inflationary pressures subside, settling at 2.5% by the end of the 2025/26 financial year. However, there is uncertainty surrounding the forecast, particularly around the timing of the Bank of England's decision on interest rate reductions, reduced too soon and inflationary pressures may well build up further, but reduced too late and any downturn or recession may be prolonged. A change of +/-0.25% to the base rate is expected to translate to approximately £1.5m additional/less income for the City Fund per year, based on current cash balances. Interest income is monitored throughout the year and any potential change to the forecast will be reported through an update to the medium-term financial plan.

Expenditure

3. The starting point for the 2023/24 budget is 4% inflationary uplift with 2% efficiency savings from the previous resource allocation in 2022/23; additional uplift for the agreed pay award from 2022/23; with provision made for the 2023/24 pay award – held centrally. The Spending Review announcement on 19 December confirmed a small increase in the level of funding for social care, with the expectation more will be raised from local taxpayers. £1.2m pressures on adult social care and children services has been included. The increase in CPI inflation is above previously anticipated and has meant central inflationary contingency is held to ease the pressure of living with budgets, this is to be met from underspends from 2022/23 carry forward.
4. Policy and Resources Committee and Finance Committee have messaged clearly that cost pressures should be managed within existing resources. Additional funding for the Health and Safety Team has been accommodated through increase in income from RPR workstreams. Furthermore, headroom has been created to fund urgent health and safety works for the CWP. Where one-off funding/time limited resource is required, this is accommodated through underspends from 2022/23 carried forward.
5. Also underlines the need for additional unfunded revenue bids to be avoided during 2023/24, unless these can be reprioritised through RPR workstreams.

Grant settlement – City Fund

6. The Provisional Local Authority Grant Settlement was received before Christmas and debated in the Commons early February. The final settlement was published on 6th February, stating the funding settlement, year two of the three year spending review, with one year funding confirmed for 2023/24, this still leaves a great deal of uncertainty regarding Local Government funding after March 2024.

Business Rates Retention

7. A further two years delay on business rates reset enables the Corporation to continue to benefit from growth in office space over the years which has generated surpluses within the City. This growth in business rates income over the past seven years has provided headroom, continuing in 2023/24 and 2024/25 to fund:
 - Much needed investment in one-off projects, such as: the Museum of London relocation project; the Salisbury Square project; and Barbican renewal (subject to Member approval)
 - Support the rise in inflationary pressures;
 - Continued support to Destination City – setting out a renewed vision for the Square Mile to become the world's most attractive destination for

residents, workers, students and visitors – whilst retaining as a leading centre for financial and professional services.

8. However, the growth is vulnerable to bad debts, appeals and potential changes to office demand with the likelihood of a recession looming in 2023. The Secretary of State approved the extension of the 8 Authority Pool on 6th February to proceed. Income from the pool has not been factored into plans as it is volatile, besides this is one-off funding and should not be applied against on-going costs. Therefore any gains from the pool is ringfenced to the major projects programme, reducing the impact on City Fund deficits in later years.

City Police

9. The Police is facing significant medium-term pressures at a time of increasing demand.
10. The City of London Police (CoLP) has both national and local responsibilities- It is the National Lead Force for Fraud and also holds the National Police Chiefs Council (NPCC) Portfolio for Cyber Crime. It also provides local policing services for the City Community in order to support the City of London Corporation Corporate Plan objective to ensure 'People are Safe and Feel Safe'.
11. As we have moved through 2022 to 2023 and are now post Covid restrictions, the Police have seen a significant increase in demand for services. This increasing demand is experienced both day and night. Daytime, the City is experiencing increased levels of protest activity. Policing in the City (and indeed nationally) has seen significant increases in the use of the Night-time Economy, in particular the use of licensed premises - we see a changing economy with increasing violence and disorder.
12. The force now has national strategies to deliver on in keeping women and girls in particular, safe in the City, which has resulted in an increase in visible policing response. The Cost-of-Living crisis has also brought fresh challenges to policing in 2022 and will continue into 2023. The City particularly experiences the impact of this through increases in calls for service around vulnerability, national policing trends will also anticipate a rise in acquisitive crime. Wider national public dissatisfaction is also felt across the City through transport strikes and increased protests which disrupt our residents, students, and those that visit and work in the City. Various parts of the UK, including the City of London have been focal points for several protest groups engaging in criminal activity over the past year, which has caused disruption to the daily lives of our residents, students, business communities and visitors. In addition to our specialist capabilities to respond to the public order threats, CoLP's existing protocol arrangements with the Metropolitan Police, British Transport Police and Ministry of Defence (under Operation Benbow) has ensured there has been sufficient resources available to flex our response quickly to any escalation of disorder as well as resourcing pre-planned large-scale events. The City will benefit over the coming months from 123 student officer recruits as part of the Police Uplift programme to

improve public safety and security. This additional resource will largely be used to greatly enhance our overall visibility and response to crime.

13. The CoLP is working with the Corporation to deliver its 'Destination City' Strategy which will aim to meet the increases in demand as the leisure sector in the City enhances. The Police will continue to work closely with the City of London Corporation through the Safer City Partnership, to ensure that we appropriately manage the impact of rising attractiveness of our daytime and night-time economies.
14. Nationally, the force has responsibilities as lead status for cyber and business crime. It is well documented that the threat from economic and cybercrime, particularly fraud, are the fastest growing threats in the UK. Whilst these National responsibilities bring demand, they also bring opportunity for the force to work closer with the City's Financial and Professional Services sectors. This is essential if the City is to be a safe place to do business and remain the economic heart of the UK. These increasing demands are in the context of a notable shift of balance from central towards local Police funding. This is provided elsewhere through continuing precept increases on Council Tax. The City Corporation's small residential population does not yield anywhere near the sums provided by local funding for other police forces. Instead, the City is uniquely able to levy a business rate premium as part of its strategy for allocating local funding to the Police.
15. As addressed under paragraph 40 in the main report, despite efficiencies playing a significant part in securing fiscal sustainability, the Force is forecasting significant deficits across the Police medium-term financial plan in supporting the pressures highlighted above.

Revenue Spending Proposals 2023/24

16. The overall budget requirements have been prepared in accordance with the strategy and the requirements for 2022/23 and 2023/24 are summarised by Committee in the table below. Explanations for significant variations were contained in the budget reports submitted to service committees.

Table 3: City Fund Summary Budget

City Fund Summary by Committee	2022/23 Original £m	2022/23 Latest £m	2023/24 Original £m
Net Expenditure (Income)			
Barbican Centre	(26.5)	(29.2)	(28.0)
Barbican Residential	(2.2)	(2.2)	(2.7)
Community and Children's Services*	(15.5)	(14.9)	(17.1)
Culture Heritage and Libraries	(19.7)	(22.2)	(20.7)
Finance**	(14.8)	(0.9)	12.7
Licensing	(0.2)	(0.3)	(0.3)
Markets	0.4	0.4	0.1
Open Spaces	(1.6)	(1.8)	(1.7)
Planning and Transportation	(14.2)	(13.7)	(16.6)
Police	(91.9)	(92.9)	(101.0)
Police Authority Board	0	(1.0)	(1.0)
Policy and Resources	(4.2)	(4.3)	(4.5)
Port Health and Environmental Services	(14.3)	(15.2)	(15.3)
Property Investment Board	34.3	34.2	35.6
City Fund Requirement	(169.6)	(164.2)	(160.5)

* Significant variance under Community & Children's Services due to budget uplift to accommodate pressures within the adults & children's social care including the Unaccompanied Asylum-seeking children.

** Finance includes changes to: capital revenue expenditure, supplementary revenue programme, additional one-off cost pressure highlighted in this report. The 22/23 latest budget and 23/24 budget have benefited from increased income on cash balances due to the higher interest rates. Figures in brackets denote expenditure, increases in expenditure, or shortfalls in income.

17. The following table further analyses the budget to indicate:

- the contributions from the City's own assets towards the City Fund requirement (interest on balances [line 5] and investment property rent income [line 6])
- the funding received from government grants and from taxes [lines 8 to 11]; and
- the estimated surpluses to be transferred to reserves, or deficits to be funded from reserves [line 14].

Table 4: City Fund net budget requirement and financing (excluding Police)

City Fund Revenue Requirements 2022/23 and 2023/24					
		2022/23 Original £m	2022/23 Latest £m	2023/24 Original £m	Para. No.
1	Net expenditure on services	(201.5)	(214.7)	(215.8)	
2	Capital Expenditure funded from Revenue Reserves	(3.9)	(3.6)	(2.2)	
3	Cyclical Works Programme expenditure financed from revenue	(10.3)	(10.4)	(11.2)	
4	Requirement before investment income from the City's Assets	(215.7)	(228.7)	(229.2)	
5	Interest on balances	6.4	24.8	27.5	
6	Estate rent income	39.7	39.7	41.2	
7	City Fund Requirement	(169.6)	(164.2)	(160.5)	
	Financed by:				
8	Government formula grants	140.4	136.7	135.5	
9	City offset	12.1	12.1	12.5	
10	Council tax	8.3	8.3	9.7	
11	NNDR premium	18.4	19.4	28.0	
12	Total Government Grants and Tax Revenues	179.2	176.5	185.7	
13	Drawdown on Reserves	0.0	14.9*	(2.0)*	
14	(Deficit)/Surplus transferred (from)/to reserves	9.6	27.2	23.2	

*Includes transfer from reserves to support 21 New St Rent, climate action and carry forward requests from previous years underspend

Line 8 in table 4 is shown in further detail below:

Table 5: Analysis of Core Government Grants

	2022/23 Original £m	2023/24 Draft £m	Variance £m	Variance %
Revenue Support Grant	8.2	9.1	0.9	
Rates Retention: baseline funding	16.7	16.7	0.0	
Rates Retention: growth	41.2	33.0	(8.1)	
Subtotal:	66.1	58.8	(7.2)	
Police	74.3	76.7	2.4	
Total Core Government Grants	140.4	135.5	(4.8)	3.4%

18. The City Fund budget requirement for 2023/24 is £160.5m plus a contribution to reserves of £23.2 resulting in a net City Fund budget requirement of £185.7m, an increase of £6.5m on the previous year. The following table shows how this is financed and the resulting Council Tax requirement. Appendix B details the consequent determination of council tax by property band.

Table 6: Council Tax requirement

Council Tax Requirement	2022/23 Original £m	2023/24 Original £m
Net Expenditure	(215.7)	(229.2)
Estate Rental Income	39.7	41.2
Interest on balances	6.4	27.5
Budget Requirement	(169.6)	(160.6)
Drawdown from Earmarked reserves	0	(2.0)
Proposed contribution to reserves	(9.6)	(23.2)
Net City Fund Budget Requirement	(179.2)	(185.7)
<u>Financing Sources:</u>		
Business Rates Retention	66.2	58.8
Police Grant	74.3	76.7
City Offset	12.1	12.5
NDR Premium	18.4	28.0
Collection Fund Surplus (CoL share)	0.3	0.8
Council Tax Requirement	(7.9)	(8.9)

19. Included within the net budget requirement is provision for any levies issued to the City Corporation by relevant levying bodies and the precepts anticipated for the forthcoming year by the Inner and Middle Temples (after allowing for special expenses, detailed in Appendix B).

Business Rates

20. The Secretary of State has proposed a National Non-Domestic Rate multiplier of 51.2p and a small business National Non-Domestic Rate multiplier of 49.9p for 2023/24. These multipliers remain at the 2021/22 levels as Government have opted not to apply the usual inflationary increase. They exclude the City's Business Rate Premium. The actual amount payable by each business will depend upon its rateable value.

21. It is proposed the Business Rate Premium is increased up to 0.2p in the £, the proposed premium will result in a National Non-Domestic Rate multiplier of 52.6p and a small business National Non-Domestic Rate multiplier of 51.3p for the City for 2023/24.

- As in previous years, authority is sought for the Chamberlain to award the following discretionary rate reliefs under Section 47 of the Local Government Finance Act 1988:
- During 2022/23, the Government supported businesses with business rate relief for Retail, Hospitality and Leisure businesses at 50% with an RV cap of £110,000. This support has been extended into 2023/24 but increased to 75% with the same £110,000 cap.
- A new Supporting Small Business (SSB) relief scheme which will cap bill increases at £600 per year for any business losing eligibility for Small Business Rate Relief. The scheme also provides support for those previously eligible for the 2022/23 SSB scheme and facing large increases in 2023/24. Further details of the various relief schemes will be published on the City of London Website in due course.

22. **Business Rates Supplement** - The Mayor of London is proposing to levy a Business Rates Supplement of 2.0p in the £ on properties with a rateable value of £75,000 and above to fund Crossrail.

23. **Revaluation of Properties** The revaluation of properties set by the Government's Valuation Office (VOA), Agency for Business Rates have now completed the 2023 revaluation. Subject to publication of the final valuation list, business premises within the City will see an overall rateable value increase of about 1.5%. Businesses can check their property valuations for 2023 at www.gov.uk/find-business-rates. Where the rateable value has increased, a Transitional Relief scheme will operate with significant increases phased in over the life of the list. Any business that benefits from a rateable valuation decrease will receive the full benefit of the decrease in 2023.

24. Details of the transitional scheme and other reliefs can be found at www.gov.uk/government/publications/autumn-statement-2022-business-rates-factsheet.

Council Tax - Long-Term Property Premiums

25. For council tax purposes a property is defined as empty if it is unoccupied and substantially unfurnished. Property that is furnished is treated as a second home.

26. The empty property premium was introduced by Government in 2013/14 to encourage landlords to bring long-term empty property back into use. The City introduced the long-term empty premium for the first time in 2019/20, with a premium increase of 100%.

27. From 2020/21 properties that have been empty over 5 years can be charged a higher premium of up to 200%. From 2021/22 properties empty over 10 years can be charged a premium of 300%. The introduction of the Empty Property Premium has resulted in additional income of approximately £0.3m in 2022/23.

Council Tax Reduction Scheme

28. In 2013/14, the Government introduced a locally determined Council Tax Reduction Scheme. This replaced the national Council Tax Benefit scheme and assisted people on low incomes with their council tax bills. There are no proposals to make any specific amendments to the Council Tax Reduction Scheme for this or future years, beyond keeping the scheme in line with the national Housing Benefit regulations.
29. The Council Tax Reduction Scheme will therefore remain the same for 2023/24 as was administered in previous years subject to the annual uprating of amounts in line with Housing Benefit applicable amounts.

Capital

30. The City Corporation has a significant programme of works to the operational property estate (including residential), investment property redevelopments and highways infrastructure, together with significant expenditure on the major programmes. Spending on these types of activity is classified as capital expenditure.
31. Capital expenditure is primarily financed from capital reserves derived from the sale of properties, earmarked reserves and grants or reimbursements from third parties. The City has historically not used external loans to finance these schemes and current plans do not envisage borrowing from third parties. Financing is summarised in the table below.

Table 7: Capital Financing

	2022/23 £m	2023/24 £m
Estimated Capital Expenditure	158.8	444.2
<u>Financing Sources:</u>		
Housing Revenue Account (HRA) Major Repairs Reserve	4.1	3.3
Disposal Proceeds	23.4	92.2
Earmarked and General Revenue Reserves	84.9	183.2
External Grants and Reimbursements	46.4	165.5
External borrowing	0.0	0.0
Total:	158.8	444.2

32. The main areas of capital expenditure in 2023/24 are as follows:

- Major Projects – Museum of London (£88.7m)
- Major Projects – Salisbury Square (£186.1m)
- Major Projects – London Wall West (£5m)

- Housing Revenue Account* – decent homes & new build (£72.7m)
- Highways and Transport (£33.6m)
- Investment Property Refurbishments (£17.7m)
- Police loan (£9.8m)
- No New Bids, instead contingency held for urgent health and safety capital programmes (£3.0m)

*Includes loan facility of £23.3m

33. Resource Allocation Sub Committee approved in principle no new capital bids for 2023/24 at its July meeting, with £3m contingency held for urgent health and safety capital programmes. Giving an opportunity to catch up on delivering existing approved capital programmes, in which there is considerable slippage. In addition, approval in principle was granted for the continuation of central funding for internal loans for the police and HRA capital spending plans, which amount to £9.8m and £13.5m respectively in 2023/24. Allowance has been made in the City Fund MTFP for all of these items to demonstrate affordability; financial provision will need to be included within the City Fund revenue and capital budgets as appropriate as part of the 2023/24 budget setting process.
34. In light of inflationary pressures, a capital review took place in the Autumn where officers were given the opportunity to put forward revised forecasts for inflationary pressures, as this exercise is now complete it is recommended further pressures are contained through value engineering. Where this is not practicable it is recommended alternative sources of funding are explored - potentially CIL, OSPR, 3rd party contributions, underspends from existing capital projects, and / or reprioritisation of projects within the wider capital programme.
35. CoLP need to prioritise investment in their capital programme and the resourcing of new activities. New arrangements for financing the Capital Programme were introduced in 2020/21, with capital expenditure (excluding Secure City and the Police Accommodation programme) being funded through a loan arrangement between the City Corporation and the Force, with an annual equated borrowing cap of £5m up to a loan ceiling of £35m (actual drawdown may vary depending on Police financing requirement). The Police repay this loan with interest.
36. The Local Government Act 2003 requires the City to set prudential indicators as part of the budget setting process. The indicators that the Court of Common Council will be asked to set are:
- Ratio of financing costs to net revenue stream (City Fund and HRA)
 - Gross debt and the capital financing requirement
 - Estimates of capital expenditure 2023/24 to 2026/27
 - Estimates of the capital financing requirement 2023/24 to 2026/27
 - Times cover on Unencumbered Revenue Reserves.
37. The prudential indicators listed above have been calculated in Appendix D. In addition, treasury-related prudential indicators are required to be set, and these

are included within the 'Treasury Management Strategy Statement and Annual Investment Strategy 2023/24' at Appendix E.

38. The Court of Common Council needs to formally approve these indicators.
39. Local authority borrowing is permitted for capital purposes within the current capital control regime, but the cost of borrowing must be charged to the relevant revenue budget, including interest and a statutory provision for repayment of principal known as the Minimum Revenue Provision (MRP). The MRP Policy Statement 2023/24 is set out in appendix 2 within the Treasury Management Strategy Statement and Investment Statement 2023/24 at appendix E. The typically long-term nature of borrowing means these revenue sums are unavailable to fund other activity for a significant period of time. By agreeing to fund capital schemes through borrowing, Members are agreeing to divert this funding away from other revenue activity in order to deliver their priorities. Borrowing can either be internal (use of internal cash balances) or external (third party loan finance).
40. Funding assumptions for the major projects is currently planned to come from external contributions, retained rates growth monies (including income from 8 Authority Pool), and property disposal proceeds, rather than external loans from third parties. Based on these assumptions, there is an interim requirement for internal borrowing utilising City Fund general cash balances –pending receipts from disposal of investment properties. Such short-term internal borrowing does not require an MRP to be made, however losses from investing cash balances has been accounted for. Nonetheless, wider thinking is now needed on how best to secure 3rd party capital investment on the major projects and our asset base to relieve the pressure on our own capital resources.
41. In addition, the funding of some other capital schemes is being met from cash received from long lease premiums which are deferred in accordance with accounting standards - this also counts as internal borrowing. To ensure that this cash is not 'used again' when the deferred income is released to revenue, the City Corporation will make a MRP equal to the amount released, resulting in an overall neutral impact on the revenue account bottom line.

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Determination of the Council Tax Requirement

- The 1992 Act prescribes detailed calculations that the City, as billing authority, has to make to determine Council Tax amounts. The four steps are shown below. Although the process is somewhat laborious, it is a legislative requirement that these separate amounts be formally determined by resolutions of the Court of Common Council.
- After allowing for a proposed contribution to reserves, the final City Fund Council Tax requirement for 2023/24 is £8.9m. In accordance with the provisions in the Localism Act 2011, the Council Tax requirement allows for the Formula Grant, the City Offset, the City's Rate Premium and the estimated surplus on the Collection Fund at 31 March 2023.
- The City's proposed Council Tax for 2023/24 at band D would be £1,003.62, before adding the Greater London Authority (GLA) precept, and inclusive of a 2.99% general increase and 2% increase for the Adult Social Care precept. To determine the City's Council Tax for each property band, nationally fixed proportions are applied to the average band D property.
- The GLA's 'provisional' precept for 2023/24 is £142.01 for a Band D property. This excludes the Metropolitan Police requirement and represents an increase of £23.55p compared with 2022/23.
- The total amounts of Council Tax for each category must be set by the City before 11th March. The proposed amounts are shown below.

Council Tax per Property Band: calculated by applying nationally fixed proportions from Band D								
	£							
	A	B	C	D	E	F	G	H
Proportion	6	7	8	9	11	13	15	18
CoL	669.08	780.59	892.11	1,003.62	1,226.65	1,449.67	1,672.70	2,007.24
GLA	94.67	110.45	126.23	142.01	173.57	205.13	236.68	284.02
Total	763.75	891.04	1,018.34	1,145.63	1,400.22	1,654.80	1,909.38	2,291.26

- It is anticipated that the City's total Council Tax will remain one of the lowest in London. The Court of Common Council will be requested to formally determine that the relevant (net of local precepts and levies) basic amount of Council Tax for 2023/24 will not be excessive in relation to the new referendum requirements for any council tax increases.

Temple Precepts		
	2022/23	2023/24
	£	£
Inner Temple	196,139	220,281
Middle Temple	141,886	156,142
Total	338,025	376,424

Calculating Council Tax

Step One ('B1')

This requires calculation of the basic amount of Council Tax for a Band D dwelling for the whole of the City's area by applying the formula:

$$'B1' = \frac{R}{T}$$

Where

'B1' is the Basic Amount 'One':

R is the amount calculated by the authority as its council tax requirement for the year;

T is the amount which is calculated by the authority as its Council Tax base for the year. This amount was approved by the Chamberlain under the delegated authority of the City of London together with the Council Tax bases for each part of the City's area.

The above calculation is as follows:

$$'B1' = \frac{\pounds 8,895,033.88}{8,862.95}$$

$$'B1' = \pounds 1,003.62$$

Note: Item R consists of the following components:

	£	£
City Fund Net Budget Requirement		185,732,138
Less:		
Business Rates Retention	(49,779,000)	
Government Grant Funding	(9,072,676)	
Police Grant	(76,705,382)	
City's Offset	(12,515,000)	
Estimated Non-Domestic Rate Premium (Net)	(27,960,717)	
Estimated Collection Fund Surplus as at 31 March 2023 (City's share)	(804,329)	(175,837,104)
TOTAL COUNCIL TAX REQUIREMENT ®		8,895,034

Step Two ('B2')

This calculation is for the basic amount of tax for the area of the City excluding special items. The prescribed formula is:

$$'B2' = 'B1' - \frac{A}{T}$$

Where:

'B2' is the Basic Amount 'Two';

'B1' is the Basic Amount of Council Tax (Basic Amount 'One')
NB included with 'B1' is the aggregate of special items

A is the Aggregate of all special items;

T is the Council Tax base for the whole area

The above calculation is as follows:

$$'B2' = \text{£}1,003.62 - \frac{\text{£}22,050,423.81}{8,862.95}$$

$$'B2' = \text{£}1,484.31 \text{ CR}$$

Note: Item A consists of the following components:

	£	£
Highways Net Expenditure	10,738,000.00	
Street Cleansing	6,612,000.00	
Waste Collection	2,258,000.00	
Waste Disposal	1,224,000.00	
Road Safety	342,000.00	
Drains and Sewers	500,000.00	
Total City's Special Expenses		21,674,000.00
Inner Temple's Precept	220,281.32	
Middle Temple's Precept	156,142.49	376,423.81
Total Special Items		<u>22,050,423.81</u>

Step Three 'B3'

The next calculation is for the basic amount of each of the three parts of the City (the Inner and the Middle Temples and the remainder of the City area) to which special items relate (Basic Amount 'Three'). The calculations for each of the areas are as follows:

$$'B3' = 'B2' + \frac{S}{TP}$$

Where:

'B3' is the Basic Amount 'Three'

'B2' is the Basic Amount 'Two'

S is the amount of the special items for the part of the area

TP is the billing authority's Tax base for the part of the area to which the special items relate as determined by the Chamberlain under the delegated authority of the City of London Finance Committee.

City Area Excluding the Temples

$$\text{'B3'} = £1,484.31 \text{ CR} + \frac{£21,674,000}{8,711.65}$$

$$\text{'B3'} = £1,003.62$$

Inner Temple

$$\text{'B3'} = £1,484.31 \text{ CR} + \frac{£220,281.32}{88.54}$$

$$\text{'B3'} = £1,003.62$$

Middle Temple

$$\text{'B3'} = £1,484.31 \text{ CR} + \frac{£156,142.49}{62.76}$$

$$\text{'B3'} = £1,003.62$$

Step Four

Finally, Council Tax amounts have to be calculated for each valuation band (A to H) in each of the three areas (i.e. 24 Council Tax categories). The formula to be used is:

$$\text{Council Tax for particular category} = A \times \frac{N}{D}$$

A is the Basic Amount 'Three' ('B3') calculated for each part of its area;

N is the proportion applicable to dwellings listed in the particular valuation Band for which the calculation is being made;

D is the proportion applicable to dwellings listed in valuation Band D.

Council Tax per Property Band: calculated by applying nationally fixed proportions from Band D								
	£							
	A	B	C	D	E	F	G	H
Proportion	6	7	8	9	11	13	15	18
CoL	669.08	780.59	892.11	1,003.62	1,226.65	1,449.67	1,672.70	2,007.24
GLA	94.67	110.45	126.23	142.01	173.57	205.13	236.68	284.02
Total	763.75	891.04	1,018.34	1,145.63	1,400.22	1,654.80	1,909.38	2,291.26

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Reserves

Forecast Movements in City Fund Usable Reserves 2023/24				
	Notes	Estimated Opening Balance	Forecast Net Movement in Year	Estimated Closing Balance
		01-Apr-23		31-Mar-24
		£m	£m	£m
Revenue Usable Reserves				
General Reserve	a	20.0	0.0	20.0
Earmarked				
Major Projects Financing Reserve	b	50.2	6.4	56.6
Business Rate Equalisation	c	0.0	0.0	0.0
Highways Improvements	d	37.2	(10.5)	26.7
Build Back Better Fund	e	13.7	(4.1)	9.6
Police Future Expenditure	f	4.0	0.0	4.0
VAT Reserve	g	4.2	0.0	4.2
Renewals and Repairs	h	0.7	0.0	0.7
Proceeds of Crime Act	i	9.0	0.0	9.0
Judges Pensions	j	1.1	0.0	1.1
Service Projects	k	13.5	0.0	13.5
Total Revenue Earmarked		133.6	(8.2)	125.4
Housing Revenue Account (HRA)	l	0.1	0.2	0.3
Total Revenue Usable Reserves		153.7	(8)	145.7
Capital Usable Reserves				
Capital Receipts Reserve	m	107.3	(52.1)	55.2
Capital Grants Unapplied	n	30.9	(2.6)	28.3
HRA Major Repairs Reserve	o	0.3	0.0	0.3
Total Capital Usable Reserves		138.5	(54.7)	83.8
Total Usable Reserves		292.2	(62.7)	229.5

Notes

- a. General Reserve – The accumulated balance from annual surpluses or deficits on the City Fund Revenue Account less any transfers to, or plus any transfers from, earmarked reserves.
- b. Major Projects Financing Reserve – This reserve will contain the balance of the general reserve above £20m to fund investment in major projects, either as a direct revenue contribution or to generate income to fund revenue costs.

- c. Business Rate Equalisation Reserve - Will be used to fund collection fund deficits that will be accounted for in future years following govt support for business during the COVID-19 pandemic.
- d. Highway Improvements - Created from on-street car parking surpluses to finance future highways related expenditure and projects as provided by section 55 of the Road Traffic Regulation Act 1984, as amended by the Road Traffic Act 1991.
- e. Build Back Better Fund – funds set aside to support the economic recovery following the pandemic and climate action goals.
- f. Police Reserve - Revenue expenditure for the City Police service is cash limited. Underspends against this limit may be carried forward as a reserve to the following financial year and overspends are required to be met from this reserve.
- g. VAT Reserve – Should the City Corporation no longer be able to recover VAT incurred on exempt services as a result of exceeding the 5% partial exemption threshold, this reserve will be the first call for meeting the associated costs.
- h. Renewals and Repairs – Sums set aside for future repairs and maintenance costs.
- i. Proceeds of Crime Act – Cash forfeiture sums awarded to the City. Under the guidelines of the scheme, the funds must be ringfenced for crime reduction initiatives.
- j. Judges Pensions - Sums set aside to assist with the City of London's share of liabilities.
- k. A number of reserves for service specific projects and activities where the balance on each individual reserve is less than £0.5m have been aggregated under this generic heading.
- l. These reserves are ringfenced by statute to the Housing Revenue Account.
- m. The capital receipts reserve will be exhausted due to the City's commitment to Major projects over the life of the MTFP, subject to further receipts being received.
- n. Capital grants and contributions received for specific purposes. This includes receipts from the City's Community Infrastructure Levy.
- o. HRA Major Repair Reserve – funds set aside to finance HRA capital expenditure.

PRUDENTIAL INDICATORS

The following Prudential Indicators (and those included in Appendix (F) have been calculated in accordance with the CIPFA Prudential Code for Capital Finance in Local Authorities. In addition, a local indicator has been calculated to reflect the City's particular circumstances. Those indicators relating to estimates for the financial years 2023/24, 2024/25 and 2025/26 (values shown in bold) are required to be set by the Court of Common Council as part of the budget setting process and should be taken into account when considering the affordability, prudence and sustainability of capital investments.

Prudential Indicators for Affordability

Estimate of the ratio of financing costs to net revenue stream

Table 1

	2019/20 Actual	2020/21 Actual	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
HRA	0.26	0.25	-0.17	0.07	-0.02	-0.02	-0.21
Non-HRA	-0.46	-0.35	-0.37	-0.39	-0.43	-0.30	-0.30
Total	-0.39	-0.30	-0.40	-0.44	-0.47	-0.33	-0.30
<i>At this time last year</i>	-0.39	-0.26	-0.24	-0.20	-0.24	-0.24	-

This ratio is intended to represent the extent to which the net revenue consequences of capital financing and borrowing impact on the net revenue stream. Since the City Fund is currently a net lender in its Treasury operations and is in receipt of significant rental income from investment properties, the Non-HRA and Total ratios are usually negative. The fall in the Non-HRA ratios from 2019/20 until 2021/22 reflects the reduction in investment income as a proportion of total revenue streams. The increase in HRA ratios from 2023/24 reflect the additional cost of internal borrowing from City Fund to finance the HRA programme of capital works necessary to maintain the housing estates.

Prudential Indicator of Prudence

Gross Debt and the Capital Financing Requirement

Table 2

	Period 2022/23 to 2025/26
	£m
Gross External Debt	12.593
Capital Financing Requirement	299.823

To ensure that, over the medium term, borrowing will only be for capital purposes, this indicator demonstrates that gross external debt will not exceed the capital financing requirement over the

period 2022/23 to 2025/26. The current plans for funding of the capital programme, including the major projects, do not anticipate any external borrowing.

Prudential Indicators for Capital Expenditure and External Debt

Estimate of Capital Expenditure

Table 3

	2019/20 Actual £m	2020/21 Actual £m	2021/22 Actual £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
HRA	10.867	13.233	24.843	20.652	72.892	54.635	10.625
Non-HRA	41.874	48.524	106.505	138.128	371.276	414.317	208.378
Total	52.741	61.757	131.348	158.780	444.168	468.952	219.003
<i>At this time last year</i>	52.741	61.757	156.562	217.054	298.280	260.999	-

This indicator is based on the capital budget, augmented to reflect the indicative cost of schemes which have been approved in principle but have yet to be formally agreed for progression. It should be noted that the figures represent gross expenditure and that several schemes are wholly or partially funded by external contributions. Comparisons with the figures calculated at this time last year are generally reflective of the re-phasing of capital expenditure, including more robust estimates relating to the major projects.

Estimate of the Capital Financing Requirement

Table 4

	2019/20 Actual £m	2020/21 Actual £m	2021/22 Actual £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
HRA	-	-	-	0.271	13.533	4.232	-
Non-HRA	46.386	53.455	87.865	94.064	238.837	271.921	299.823
Total	46.386	53.455	87.865	94.335	252.370	276.153	299.823
<i>At this time last year</i>	46.386	53.455	51.686	103.083	216.188	138.013	-

The capital financing requirement (CFR) reflects the underlying need to borrow to finance capital expenditure and is calculated by identifying the shortfall in capital financing sources (e.g. capital receipts, grants, revenue reserves etc) to be applied. Borrowing can either be internal (use of internal cash balances) or external (third party loan finance).

Since 2016/17, the City Fund has been financing some capital expenditure from cash sums received from the sale of long leases, which are treated as deferred income in accordance with accounting standards. For the purposes of this indicator, such funding counts as 'internal borrowing'. In addition, in 2023/24 some of the major project expenditure will be funded from internal borrowing, using general City Fund cash balances on an interim basis pending the application of disposal proceeds from the sale of investment properties in 2024/25.

In accordance with the guidance contained in the Prudential Code, the 'Actual' indicators are calculated directly from the Balance Sheet, whilst the method of calculating the HRA and Non-HRA elements is prescribed under Statute.

The remaining prudential indicators relating to external debt and treasury management are included within Appendix D.

Local Indicators

A local indicator which gives a useful measure of both sustainability and of the adequacy of revenue reserves has been developed.

Times Cover on Unencumbered Revenue Reserves

Table 5

	2022/23	2023/24	2024/25	2025/26
Times cover on unencumbered revenue reserves	0.8	0.9	2.3	-0.9
<i>At this time last year</i>	1.5	3	-0.8	-1.2

This indicator is calculated by dividing the balance of forecast unencumbered general reserves by annual revenue deficits (-)/surpluses (+). For 2022/23 to 2024/25 revenue surpluses are forecast, with annual deficits from 2025/26 as the benefits of business rates retained growth ends. Ratios below -1.0 indicate insufficient general reserves to cover the deficit in a particular financial year, which is not sustainable. This will need to be addressed through additional savings and/or income.

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TREASURY MANAGEMENT STRATEGY STATEMENT

AND

**ANNUAL INVESTMENT
STRATEGY (RELATING TO
TREASURY MANAGEMENT)**

2023/24

Issue Date: 17/02/2023

Treasury Management Strategy Statement and Annual Investment Strategy (**relating to Treasury Management**) **2023/24**

1. Introduction

1.1. Background

The City of London Corporation (the City) is required in its local authority capacity to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the City's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of capital expenditure plans. These capital plans provide a guide to the borrowing needs of the City, essentially the longer-term cash flow planning, to ensure that the organisation can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans where permitted for individual Funds of the City, or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet risk or cost objectives.

Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day to day treasury management activities.

1.2. The Treasury Management Policy Statement

The City defines its 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.

The City regards the security of its financial investments through the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

The City acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

1.3. Reporting Requirements

The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised November 2009) was adopted by the Court of Common Council (the Court) on 3 March 2010, and is applied to all Funds held by the City. **There have been subsequent revisions to the codes in 2017 and 2021.**

The primary requirements of the Code are as follows:

- (i) The City of London Corporation will create and maintain, as the cornerstones for effective treasury management:
 - A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities
 - Suitable treasury management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
- (ii) This organisation will receive reports on its treasury management policies, practices and activities, including as a minimum an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close.
- (iii) The Court of Common Council delegates responsibility for the implementation and regular monitoring of its treasury management policies to the Finance Committee and the Financial Investment Board **with the Bridge House Estates Board having responsibility on behalf of the charity;** the execution and administration of treasury management decisions is delegated to the Chamberlain, who will act in accordance with the organisation's policy statement and TMPs and, if he/she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.
- (iv) The Court of Common Council nominates the Audit and Risk Management Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

The CIPFA **2021** Prudential Code for Capital Finance in Local Authorities and Treasury Management Code of Practice require all local authorities to prepare a capital strategy. The capital strategy provides a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services as well as an overview of how the associated risk is managed and the implications for future financial sustainability. The Treasury Management Strategy Statement is reported separately from the Capital Strategy. This ensures the separation of the core treasury function under security, liquidity and yield principles from the policy and commercial investments usually driven by expenditure on an asset. It is considered good practice by the City to include all of its Funds within these strategies.

1.4. Recent changes to the CIPFA Treasury Management and Prudential Codes

CIPFA published revised versions of both the Treasury Management Code of Practice and the Prudential Code for Capital Finance in Local Authorities on 20 December 2021.

The revised Treasury Management Code **requires all investments and investment income to be attributed to one of the following three purposes:-**

- All investments and investment income must be categorised into one of three types:

Treasury management

Arising from the organisation's cash flows or treasury risk management activity, this type of investment represents balances which are only held until the cash is required for use. Treasury investments may also arise from other treasury risk management activity which seeks to prudently manage the risks, costs or income relating to existing or forecast debt or treasury investments.

Service delivery

Investments held primarily and directly for the delivery of public services including housing, regeneration and local infrastructure. Returns on this category of investment which are funded by borrowing are permitted only in cases where the income is "either related to the financial viability of the project in question or otherwise incidental to the primary purpose".

Commercial return

Investments held primarily for financial return with no treasury management or direct service provision purpose. Risks on such investments should be proportionate to a local authority's financial capacity – i.e., that 'plausible losses' could be absorbed in budgets or reserves without unmanageable detriment to local services. An authority must not borrow to invest primarily for financial return.

The revised Treasury Management Code will require an authority to implement the following: -

1. **Adopt a new liability benchmark treasury indicator** to support the financing risk management of the capital financing requirement; the authority is required to estimate and measure the Liability Benchmark for the forthcoming financial year, and the following two financial years as a minimum; this is to be shown in chart form, with material differences between the liability benchmark and actual loans to be explained;
2. **Long-term treasury investments**, (including pooled funds), are to be classed as commercial investments unless justified by a cash flow business case;
3. **Pooled funds** are to be included in the indicator for principal sums maturing in years beyond the initial budget year;

4. Amendment to the **knowledge and skills register** for officers and members involved in the treasury management function - to be proportionate to the size and complexity of the treasury management conducted by each authority;
5. **Reporting to members is to be done quarterly.** Specifically, the Chief Finance Officer (CFO) is required to establish procedures to monitor and report performance against all forward-looking prudential indicators at least quarterly. The CFO is expected to establish a measurement and reporting process that highlights significant actual or forecast deviations from the approved indicators. However, monitoring of prudential indicators, including forecast debt and investments, is not required to be taken to Full Council and should be reported as part of the authority's integrated revenue, capital and balance sheet monitoring;
6. **Environmental, social and governance (ESG)** issues to be addressed within an authority's treasury management policies and practices (TMP1).

The main requirements of the Prudential Code relating to service and commercial investments are:

1. The risks associated with service and commercial investments should be proportionate to their financial capacity – i.e. that plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services;
2. An authority must not borrow to invest for the primary purpose of commercial return;
3. It is not prudent for local authorities to make any investment or spending decision that will increase the CFR, and so may lead to new borrowing, unless directly and primarily related to the functions of the authority, and where any commercial returns are either related to the financial viability of the project in question or otherwise incidental to the primary purpose;
4. An annual review should be conducted to evaluate whether commercial investments should be sold to release funds to finance new capital expenditure or refinance maturing debt;
5. A prudential indicator is required for the net income from commercial and service investments as a proportion of the net revenue stream;
6. Create new Investment Management Practices to manage risks associated with non-treasury investments, (similar to the current Treasury Management Practices).

An authority's Capital Strategy or Annual Investment Strategy should include:

1. The authority's approach to investments for service or commercial purposes (together referred to as non-treasury investments), including defining the authority's objectives, risk appetite and risk management in respect of these investments, and processes ensuring effective due diligence;
2. An assessment of affordability, prudence and proportionality in respect of the authority's overall financial capacity (i.e. whether plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services);

3. Details of financial and other risks of undertaking investments for service or commercial purposes and how these are managed;
4. Limits on total investments for service purposes and for commercial purposes respectively (consistent with any limits required by other statutory guidance on investments);
5. Requirements for independent and expert advice and scrutiny arrangements (while business cases may provide some of this material, the information contained in them will need to be periodically re-evaluated to inform the authority's overall strategy);
6. State compliance with paragraph 51 of the Prudential Code in relation to investments for commercial purposes, in particular the requirement that an authority must not borrow to invest primarily for financial return;

As this Treasury Management Strategy Statement and Annual Investment Strategy deals **solely** with treasury management investments, the categories of service delivery and commercial investments will be dealt with as part of the Capital Strategy report.

Furthermore it should be noted that any new requirements are mandatory for the City Fund only.

1.5. Treasury Management Strategy for 2023/24

The Local Government Act 2003 (the Act) and supporting regulations require the City to 'have regard to' the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice to set Prudential and Treasury Indicators for the next three years to ensure that the City's capital investment plans are affordable, prudent and sustainable. The City's Prudential Indicators are set in its annual Budget Report and Medium-Term Financial Strategy, while Treasury Indicators are established in this report (Appendix 2).

The Act requires the Court of Common Council to set out its treasury strategy for borrowing (section 4 of this report) and to prepare an Annual Investment Strategy (section 5 of this report). The Investment Strategy sets out the City's policies for managing its investments and for giving priority to the security and liquidity of those investments.

The suggested strategy for 2023/24 in respect of the required aspects of the treasury management function is based upon the treasury officers' views on interest rates, supplemented with leading market forecasts provided by the City's treasury adviser, Link Asset Services, Treasury Solutions.

The strategy covers:

- the capital expenditure plans and the associated prudential indicators
- the minimum revenue provision (MRP) policy
- the current treasury position

- treasury indicators which limit the treasury risk and activities of the City
- prospects for interest rates
- the borrowing strategy
- policy on borrowing in advance of need
- debt rescheduling
- the investment strategy
- creditworthiness policy
- policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, the DLUHC MRP Guidance, the CIPFA Treasury Management Code and the DLUHC Investment Guidance.

1.6. Current Portfolio Position

The City's treasury portfolio position at 31 December 2022 compared to the position at 31 March 2022 comprised:

Table 1: Treasury Portfolio				
	Actual 31/03/2022		Current 31/12/2022	
Treasury investments	£m	%	£m	%
Banks	£765.0	63%	£795.0	63%
Building societies (rated)	£40.0	3%	£20.0	2%
Local authorities	£0.0	0%	£0.0	0%
Liquidity funds	£127.5	10%	£151.2	12%
Ultra-short dated bond funds	£137.1	11%	£137.9	11%
Short dated bond funds	£156.4	13%	£148.5	12%
Total treasury investments	£1,226.0	100%	£1,252.5	100%
Treasury external borrowing				
LT market debt (City's Cash)	£450.0	100%	£450.0	100%
Total external borrowing	£450.0	100%	£450.0	100%

2. Capital Expenditure Plans and Prudential Indicators

2.1. City Fund

The City's capital expenditure plans are a key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist Members' overview and confirm capital expenditure plans.

The City's capital expenditure plans in respect of its local authority functions (the City Fund) are detailed in the 2023/24 Budget Report and Medium-Term Financial Strategy, which also contains the City's Prudential Indicators. The Prudential Indicators summarise the City Fund's annual capital expenditure and financing plans for the medium term.

Estimate of Capital Expenditure and Financing (City Fund)

Table 2	2021/22	2022/23	2023/24	2024/25	2025/26
	Actual £m	Estimate £m	Estimate £m	Estimate £m	Estimate £m
Capital Expenditure:					
Non-HRA	106.5	138.1	371.3	414.3	208.4
HRA	24.8	20.7	72.9	54.7	10.6
Total	131.3	158.8	444.2	469.0	219.0
Financed by:					
Capital grants	39.6	50.7	167.6	188.7	142.5
Capital reserves	46.9	15.5	48.7	227.5	44.8
Revenue	10.3	86.1	69.9	29.0	8.0
Total	96.8	152.3	286.2	445.2	195.3
Net financing need:	34.5	6.5	158.0	23.8	23.7

The Prudential Indicators also establish the City Fund's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the City Fund's indebtedness and so its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource (the net financing need in Table 2), will increase the CFR.

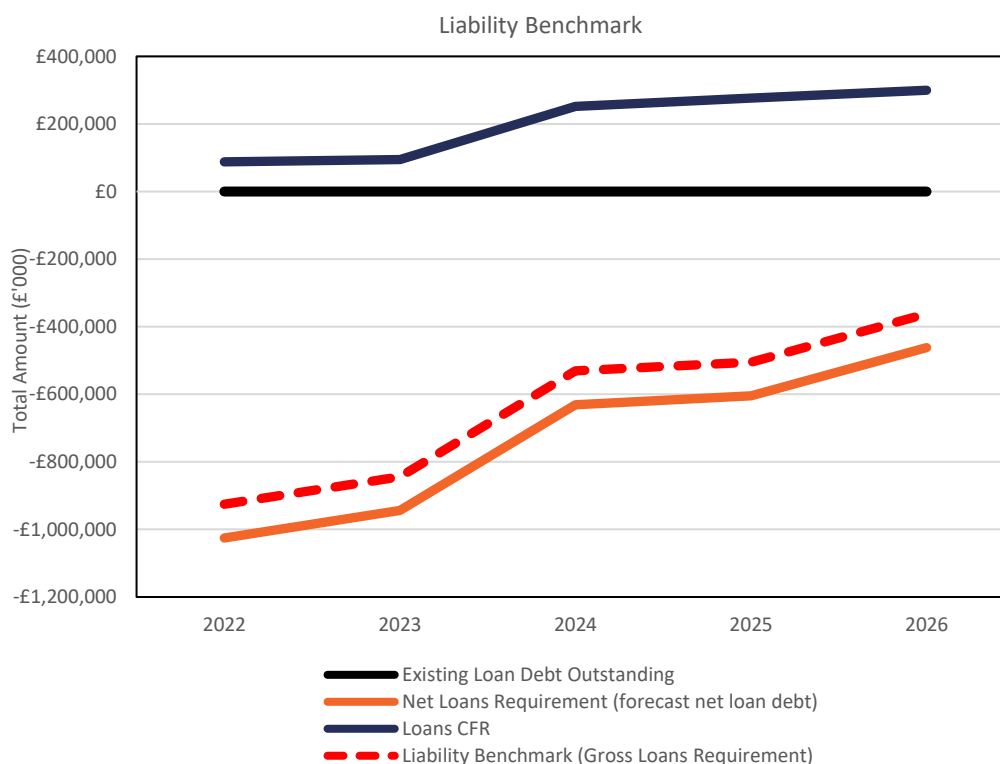
Estimate of the Capital Financing Requirement (City Fund)

Table 3	2021/22	2022/23	2023/24	2024/25	2025/26
	Actual £m	Estimate £m	Estimate £m	Estimate £m	Estimate £m
Non-HRA	87.9	94.1	238.9	272.0	299.8
HRA	0	0.3	13.5	4.2	0
Total	87.9	94.3	252.4	276.2	299.8

A new prudential indicator for 2023/24 is the Liability Benchmark. The City is required to estimate and measure the Liability Benchmark for the forthcoming financial year and the following two financial years, as a minimum. The prudential indicator for the liability benchmark is only relevant for City Fund, and therefore does not include City's Cash external borrowing.

There are four components to the Liability Benchmark which should be represented in a chart. These are:

1. **Existing Loan Debt Outstanding:** The City's existing loans that are outstanding into future years. This City Fund currently has no external loans, so this will not need to be shown.
2. **Loans Capital Financing Requirement:** calculated in accordance with the Prudential Code and projected into the future based on approved prudential borrowing and planned Minimum Revenue Provision.
3. **Net Loans Requirement:** The City Fund gross loan debt less treasury management investments, projected into the future and based on approved prudential borrowing, planned MRP and any other major cash flow forecasts. As the City plans to not undertake external borrowing the net loan requirement is shown as a negative and plots the expected cash balances across the years.
4. **Liability benchmark (or Gross Loans Requirement):** equals Net Loans Requirement plus a short-term liquidity allowance to allow for a level of excess cash to provide liquidity if needed.



Minimum Revenue Provision (City Fund)

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's life, and so charges the economic consumption of capital assets as they are used. The City's MRP Policy is detailed in Appendix 2.

2.2. City's Cash

As with the City Fund, any capital expenditure incurred by City's Cash which has not immediately been paid for through a revenue or capital resource, will increase the City's Cash borrowing requirement. The medium term financial plan for City's Cash includes an increase in capital expenditure in the coming years, primarily relating to the major projects programme. All projected capital expenditure in 2023/24 will be financed from the existing £450m stock of debt or other sources. Table 3 summarises the planned City's Cash borrowing over the next few years.

Table 4	2020/21 Actual £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
Borrowing	£250m	£450m	£450m	£450m	£450m

A debt financing strategy will be established to ensure borrowing for City's Cash is reduced gradually over time as set out in the City's Cash Borrowing Policy Statement (Appendix 8).

2.3. Bridge House Estates

The Bridge House Estates' financial plans focus on the charity's primary object, namely the support and maintenance of the five Thames bridges that the charity owns, alongside their future replacement. Any surplus income each year is available for its ancillary purposes, namely charitable funding undertaken in the name of the City Bridge Trust. The charity's revenue expenditure plans over the short and medium term are currently funded from ongoing income and the returns on investments held within the unrestricted income fund. Capital spend on the charity's investment property portfolio is funded from the designated sales pool held within the permanent endowment fund, with receipts from disposals or lease premiums which are deemed to be capital in nature being available for this. The current governing documents for BHE do not include powers to access the gains on investments held within the endowment fund, nor to undertake borrowing. The charity is anticipating approval of its Supplemental Royal Charter during early 2023, which will amend these powers and provide the power to adopt total return investment for the permanent endowment fund. This strategy will reflect these new powers once in place.

2.4. Treasury Indicators for 2023/24 – 2025/26

Treasury Indicators (as set out in Appendix 2) are relevant for the purposes of setting an integrated treasury management strategy.

3. Prospects for Interest Rates

The City of London has appointed Link Asset Services (Link) as its treasury advisor and part of their service is to assist the City to formulate a view on interest rates. Appendix 1 draws together a number of forecasts for both short term (Bank Rate – also known as “the Bank of England base rate”) and longer term interest rates. The following table and accompanying text below gives the Link central view.

	Bank Rate %	PWLB Borrowing Rates % (including certainty rate adjustment)			
		5 year	10 years	25 year	50 year
Mar 2023	4.25	4.00	4.20	4.60	4.30
Jun 2023	4.50	4.00	4.20	4.60	4.30
Sep 2023	4.50	3.90	4.10	4.40	4.20
Dec 2023	4.25	3.80	4.00	4.30	4.10
Mar 2024	4.00	3.70	3.90	4.20	3.90
Jun 2024	3.75	3.60	3.80	4.10	3.80
Sep 2024	3.25	3.50	3.60	3.90	3.60
Dec 2024	3.00	3.40	3.50	3.80	3.60
Mar 2025	2.75	3.30	3.50	3.70	3.40
Jun 2025	2.75	3.20	3.40	3.60	3.30
Sep 2025	2.50	3.10	3.30	3.50	3.20
Dec 2025	2.50	3.10	3.30	3.40	3.20
Mar 2026	2.50	3.10	3.20	3.40	3.10

Link's central forecast for interest rates was updated on 07 February 2023 and reflected a view that the MPC would be keen to further demonstrate its anti-inflation credentials by delivering a succession of rate increases. This has happened but the Government's continuing policy of emphasising fiscal rectitude will probably mean Bank Rate will not need to increase further than 4.5%. The Bank Rate stands at 4.0% currently and is expected to reach a peak of 4.5% by June 2023.

Further down the road, Link anticipate the Bank of England will be keen to loosen monetary policy when the worst of the inflationary pressures are behind us – but that timing will be one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.

PWLB rates yield curve movements have become less volatile of late and PWLB 5 to 50 years Certainty Rates are, generally, in the range of 3.75% to 4.75%. Link's view is that markets as have built in, already, nearly all the effects on gilt yields of the likely increases in Bank Rate and the elevated inflation outlook.

3.1. The balance of risks to the UK economy

The overall balance of risks to economic growth in the UK is to the downside.

Downside risks to current forecasts for UK gilt yields and PWLB rates include:

- **Labour and supply shortages** prove more enduring and disruptive and depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus, rising gilt yields).
- **The Bank of England** acts too quickly, or too far, over the next year to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate).

- **UK / EU trade arrangements** – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.
- **Geopolitical risks**, for example in Ukraine/Russia, China/Taiwan/US, Iran, North Korea and Middle Eastern countries, which could lead to increasing safe-haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates:

- **The Bank of England** is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly and for a longer period within the UK economy, which then necessitates Bank Rate staying higher for longer than we currently project or even necessitates a further series of increases in Bank Rate.
- **The pound** weakens because of a lack of confidence in the UK Government's fiscal policies, resulting in investors pricing in a risk premium for holding UK sovereign debt.
- Longer term **US treasury** yields rise strongly and pull gilt yields up higher than currently forecast.
- Projected **gilt issuance, inclusive of natural maturities and Quantitative tightening**, could be too much for the markets to comfortably digest without higher yields consequently.

3.2. Investment and borrowing rates

- Investment returns are **expected remain elevated, against recent historical rates, in 2023/24**. However, actual economic circumstances may see the MPC fall short of these expectations.
- **Links's long-term, i.e. beyond 10 years, forecast for Bank Rate stands at 2.5%, and as all PWLB certainty rates are currently above this level, borrowing strategies need to be carefully reviewed. Temporary borrowing rates are likely, however, to remain near Bank Rate and may prove attractive whilst the market waits for inflation, and therein gilt yields, to drop back later in 2023.**
- Borrowing rates have also been impacted by changes in Government policy. In November 2020, the Chancellor introduced a prohibition to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three-year capital programme.
- Because borrowing rates are generally expected to be higher than investment rates, any new borrowing undertaken by the City will have a "cost of carry" (the difference between higher borrowing costs and low investment returns) to any new borrowing that causes a temporary increase in cash balances.

3.3. Interest Rate Exposure

The City is required to set out how it intends to manage interest rate exposure.

This organisation will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in

accordance with the amounts provided in its budgetary arrangements and management information arrangements.

It will achieve this by the prudent use of its approved instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates.

4. Borrowing Strategy

The borrowing strategy is developed from the capital plans and prospect for interest rates outlined in sections 2 and 3 above, respectively.

For both the City Fund and City's Cash, the capital expenditure plans create borrowing requirements and the borrowing strategy aims to make sure that sufficient cash is available to ensure the delivery of the City's capital programme as planned. Bridge House Estates, as stated in section 2.3, does not currently hold the power to borrow.

The City can choose to manage the borrowing requirements through obtaining external debt from a variety of sources; through the temporary use of its own cash resources ("internal borrowing"); or via a combination of these methods.

4.1. City Fund

The City Fund has a positive Capital Financing Requirement, and this is expected to grow over the next few years (see table 2 above). As the City Fund currently has no external debt, it is therefore maintaining an under-borrowed position which is forecast to increase if the City Fund does not acquire external debt. This means that the capital borrowing need is being managed within internal resources, i.e. cash supporting the City Fund's reserves, balances and cash flow is being used as a temporary measure. This strategy is prudent because it helps the City Fund to minimise borrowing costs in the near term and because it leads to lower investment balances which reduces counterparty risk. Against these advantages the City is conscious of the increased exposure to interest rate risk that is inherent in internal borrowing (i.e. the risk that the City Fund will need to replace internal borrowing with external borrowing in the future when interest rates are high).

Therefore, against this background and the risks within the economic forecast, caution will be adopted with the 2023/24 treasury operations. The Chamberlain will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances. For example,

- *if it was felt that there was a significant risk of a sharp FALL in long and short term rates, (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowing will be postponed.*
- *if it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast, perhaps arising from an acceleration in the rate of increase in central rates in the USA and UK, an increase in world economic activity, or a sudden increase in inflation risks, then*

the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

Any decisions will be reported to the Finance Committee and the Court of Common Council at the next available opportunity.

The City must set two treasury indicators representing the upper limits for the total amount of external debt for City Fund. These limits are required under the Prudential Code in order to ensure borrowing is affordable and is consistent with the City Fund's capital expenditure requirements.

- The **operational boundary for external debt** should represent the most likely scenario for external borrowing. It is acceptable for actual borrowing to deviate from this estimate from time to time. The proposed limit is set to mirror the estimated CFR for the forthcoming year and the following two years.
- The **authorised limit for external debt** is the maximum threshold for external debt for over 2023/24, 2024/25 and 2025/26. This limit is required by the Local Government Act 2003 and is set above the operational boundary to ensure that the City is not restricted in the event of a debt restructuring opportunity.

The proposed limits for 2023/24 are set out in Appendix 2.

The City is also required to set a treasury indicator in respect of the maturity structure of external debt to ensure that the external debt portfolio remains appropriately balanced over the long term. Under the revised Treasury Management Code of Practice, the City is required to set limits for all borrowing (i.e. both fixed rate and variable debt), and the proposed limits are detailed in Appendix 2.

4.2. City's Cash

The capital expenditure plans for City's Cash also create a borrowing requirement. City's Cash has issued fixed rate market debt totalling £450m to fund its capital programme. Of this total, £250m was received in 2019/20 and the remaining £200m was received in 2021/22. City's Cash is likely to have a further temporary borrowing requirement arising in 2023/24. It is not anticipated that any new external borrowing will be acquired by City's Cash in 2022/23. However, the Chamberlain will keep this position under review and in doing so will have regard for liquidity requirements, interest rate risk and the implications for the revenue budget.

The regulatory framework established through the CIPFA professional codes and DLUHC guidance pertains to the City's local authority function, the City Fund. To facilitate effective management of the City's Cash borrowing requirement, this organisation has adopted the City's Cash Borrowing Policy Statement (Appendix 8), which sets out the principles for effectively managing the risks arising from borrowing on behalf of City's Cash. Under this framework, the City has resolved to establish two further treasury indicators, which will help the organisation to ensure its borrowing plans remain prudent, affordable and sustainable:

- **Estimates of financing costs to net revenue stream.** This indicator is given as a percentage and establishes the amount of the City's Cash net revenue that is used to service borrowing costs.
- **Overall borrowing limits.** This indicator represents an upper limit for external debt which officers cannot exceed.

The proposed indicators for **2023/24** are set out in Appendix 2 alongside the City Fund treasury indicators.

4.3. Bridge House Estates

Bridge House Estates does not currently hold the power to borrow. The changes to its governing documents being sought by way of a Supplemental Royal Charter will address this, enabling borrowing to take place for specific purposes relating to its primary objective. There are no current plans for borrowing to take place in the short to medium term.

4.4. Policy on borrowing in advance of need

The City will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the City can ensure the security of such funds.

4.5. Debt rescheduling

The City does not anticipate any debt rescheduling in the near term. However, should any opportunities for debt rescheduling arise (through a decrease in borrowing rates, for instance), such cases will need to be considered in the context of the current treasury position and the size of the cost of debt repayment (i.e. any penalties incurred).

The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

All rescheduling will be reported to the Court of Common Council, at the earliest meeting following its action.

4.6. Sources of borrowing

Historically, the main source of borrowing for UK local authorities has been the PWLB. Any new loans issued by the PWLB are subject to the PWLB's revised lending arrangements with effect from 26 November 2020. Currently the PWLB Certainty Rate is set at gilts + 80 basis points for new loans. Local authorities have recourse to other sources of external borrowing including financial institutions, other local authorities and the Municipal Bonds Agency. Our advisors will keep us informed as to the relative merits of each of these alternative funding sources

5. **Annual Investment Strategy (relating to Treasury Management)**

The Annual Investment Strategy (relating to Treasury Management) 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 2021 ("the CIPFA TM Code") and CIPFA Treasury Management Guidance Notes 2021.

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 2023/24 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).

5.2. Expected investment balances

The City's medium term financial plans for City Fund and City's Cash imply that total investment balances within the treasury investment portfolio are expected to decline over the next few years as the capital programme is progressed (Bridge House Estates' cash balances are expected to remain consistent) but to remain above a minimum constant level of £529m.

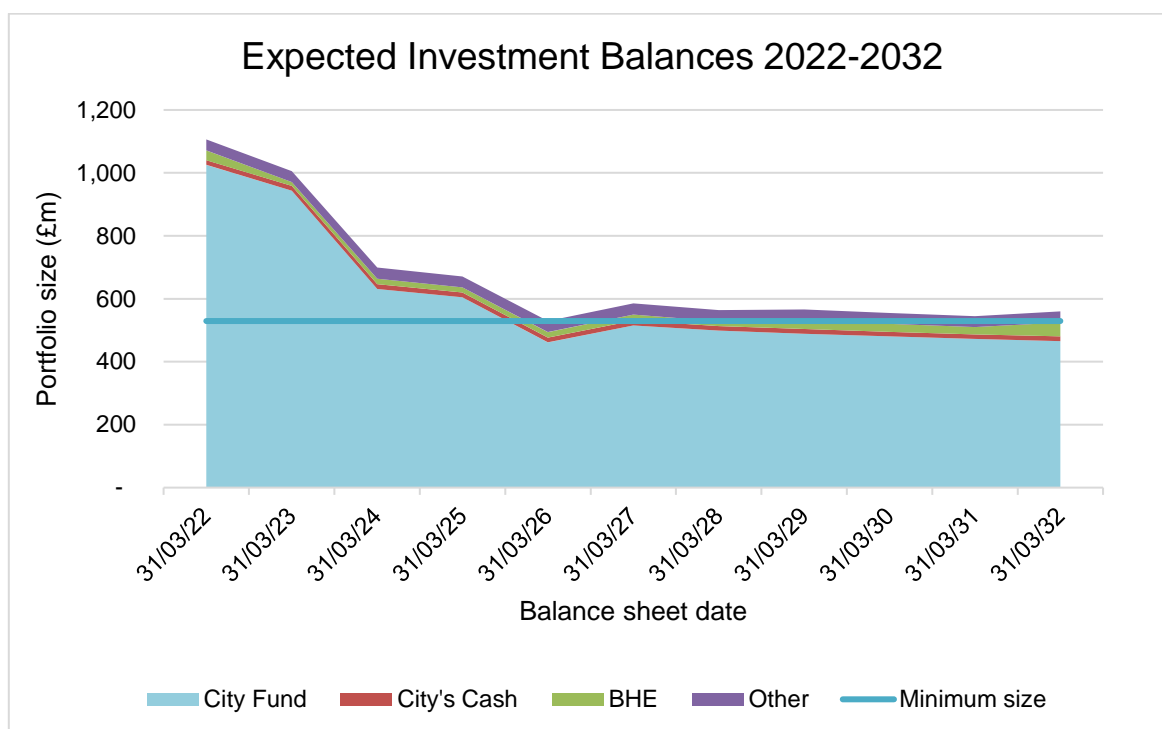


Figure 1 shows projected investment balances across the three funds and others over the coming years as at the end of each financial year.¹ Most of the investment balances relate to City Fund and it should be noted that generally investment balances are expected to be higher between reporting dates.

As the City, and the City Fund in particular, is expected to maintain significant cash balances over the forecast horizon, the treasury management strategy will duly consider how best to protect the capital value of resources, particularly in the context of elevated inflation and low (by historical standards) investment returns. The City's liquidity requirements and will be subject to ongoing monitoring practices **as the capital programme progresses** as specified in paragraph 5.3 below.

5.3. Creditworthiness policy

The primary principle governing the City's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle, the City will ensure that:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security.
- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the City's prudential indicators covering the maximum principal sums invested.

¹ "Other" refers to other entities for whom the City provides treasury management services.

The Chamberlain will maintain a counterparty list in compliance with the following criteria and will revise these criteria and submit them to the Financial Investment Board for approval as necessary. These criteria are separate to those which determine which types of investment instruments are classified as either specified or non-specified as it provides an overall pool of counterparties considered high quality which the City may use, rather than defining what types of investment instruments are to be used.

Regular meetings are held involving the Chamberlain, the Financial Services Director, Corporate Treasurer and members of the Treasury team, where the suitability of prospective counterparties and the optimum duration for lending is discussed and agreed.

Credit rating information is supplied by Link Asset Services, our treasury advisors, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating Watches (notification of a likely change), rating Outlooks (notification of a possible longer-term bias outside the central rating view) are provided to officers almost immediately after they occur and this information is considered before dealing. For instance, a negative rating Watch applying to a counterparty would result in a temporary suspension, which will be reviewed in light of market conditions.

All credit ratings will be monitored daily. The City is alerted to credit warnings and changes to ratings of all three agencies through its use of the Link creditworthiness service.

The criteria for providing a pool of high quality investment counterparties (both specified and non-specified investments) are:

- Banks 1 – good credit quality – the City will only use banks which:
 - (i) are UK banks; and/or
 - (ii) are non-UK and domiciled in a country which has a minimum sovereign long-term rating of AA+ (Fitch rating)

and have, as a minimum the following Fitch, credit rating:

- (i) Short-term – F1
 - (ii) Long-term – A-
- Banks 2 – Part nationalised UK banks – Royal Bank of Scotland ring-fenced operations. This bank can be included if it continues to be part nationalised, or it meets the ratings in Banks 1 above.
- Banks 3 – The City's own banker (Lloyds Banking Group) for transactional purposes and if the bank falls below the above criteria, although in this case, balances will be minimised in both monetary size and duration.
- Bank subsidiary and treasury operation - The City will use these where the parent bank has provided an appropriate guarantee or has the necessary ratings outlined above. This criteria is particularly relevant to City Re Limited,

the City's Captive insurance company, which deposits funds with bank subsidiaries in Guernsey.

- Building Societies – The City may use all societies which:
 - (i) have assets in excess of £10bn; or
 - (ii) meet the ratings for banks outlined above
- Money Market Funds (MMFs) Constant Net Asset Value (CNAV)* – with minimum credit ratings of AAA/mmff
- Money Market Funds (MMFs) Low-Volatility Net Asset Value (LVNAV)* – with minimum credit ratings of AAA/mmff
- Money Market Funds (MMFs) Variable Net Asset Value (VNAV)* – with minimum credit ratings of AAA/mmff
- Ultra-Short Dated Bond Funds with a credit rating of at least AAA/f (previously referred to as Enhanced Cash Plus Funds)
- Short Dated Bond Fund – These funds typically do not obtain their own standalone credit rating. The funds will invest in a wide array of investment grade instruments, the City will undertake all necessary due diligence to ensure a minimum credit quality across the funds underlying composition is set out within initial Investment Manager Agreements and actively monitor the on-going credit quality of any fund invested.
- Multi-Asset Funds – these funds have the potential to provide above inflation returns with a focus on capital preservation, thus mitigating the erosion in value of long-term cash balances by investing in a range of asset classes that will typically include equities and fixed income. The value of these investments will fluctuate and they are not suitable for cash balances that are required in the near term. Before any investment is undertaken a rigorous due diligence process will be undertaken to identify funds that align with the City's requirements.
- UK Government – including government gilts and the debt management agency deposit facility.
- Local authorities

A limit of £400m will be applied to the use of non-specified investments.

*Under EU money market reforms implemented in 2018/19, three classifications of money market funds exist:

- Constant Net Asset Value (“CNAV”) MMFs – must invest 99.5% of their assets into government debt instruments and are permitted to maintain a constant net asset value.
- Low Volatility Net Asset Value (“LVNAV”) MMFs – permitted to maintain a constant dealing net asset value provided that certain criteria are met,

including that the market net asset value of the fund does not deviate from the dealing net asset value by more than 20 basis points.

- Variable Net Asset Value (“VNAV”) MMFs – price assets using market pricing and therefore offer a fluctuating dealing net asset value

5.4. Environmental, Social and Governance Risks

The City of London Corporation is committed to being a responsible investor. It expects this approach to protect and enhance the value of the assets over the long term. The City recognises that the failure to identify and manage financially material environmental, social and governance risks can lead to adverse financial and reputational consequences. The City will incorporate ESG risk monitoring into its ongoing counterparty monitoring processes, alongside traditional creditworthiness monitoring. This risk analysis will be consistent with the City’s investment horizon, which in many cases will be short term (under one year) in nature.

5.5. Use of additional information other than credit ratings.

Additional requirements under the Code require the City to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, negative rating Watches/Outlooks) will be applied to compare the relative security of differing investment counterparties.

5.6. Time and monetary limits applying to investments.

The time and monetary limits for institutions on the City’s counterparty list are as follows (these will cover both specified and non-specified investments):

	Minimum Creditworthiness Criteria	Money Limit	Time Limit
Banks 1 higher quality	Fitch Rating Long Term: A+ Short Term: F1	£100m	3 years
Banks 1 medium quality	Fitch Long Term Rating Long Term: A Short Term: F1	£100m	1 year
Banks 1 lower quality	Fitch Long Term Rating Long Term: A- Short Term: F1	£50m	6 months
Banks 2 – part nationalised	N/A	£100m	3 years
Banks 3 – City’s banker (transactions only, and if bank falls below above criteria)	N/A	£150m	1 working day
Building Societies higher quality	Fitch Long Term Rating A or assets of £150bn	£100m	3 years
Building Societies medium quality	Fitch Long Term Rating A- or assets of £10bn	£20m	1 year
UK Government (DMADF, Treasury Bills, Gilts)	UK sovereign rating	unlimited	3 years
Local authorities	N/A	£25m	3 years
External Funds*	Fund rating	Money and/or % Limit	Time Limit
Money Market Funds CNAV	AAA	£100m	liquid
Money Market Funds LVNAV	AAA	£100m	liquid
Money Market Funds VNAV	AAA	£100m	liquid
Ultra-Short Dated Bond Funds	AAA	£100m	liquid
Short Dated Bond Funds	N/A	£100m	liquid
Multi Asset Funds	N/A	£50m	liquid

*An overall limit of £100m for each fund manager will also apply.

A list of suitable counterparties conforming to this creditworthiness criteria is provided at Appendix 4. The Chamberlain will review eligible counterparties prior

to inclusion on the approved counterparty list and will monitor the continuing suitability of existing approved counterparties.

5.7. Country limits

The City has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA+ (Fitch) or equivalent. The country limits list, as shown in Appendix 5, will be added to or deducted from by officers should individual country ratings change in accordance with this policy. The UK (which is currently rated as AA-) will be excluded from this stipulated minimum sovereign rating requirement.

5.8. Local authority limits

The City will place deposits up to a maximum of £25m with individual local authorities. In addition the City imposes an overall limit of £250m for outstanding lending to local authorities as a whole at any given time. Although the overall credit standing of the local authority sector is considered high, officers perform additional due diligence on individual prospective local authority borrowers prior to entering into any lending.

5.9. Investment Strategy

In-house funds: The City's in-house managed funds are both cash-flow derived and also represented by core balances which can be made available for investment over a longer period. Investments will accordingly be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.

Investment returns expectations: Based on our Treasury Consultant's latest forecasts, Bank Rate is projected to rise to 4.25% by March 2023 with a peak of 4.5% by June 2023, and then incrementally reduce over the medium term. In these circumstances it is likely that investment earnings from money-market related instruments will increase from the very low levels experienced in recent years. Bank Rate forecasts for financial year ends (March) are: -

- 2022/23 4.25%
- 2023/24 4.00%
- 2024/25 2.75%

5.10. Investment Treasury Indicator and Limit

Total principal funds invested for greater than 365 days are subject to a limit, set with regard to the City's liquidity requirements and to reduce the need for an early sale of an investment, and are based on the availability of funds after each year end.

The Board is asked to approve the treasury indicator and limit:

Maximum principal sums invested for more than 365 days (up to three years)			
	2022/23	2023/24	2024/25
	£M	£M	£M
Principal sums invested >365 days	400	300	300

5.11. Investment performance benchmarking

The City will monitor investment performance against Bank Rate and 3- and 6-month compounded SONIA (Sterling Overnight Index Average).

5.12. End of year investment report

At the end of the financial year, the City will report on its investment activity as part of its Annual Treasury Report.

5.13. External fund managers

A proportion of the City's funds, amounting to **£437.5m as at 31 December 2022**, are externally managed on a discretionary basis by the following fund managers:

- Aberdeen Standard Investments
- CCLA Investment Management Limited
- Deutsche Asset Management (UK) Limited
- Federated Investors (UK) LLP
- Invesco Global Asset Management Limited
- Legal and General Investment Management
- Payden & Rygel Global Limited
- Royal London Asset Management

The City's external fund managers will comply with the Annual Investment Strategy, and the agreements between the City and the fund managers additionally stipulate guidelines and duration and other limits in order to contain and control risk.

The credit criteria to be used for the selection of the Money Market fund manager(s) is based on Fitch Ratings and is AAA/mmf. The Ultra-Short Dated Bond Fund managers (including the Payden & Rygel Sterling Reserve Fund, Federated Sterling Cash Plus Fund and Aberdeen Standard Liquidity Fund (Lux) Short Duration Sterling Fund) are all rated by Standard and Poor's as AAA.

The City also uses two Short Dated Bond Funds managed by Legal and General Investment Management and Royal London Asset Management. Both funds are unrated (as is typical of these instruments). The funds offer significant diversification by being invested in a wide range of investment grade instruments, rated BBB and above and limiting exposure to any one debt issuer or issuance.

The City fully appreciates the importance of monitoring the activity and resultant performance of its appointed external fund managers. In order to aid this assessment, the City is provided with a suite of regular reporting from its managers. This includes monthly valuations and fund fact sheets as well as quarterly and annual reports. In addition to formal reports, officers also meet with representatives of the fund manager on a regular basis. These meetings allow for

additional scrutiny of the manager's activity as well as discussions on the outlook for the fund as well as wider markets.

6. Policy on the use of external service providers

The City uses Link Asset Services, Treasury Solutions as its external treasury management advisers.

The City recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon its external service providers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The City will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.

7. Scheme of Delegation

Please see Appendix 6.

8. Role of the Section 151 officer

Please see Appendix 7.

9. Training

The CIPFA Code requires the responsible officer to ensure that Members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny.

Furthermore, a new introduction within the Code for 2023/24 states that they expect *"all organisations to have a formal and comprehensive knowledge and skills or training policy for the effective acquisition and retention of treasury management knowledge and skills for those responsible for management, delivery, governance and decision making"*.

The scale and nature of this will depend on the size and complexity of the organisation's treasury management needs. Organisations should consider how to assess whether treasury management staff and board/ council members have the required knowledge and skills to undertake their roles and whether they have been able to maintain those skills and keep them up to date.

As a minimum, authorities should carry out the following to monitor and review knowledge and skills:

- a) Record attendance at training and ensure action is taken where poor attendance is identified.
- b) Prepare tailored learning plans for treasury management officers and board/council members.

- c) Require treasury management officers and board/council members to undertake self-assessment against the required competencies (as set out in the schedule that may be adopted by the organisation).
- d) Have regular communication with officers and board/council members, encouraging them to highlight training needs on an ongoing basis.

In further support of the revised training requirements, CIPFA's Better Governance Forum and Treasury Management Network have produced a 'self-assessment by members responsible for the scrutiny of treasury management', which is available from the CIPFA website to download.

APPENDICES

1. Interest Rate Forecasts 2023 - 2026
2. Treasury Indicators 2023/24 – 2025/26 and Minimum Revenue Provision Statement
3. Treasury Management Practice (TMP1) – Credit and Counterparty Risk Management
4. Current Approved Counterparties
5. Approved Countries for Investments
6. Treasury Management Scheme of Delegation
7. The Treasury Management Role of the Section 151 Officer
8. City's Cash Borrowing Policy Statement

LINK INTEREST RATE FORECASTS 2023 – 2026 (Dated 07/02/2023)

Link Group Interest Rate View 07.02.23													
	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26
BANK RATE	4.25	4.50	4.50	4.25	4.00	3.75	3.25	3.00	2.75	2.75	2.50	2.50	2.50
3 month ave earnings	4.30	4.50	4.50	4.30	4.00	3.80	3.30	3.00	2.80	2.80	2.50	2.50	2.50
6 month ave earnings	4.40	4.50	4.40	4.20	3.90	3.70	3.20	2.90	2.80	2.80	2.60	2.60	2.60
12 month ave earnings	4.50	4.50	4.40	4.20	3.80	3.60	3.10	2.70	2.70	2.70	2.70	2.70	2.70
5 yr PWLB	4.00	4.00	3.90	3.80	3.70	3.60	3.50	3.40	3.30	3.20	3.10	3.10	3.10
10 yr PWLB	4.20	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.50	3.40	3.30	3.30	3.20
25 yr PWLB	4.60	4.60	4.40	4.30	4.20	4.10	3.90	3.80	3.70	3.60	3.50	3.40	3.40
50 yr PWLB	4.30	4.30	4.20	4.10	3.90	3.80	3.60	3.60	3.40	3.30	3.20	3.20	3.10

Interest Rate Forecasts									
Bank Rate	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	
Link	4.25%	4.50%	4.50%	4.25%	4.00%	3.75%	3.25%	3.00%	
Cap Econ	4.25%	4.50%	4.50%	4.50%	4.25%	4.00%	3.50%	3.00%	
5Y PWLB RATE									
Link	4.00%	4.00%	3.90%	3.80%	3.70%	3.60%	3.50%	3.40%	
Cap Econ	3.75%	3.65%	3.60%	3.50%	3.45%	3.35%	3.30%	3.25%	
10Y PWLB RATE									
Link	4.20%	4.20%	4.10%	4.00%	3.90%	3.80%	3.60%	3.50%	
Cap Econ	3.80%	3.70%	3.65%	3.55%	3.50%	3.40%	3.35%	3.30%	
25Y PWLB RATE									
Link	4.60%	4.60%	4.40%	4.30%	4.20%	4.10%	3.90%	3.80%	
Cap Econ	4.13%	4.00%	3.93%	3.80%	3.75%	3.65%	3.60%	3.55%	
50Y PWLB RATE									
Link	4.30%	4.30%	4.20%	4.10%	3.90%	3.80%	3.60%	3.60%	
Cap Econ	3.80%	3.80%	3.80%	3.80%	3.75%	3.65%	3.60%	3.55%	

Note: The current PWLB rates and forecast shown above have taken into account the 20 basis point certainty rate reduction effective since 1st November 2012.

TREASURY INDICATORS 2023/24 – 2025/26 AND MINIMUM REVENUE PROVISION STATEMENT

TABLE 1: TREASURY MANAGEMENT INDICATORS	2021/22	2022/23	2023/24	2024/25	2025/26
	Actual	Probable Outturn	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m
Authorised Limit for external debt (City Fund) -					
Borrowing	187.9	194.3	352.4	376.2	399.8
other long-term liabilities	12.9	12.8	12.7	12.6	12.5
TOTAL	200.8	207.1	365.1	388.8	412.3
Operational Boundary for external debt (City Fund) -					
Borrowing	87.9	94.3	252.4	276.2	299.8
other long-term liabilities	12.9	12.8	12.7	12.6	12.5
TOTAL	100.8	107.1	265.1	288.8	312.3
Actual external debt (City Fund)*	0	0			
Upper limit for total principal sums invested for over 365 days (per maturity date)	£400m	£300m	£300m	£300m	£300m

*Actual external debt at the end of the financial year

TABLE 2: Maturity structure of borrowing during 2023/24	upper limit	lower limit
- under 12 months	50%	0%
- 12 months and within 24 months	50%	0%
- 24 months and within 5 years	50%	0%
- 5 years and within 10 years	75%	0%
- 10 years and above	100%	0%

TABLE 3: CITY'S CASH BORROWING INDICATORS	2021/22	2022/23	2023/24	2024/25	2025/26
	Actual	Probable Outturn	Estimate	Estimate	Estimate
	%	%	%	%	%
Estimates of financing costs to net revenue stream	14.1%	16.1%	19.7%	21.7%	20.1%
	£m	£m	£m	£m	£m
Overall borrowing limits	450	450	450	450	450

MINIMUM REVENUE PROVISION (MRP) POLICY STATEMENT 2023/24

To ensure that capital expenditure funded by borrowing is ultimately financed, the City Fund is required to make a Minimum Revenue Provision (MRP) when the Capital Financing Requirement (CFR) is positive. A positive CFR is indicative of an underlying need to borrow and will arise when capital expenditure is funded by 'borrowing', either external (loans from third parties) or internal (use of cash balances held by the City Fund).

DLUHC regulations have been issued which require the Court of Common Council to approve **an MRP Statement** in advance of each year. The regulatory guidance recommends four options for local authorities. Options 1 and 2 relate to government supported borrowing prior to 2008. As the City Fund does not have any outstanding borrowing from this period, these options are not relevant. For any prudential borrowing undertaken after 2008, options 3 and 4 apply:

- **Option 3: Asset life method** – MRP will be based on the estimated life of the assets, in accordance with the regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction);
- **Option 4: Depreciation method** – MRP will follow standard depreciation accounting procedures;

For any new borrowing under the prudential financing system, the City Fund will apply the asset life method over the useful economic life of the relevant assets. MRP commences in the financial year following the one in which the expenditure was incurred. When borrowing to provide an asset, the asset life is deemed to commence in the year in which the asset first becomes operational. Therefore, MRP will first be made in the financial year following the one in which the asset becomes operational. 'Operational' here means when an asset transfers from Assets under Construction to an Assets in Use category under normal accounting rules.

As in previous years, the City will continue to apply a separate MRP policy for that portion of the CFR which has arisen through the funding of capital expenditure from cash received from long lease premiums which are deferred in accordance with accounting standards. This deferred income is released to revenue over the life of the leases to which it relates, typically between 125 and 250 years.

The City's MRP policy in respect of this form of internal borrowing is based on a mechanism to ensure that the deferred income used to finance capital expenditure is not then 'used again' when it is released to revenue. The amount of the annual MRP is therefore to be equal to the amount of the deferred income released, resulting in an overall neutral impact on the bottom line.

MRP will fall due in the year following the one in which the expenditure is incurred, or the year after the asset becomes operational.

The MRP liability for 2022/23 is £1.3m and is estimated at £1.3m for 2023/24.

TREASURY MANAGEMENT PRACTICES (TMP 1) – Credit and Counterparty Risk Management

SPECIFIED INVESTMENTS: All such investments will be sterling denominated, with **maturities up to maximum of 1 year**, meeting the minimum ‘high’ quality criteria where appropriate.

	Minimum ‘High’ Credit Criteria	Use
Debt Management Agency Deposit Facility	--	In-house
Term deposits – local authorities	--	In-house
Term deposits – banks and building societies, including part nationalised banks	Short-term F1, Long-term A-,	In-house via Fund Managers
Money Market Funds CNAV	AAA/mmf (or equivalent)	In-house via Fund Managers
Money Market Funds LVNAV	AAA/mmf (or equivalent)	In-house via Fund Managers
Money Market Funds VNAV	AAA/mmf (or equivalent)	In-house via Fund Managers
Ultra-Short Dated Bond Fund	AAA/f (or equivalent)	In-house via Fund Managers
UK Government Gilts	UK Sovereign Rating	In-house & Fund Managers
Treasury Bills	UK Sovereign Rating	In-house & Fund Managers
Sovereign Bond issues (other than the UK government)	AA+	Fund Managers

NON-SPECIFIED INVESTMENTS: These are any investments which do not meet the Specified Investment criteria. A maximum of £400m will be held in aggregate in non-specified investment.

A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made it will fall into one of the categories set out below.

	Minimum Credit Criteria	Use	Maximum	Maximum Maturity Period
Term deposits – other LAs (with maturities in excess of one year)	-	In-house	£25m per LA	Three years
Term deposits, including callable deposits – banks and building societies (with maturities in excess of one year)	Long-term A+, Short-term F1,	In-house and Fund Managers	£300m overall	Three years
Certificates of deposits issued by banks and building societies with maturities in excess of one year	Long-term A+, Short-term F1,	In-house on a buy-and-hold basis and fund managers	£50m overall	Three years
UK Government Gilts with maturities in excess of one year	AA-	In-house on a buy-and-hold basis and fund managers	£50m overall	Three years
UK Index Linked Gilts	AA-	In-house on a buy-and-hold basis and fund managers	£50m overall	Three years
Short Dated Bond Funds	--	In-house via Fund Managers	£100m per Fund	n/a*
Multi Asset Funds	--	In-house via Fund Managers	£50m overall	n/a*

*Short Dated Bonds Funds and Multi Asset Funds are buy and hold investments with no pre-determined maturity at time of funding, liquidity access is typically T + 3 or 4.

APPROVED COUNTERPARTIES AS AT 31 DECEMBER 2022**UK BANKS AND THEIR WHOLLY OWNED SUBSIDIARIES**

FITCH RATINGS		BANK*	LIMIT PER GROUP	DURATION
A+	F1	Barclays Bank PLC (NRFB)	£100M	Up to 3 years
A+	F1	Barclays Bank UK PLC (RFB)		
A+	F1	Goldman Sachs International Bank	£100M	Up to 3 years
AA	F1+	Handelsbanken PLC	£100m	Up to 3 years
AA-	F1+	HSBC UK Bank PLC (RFB)	£100M	Up to 3 years
AA-	F1+	HSBC Bank PLC (NRFB)		
A+	F1	Lloyds Bank Corporate Markets PLC (NRFB)	£150M	Up to 3 years
A+	F1	Lloyds Bank PLC (RFB)		
A+	F1	Bank of Scotland PLC (RFB)		
A+	F1	NatWest Markets PLC (NRFB)	£100M	Up to 3 years
A+	F1	National Westminster Bank PLC (RFB)		
A+	F1	The Royal Bank of Scotland PLC (RFB)		
A+	F1	Santander UK PLC (RFB)	£100M	Up to 3 years

*Under the ring-fencing initiative, the largest UK banks are now legally required to separate the core retail business into a ring-fenced bank (RFB) and to house their complex investment activities into a non-ring-fenced bank (NRFB).

BUILDING SOCIETIES

FITCH RATINGS		BUILDING SOCIETY	ASSETS	LIMIT PER GROUP	DURATION
A	F1	Nationwide	£280Bn	£100M	Up to 3 years
A-	F1	Yorkshire	£56Bn	£20M	Up to 1 year
A-	F1	Coventry	£56Bn	£20M	Up to 1 year
A-	F1	Skipton	£31Bn	£20M	Up to 1 year
A-	F1	Leeds	£24Bn	£20M	Up to 1 year

FOREIGN BANKS

(with a presence in London)

FITCH RATINGS		COUNTRY AND BANK	LIMIT PER GROUP	DURATION
A+	F1	AUSTRALIA (AAA) Australia and New Zealand Banking Group Ltd	£100M	Up to 3 years
	F1	National Australia Bank Ltd	£100M	Up to 3 years
AA-	F1+	CANADA (AA+) Bank of Montreal	£100M	Up to 3 years
AA-	F1+	Royal Bank of Canada	£100M	Up to 3 years
AA-	F1+	Toronto-Dominion Bank	£100M	Up to 3 years
A+	F1+	GERMANY (AAA) Landesbank Hessen-Thueringen Girozentrale (Helaba)	£100M	Up to 3 years
A+	F1	NETHERLANDS (AAA) Cooperatieve Rabobank U.A.	£100M	Up to 3 years
AA-	F1+	SINGAPORE (AAA) DBS Bank Ltd.	£100M	Up to 3 years
AA-	F1+	United Overseas Bank Ltd.	£100M	Up to 3 years
AA-	F1+	SWEDEN (AAA) Skandinaviska Enskilda Banken AB	£100M	Up to 3 years
AA-	F1+	Swedbank AB	£100M	Up to 3 years
AA	F1+	Svenska Handelsbanken AB	£100M	Up to 3 years

MONEY MARKET FUNDS

FITCH RATINGS	MONEY MARKET FUNDS Limit of £100M per fund	DURATION
AAA/mmf	CCLA - Public Sector Deposit Fund	Liquid
AAA/mmf	Federated Hermes Short-Term Sterling Prime Fund*	Liquid
AAA/mmf	Aberdeen Sterling Liquidity Fund	Liquid
AAA/mmf	Invesco Liquidity Funds Plc - Sterling Liquidity Portfolio	Liquid
AAA/mmf	DWS Deutsche Global Liquidity Series Plc – Sterling Fund	Liquid

ULTRA SHORT DATED BOND FUNDS

FITCH RATINGS (or equivalent)	ULTRA SHORT DATED BOND FUNDS Limit of £100M per fund	DURATION
AAA/f	Payden Sterling Reserve Fund	Liquid
AAA/f	Federated Hermes Sterling Cash Plus Fund*	Liquid
AAA/f	Aberdeen Standard Investments Short Duration Managed Liquidity Fund**	Liquid

*A combined limit of £100m applies to balances across the Money Market Fund and Ultra Short Dated Bond Fund both managed by Federated Hermes and Aberdeen Standard

SHORT DATED BOND FUNDS

FITCH RATINGS (or equivalent)	SHORT DATED BOND FUNDS Limit of £100M per fund	DURATION
-	Legal and General Short Dated Sterling Corporate Bond Index Fund	Liquid
-	Royal London Investment Grade Short Dated Credit Fund	Liquid

LOCAL AUTHORITIES

LIMIT OF £25M PER AUTHORITY AND £250M OVERALL
--

Any UK local authority

APPROVED COUNTRIES FOR INVESTMENT

This list is based on those countries which have sovereign ratings of AAA and AA+ from Fitch Ratings as at 27 January 2023.

AAA

- Australia
- Denmark
- Germany
- Netherlands
- Singapore
- Sweden
- Switzerland
- United States

AA+

- Canada
- Finland

AA-

- United Kingdom

TREASURY MANAGEMENT SCHEME OF DELEGATION

The roles of the various bodies of the City of London Corporation with regard to treasury management are set out below. Financial Investment Board and the Audit & Risk Management Committee current hold on oversight role on behalf of Bridge House Estates in line with formal references agreed with the Bridge House Estates Board.

(i) Court of Common Council

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

(ii) Financial Investment Board and Finance Committee

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

(iii) Audit & Risk Management Committee

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

THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER

The Chamberlain

- Recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
- Submitting regular treasury management policy reports
- Submitting budgets and budget variations
- Receiving and reviewing management information reports
- Reviewing the performance of the treasury management function
- Ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- Ensuring the adequacy of internal audit, and liaising with external audit
- Recommending the appointment of external service providers.

CITY'S CASH BORROWING POLICY STATEMENT

1. The City Corporation shall ensure that all of its City's Cash capital expenditure, investments and borrowing decisions are prudent and sustainable. In doing so, it will take into account its arrangements for the repayment of debt and consideration of risk and the impact, and potential impact, on the overall fiscal sustainability of City's Cash.
2. Borrowing shall be undertaken on an affordable basis and total capital investment must remain within sustainable limits. When assessing the affordability of its City's Cash investment plans, the City Corporation will consider both the City's Cash resources currently available and its estimated future resources, together with the totality of its City's Cash capital plans, income and expenditure forecasts.
3. To ensure that the benefits of capital expenditure are matched against the costs, a debt financing strategy will be established.
4. To the greatest extent possible, expected finance costs arising from borrowing are matched against appropriate revenue income streams.
5. The City Corporation will organise its borrowing on behalf of City's Cash in such a way as to ensure that financing is available when required to manage liquidity risk (i.e. to make sure that funds are in place to meet payments for capital expenditure on a timely basis). The City Corporation will only borrow in advance of need on behalf of City's Cash on the basis of a sound financial case (for instance, to mitigate exposure to rising interest rates).
6. The City Corporation will ensure debt is appropriately profiled to mitigate refinancing risk.
7. The City Corporation will monitor the sensitivity of liabilities to inflation and will manage inflation risks in the context of the inflation exposures across City's Cash (e.g. the City Corporation will be mindful of the potential impact of index-linked borrowing on the financial position of City's Cash).
8. The City Corporation will seek to obtain value for money in identifying appropriate borrowing for City's Cash. Where internal borrowing (i.e. from City Fund or Bridge House Estates) is used as a source of funding, the City Corporation will keep under review the elevated risk of refinancing.
9. All borrowing is expected to be drawn in Sterling. Where debt is raised in foreign currencies, the City Corporation will consider suitable measures for mitigating the risks presented by fluctuation in exchange rates.
10. Interest rate movement exposure will be managed prudently, balancing cost against likely financial impact.
11. The City Corporation will maintain the following indicators which relate to City's Cash borrowing only:
 - Estimates of financing costs to net revenue stream
 - Overall borrowing limits

**CAPITAL STRATEGY (CITY FUND and CITY'S CASH)
Financial Years 2023/24 to 2026/27**

INTRODUCTION AND BACKGROUND

1. This Capital Strategy is an overarching document covering City Fund and City's Cash activities which sets the policy framework for the development, management and monitoring of capital investment. The strategy focuses on core principles that underpin the City Corporation's capital programme. In particular it covers:
 - the short, medium and longer-term objectives.
 - the key issues and risks that will impact on the delivery of the programme.
 - and the governance framework in place to ensure the capital programme is delivered and provides value for money.
2. This capital strategy aligns with the priorities set out in the City Corporation's Corporate Plan and other key strategy documents such as those covering the investment estates.
3. The strategy is integrated with the medium-term financial plan and treasury management strategy.
4. The Court of Common Council will agree the capital strategy and programme at least annually and as necessary in the event of a significant change in circumstances.
5. Note that the governance review currently underway may impact on the committee and departmental responsibilities stated below.

CORE PRINCIPLES THAT UNDERPIN THE CAPITAL PROGRAMME

6. The key principles for the capital programme are summarised below and shown in more detail as Annex A.
7. Capital investment decisions reflect the aspirations and priorities included within the City Corporation's Corporate Plan and supporting strategies.
8. Schemes to be included in the capital programme will be subject to a gateway process, currently overseen by Operational Property and Projects Sub Committee. The only exception to this is for the major projects that are dealt with by Capital Buildings Board and Policy and Resources Committee, and investment property acquisitions and disposals which are overseen by Property Investment Board. This oversight includes feasibility and option appraisal costs which are classified as supplementary revenue project expenditures. All schemes are prioritised according to availability of resources and scheme specific funding, and factors such as legal

obligations, health and safety considerations and their longer-term impact on the City Corporation's financial position.

9. A key consideration is affordability of the capital programme in terms of the City's Medium Term Financial Plans. In any programme presented to Members for agreement this issue will have been considered and, where resources are limited, new bids must be prioritised to ensure the optimum use of available funds.
10. Commissioning and procuring for capital schemes will comply with the requirements set out in the City Corporation's Standing Orders, Financial Regulations and Procurement Code.

GOVERNANCE FRAMEWORK

11. The City Corporation in its local authority capacity is required to agree the capital strategy annually in accordance with the Prudential Code. To be consistent with the City Corporation's Treasury Management Strategy Statement the capital strategy for City's Cash and the Bridge House Estates is being reported on the same basis.
12. The impact of the capital programmes for each fund, including the major projects and new schemes approved via the annual bid process is incorporated into the medium-term financial plans to demonstrate affordability, sustainability and prudence.
13. To assist in the resource allocation process, project proposals are prioritised and categorised, with only essential schemes within the following criteria being considered for central funding:
 - health and safety or statutory requirements
 - substantially reimbursable
 - spend to save/income generating (payback within 5 years)
 - major renewals of income generating assets
 - must address a risk on the Corporate Risk Register or that would otherwise be escalated to the register e.g., replacement of critical end of life assets, schemes required to deliver high priority policies and schemes with high reputational impact
 - must have a sound business case clearly demonstrating the negative impact of the scheme not going ahead such as material penalty costs or loss of income

In recognition of the financial pressures arising from unprecedented levels of construction inflation, the usual allocation of additional central resources to fund new capital projects has been paused for 2023/24, replaced with modest provisions set aside to cater for any urgent new projects required to address unforeseen health and safety issues. In a normal year, as part of the preparation for the annual budget, the annual capital bids for new funding are agreed in principle in accordance with the process introduced

to facilitate the strategic allocation of resources to the highest priority schemes.

14. Projects are one of the key ways that the City Corporation delivers its strategic aims and priorities. The City Corporation is committed to ensuring that projects are delivered efficiently and that the best use is made of the resources available to the organisation. Approval of projects is the responsibility of the Policy and Resources Committee through its Operational Property and Projects Sub Committee, which scrutinises individual projects, and the Resource Allocation Sub-Committee, which considers the overall programme of project activity and funding. Decisions about projects are made in conjunction with service committees and the Court of Common Council (for high value projects). Major Programmes (generally those over £100m) are managed directly through the Capital Buildings Board or Policy and Resources Committee.
15. Where the Town Clerk considers a scheme has policy implications, or where the Policy and Resources Committee has indicated it wishes to consider a particular project further, project reports will also be submitted to that Committee.
16. The Finance Committee is responsible for obtaining value for money, improving efficiency and overseeing procurement generally across the organisation. The Finance Committee therefore receives periodic reports on the City Corporation's capital expenditure.
17. The gateway process is contained in the Project Procedure, which is approved by the Policy and Resources Committee and the Court of Common Council. It applies to all projects over £50,000. The Town Clerk monitors the progress of reports from start to finish and project managers maintain information about the progress of projects on the Project Vision system. Project Boards are usually established for individual projects, particularly those that require officers from a number of departments to deliver them.
18. Inclusion of schemes in the capital programme is subject to agreement by the relevant City Corporation committees which, depending on value, will include the Court of Common Council.
19. All projects progressing to the capital programme comply with standing orders, financial regulations, and *generally* the project procedure (with the main exception of the major programmes under the direct control of the Capital Buildings Committee) and procurement code - and are subject to confirmation of funding.

SHORT, MEDIUM AND LONG-TERM CAPITAL PLANNING OBJECTIVES

20. The City Corporation maintains an approved capital programme that covers a five-year period which is agreed by the Court of Common Council as part of the annual budget setting process.
21. Going forward the intention is to extend the capital programme over a longer term, especially with regard to the major programmes, to aid in the financial planning process. Planning the capital programme over a ten-year+ period will ensure that the City Corporation does not over-commit to a capital programme that is not affordable, sustainable and prudent.
22. The impact of the major programmes on available funding over the medium to long term is significant and the importance of prioritising all capital spend to make best use of the limited resources available is key.
23. The City Corporation has substantial operational property and investment property portfolios. Strategic plans are produced for each fund for the investment properties which are agreed by either Property Investment Board or Bridge House Estates Board. Social Housing properties are overseen by the Community and Children's Services Committee. Other operational properties are overseen by Corporate Asset Sub Committee within the framework of the Corporate Property Asset Management Strategy 2020/25.
24. Such sizeable property portfolios require significant capital and revenue investment to maintain them and in the case of the investment property to maximise the returns. These schemes are therefore likely to make ongoing major calls on the City Corporation's limited capital resources.
25. To assist with managing this commitment, the City Corporation has commenced with an Operational Property Review programme. This programme, Chaired by the Financial Services Director, aims to further align our property estate with the priorities of the organisation. Through the delivery of this programme, the City should identify surplus assets and rationalise its property estate. Strategic investment property disposals will also be necessary to provide funding for the ongoing capital programme.

CAPITAL INVESTMENT PRIORITIES

26. Capital investment plans are driven by the City Corporation's Corporate Plan, the key strategic document that sets out the City Corporation's vision, ambitions, values and priorities. The Corporate Plan is underpinned through the departmental business plans which include assets required in their delivery and highlight capital investment requirements and aspirations. The latest draft capital and supplementary revenue project plans, which

Appendix F

include costs of feasibility and option appraisal and the indicative cost of schemes still under development, are as follows:

	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Later Years £m	Total £m
City Fund	169.6	453.2	471.4	219.6	52.8	13.1	1,379.7
City's Cash	226.0	275.2	105.9	45.8	271.4	291.1	1,215.4
	395.6	728.4	577.3	265.4	324.2	304.2	2,595.1

The current plans have been further analysed into three main groups:

	City Fund £m	City's Cash £m	Total £m
Major Programmes	879.5	832.5	1,712.0
Capital and SRP Programme	500.1	383.0	883.1
New Bids*	0.0	0.0	0.0
	1,379.6	1,215.5	2,595.1

*Note that there have been no new bids approved in 23/24 as a result of the Capital review

There are currently four major programmes in flight for which full provision has been included in the table above:

- Museum of London Relocation (City Fund and City's Cash)
- Salisbury Square Development (City Fund and City's Cash)
- London Wall West (City Fund)
- Markets Co- location Programme (City's Cash)

Provision has also been made for the future estimated cost of:

- Future Police Accommodation (City Fund)

There are also a further two schemes at early stages of development for which the full cost of implementation have been excluded from the above figures:

- Guildhall Redevelopment (City's Cash)
- Barbican Centre Renewal (City Fund)

27. These projects represent a substantial funding requirement of unprecedented scale in the context of the City Corporation's previous capital plans. They therefore present a significant challenge to the finances of the organisation, resulting in a step change in the previously debt-free status of City's Cash and also necessitating significant liquidation of investments for both funds. The revenue impact from loss of rental/investment income presents a further challenge to limited resources and our financial

sustainability. Therefore, the progression of the major programmes is dependent on the business cases to demonstrate sustainable funding.

28. Other significant schemes within the current (BAU) capital programme include:

- Investment Property purchases and refurbishments
- School refurbishment/expansion projects (including the new Junior School fit-out)
- IT systems investment
- Social Housing Decent Homes refurbishments and new affordable housing units
- Remaining capital contribution to Government Crossrail Project
- Capital Investment to deliver Climate Action Strategy targets
- Various highways and public realm projects.

29. New scheme provisions are intended to cover essential schemes relating to :

- Statutory compliance/health and safety projects
- Critical end of life asset replacements (mainly building infrastructure and IT)

30. Following the full progression of the corporate target operating model, revised prioritisation criteria may ensue to inform future resource allocation.

ASSET MANAGEMENT PLANNING

31. The overriding objective of asset management within the City Corporation is to achieve a portfolio of property assets that is appropriate, fit for purpose and affordable.

32. The City Corporation's overall property portfolio consists of both operational and investment property. The City has specific reasons for owning and retaining property:

- Operational purposes e.g., assets that support core business and service delivery such as schools, social housing, office buildings, Barbican Arts Centre, Central Criminal Court, cleansing depot, cemetery and crematorium, port health offices, wholesale markets, City Police, car parks, libraries, Mansion House and various open spaces across London.
- Investment properties held to provide a financial return to the City Corporation to provide financial support for service provision.
- Strategic investment to enable growth in the City fringe - the strategic property estate.

33. Asset management is an important part of the City Corporation's business management arrangements and is crucial to the delivery of efficient and effective services. The ongoing management and maintenance of operational property assets is considered as part of the

34. Corporate Property Asset Management Strategy 2020-25. This strategy has the following objectives relating to capital investment:
- Ensure capital and revenue investment into the operational estate is 'relevant and needed' to achieve Corporate Plan objectives.
 - Ensure capital and revenue projects are affordable, sustainable, prudent and directed to corporate priorities.
 - Ensure future capital investment in the operational estate is aligned with 'invest to save' outcomes, full life cycle and both financial and non-financial assessments.
35. The development of Asset Management Plans for non-housing properties across the operational portfolio assists in delivering the asset management component of service department business plans and strategies and supporting the aims of the Corporate Plan. In so doing, these plans support the prioritisation of future capital requirements and incorporation of corporate objectives across the operational portfolio.

COMMERCIAL ACTIVITY AND INVESTMENT PROPERTY

36. The Chartered Institute of Public Finance and Accountancy (CIPFA) defines investment property as property held solely to earn rentals or for capital appreciation or both.
37. Returns from property ownership can be both income-driven (through the receipt of rent) and by way of appreciation of the underlying asset value (capital growth).
38. The combination of these is a consideration in assessing the attractiveness of a property for acquisition. In the context of the Capital Strategy, the City Corporation uses capital to invest in property to provide a positive surplus/financial return which is a key source of funding for the ongoing provision of services.
39. Investment properties may also be sold to provide capital to fund the capital programme. Some significant disposals are currently planned to provide funding for the major programmes. The resulting loss of rental returns needs to be carefully managed to ensure sufficient income to deliver services.
40. Property investment is not without risk as property values can fall as well as rise and changing economic conditions could cause tenants to leave with properties remaining vacant. These risks are mitigated in part by the mixed lease structure of holdings with some properties directly managed with multiple lettings, some single lettings to tenants on fully repairing and insuring leases and some to tenants on geared ground rent leases where the City Corporation is guaranteed a minimum rent but also shares in the actual rent received over a certain threshold.

41. The property portfolio is overseen by Members through a dedicated Property Investment Board which meets on a monthly basis to receive reports on performance, set strategy, and agree major lettings, acquisitions and disposals.
42. Performance of each estate is benchmarked through MSCI against the overall MSCI Universe and against the MSCI "Greater London Properties including owner occupied" benchmark. The target set is to outperform the MSCI Return Benchmarks for Total Return on an annualised five-year basis. There is a subsidiary target to maintain rental income levels and to endeavour to secure rental income growth at least in line with inflation.
43. The properties forming the Strategic Property Estate have been acquired for large scale redevelopment. They are part of the strategy of supporting growth in the business cluster in the City Fringes by providing high quality floor space and returns from these properties are focussed on capital appreciation through their redevelopment.
44. The Property Investment Board receives quarterly five-year rental forecast reports and regular reports on the level of voids and debtor arrears. From time to time the Board also receives presentations, usually from major firms of surveyors, on the state of the UK and London property market and potential future trends.

REVENUE BUDGET IMPLICATIONS FROM CAPITAL INVESTMENT DECISIONS

45. Capital expenditure for the City Corporation is financed through a variety of sources, typically
 - Receipts from the sale of capital assets
 - Capital grants
 - External contributions such as S106 or Community Infrastructure Levy
 - The use of general reserves or from revenue budget contributions
 - Earmarked reserves set aside for specific purposes.

Any capital expenditure not financed by the above will need to be funded by prudential borrowing which can be internal or external.

46. For City Fund, the City Corporation can utilise its temporary cash balances in lieu of external borrowing to fund capital expenditure. This is referred to as internal borrowing. External borrowing refers to loans from third parties e.g., banks.
47. To date, the City Corporation has funded its City Fund capital expenditure from the sources listed above or through internal borrowing. A programme of property disposals is currently being planned to fund the City Fund major projects in preference to external borrowing. City's Cash capital expenditure has been funded from cash balances supplemented by external borrowing through private placement for the City's Cash major programmes.

48. In approving the inclusion of schemes and projects within the capital programme, the City Corporation ensures all its capital and investment plans are affordable, prudent and sustainable. In the event of borrowing, the City Corporation will take into account the arrangements for the repayment of debt, through a prudent Minimum Revenue Provision (MRP) policy for City Fund in line with MRP guidance produced by the Department for Levelling Up, Housing and Communities. For City's Cash, provision will need to be made for the repayment of private placement borrowing (which falls due beyond the current medium term financial planning period).
49. The capital financing costs and any additional running costs arising from capital investment decisions are incorporated within the annual budget and medium-term financial plans. Loss of income resulting from property disposals are also incorporated into these plans. This enables members to consider the consequences of capital investment and disposal alongside other competing priorities for revenue funding.
50. As part of the appraisal process, and at the discretion of the Chamberlain, the financing costs of prudential borrowing, may be charged to the relevant service.
51. Capital investment decision making is not only about ensuring that the initial allocation of capital funds meets corporate and service priorities but ensuring the asset is fully utilised, sustainable and affordable throughout its whole life. This overarching commitment to long term affordability is a key principle in any capital investment appraisal decision. In making its capital investment decisions the City Corporation must have explicit regard to consider all reasonable options available.
52. The revenue implications of the major projects are significant. The cost of borrowing must be charged to the relevant revenue budget whether this is on an interest-only or repayment basis. The long-term nature of borrowing means these revenue sums are unavailable to fund other activity for a significant period of time. Likewise, loss of rental income arising from asset disposals impacts on funding to deliver services. By agreeing to fund capital schemes through external borrowing or asset disposals, Members are agreeing to divert this funding away from revenue activity in order to meet their priorities.

RISK MANAGEMENT

53. This section considers the City Corporation's risk appetite with regard to its capital investments and commercial activities, i.e., the amount of risk that the City Corporation is prepared to accept, tolerate, or be exposed to at any point in time. The City Corporation's Property Investment Strategies give due regard to risk, and this informs various aspects of our portfolio approach. It is important to note that risk will always exist in some measure and cannot be removed in its entirety.

Appendix F

54. A risk review is an important aspect of the consideration of any proposed capital or investment proposal. The risks will be considered in line with the City Corporation's corporate risk management strategies. Subject to careful due diligence, the City Corporation will consider the appropriate level of risk for strategic initiatives, where there is a direct gain to the City Corporation's revenues or where there is Member appetite to deliver high profile projects.
55. The City Corporation maintains a Corporate Risk Register and priority will be given to schemes that significantly and demonstrably mitigate a previously identified corporate risk.
56. The gateway approval process currently has three approval tracks: Complex, Regular and Light, with varying levels of member scrutiny. The decision about which track a project should follow depends on the estimated cost and level of risk. Projects can move between tracks at any stage if it becomes evident that a project is more or less complex than originally anticipated.
57. Maintenance of a costed risk register to identify and keep under review the risks associated with projects is Corporation best practice and most projects comply. Costed risks are informed by previous experience of similar projects and other factors, where relevant, such as the age of the asset, its size and its type. The risk register includes mitigations that will be taken to minimise the risk and a financial assessment of the likely cost should the mitigated risks crystallise. In addition, the costs of major programmes include an element of optimism bias in line with HM Treasury guidance to mitigate the financial implication of delays and/or increased costs.
58. The current level of inflation presents a significant risk to the cost and affordability of construction projects over the short to medium term. A risk assessment has been undertaken to quantify the potential financial impact on existing capital funding plans and contingency provisions included in the City Fund and City's Cash 2023/24 budgets to mitigate this.

TREASURY MANAGEMENT

59. The capital strategy is integrated with its treasury management activity as the City Corporation's capital expenditure plans and its approach to financing that expenditure will drive the organisation's need for borrowing.
60. The Treasury Management Strategy Statement outlines how the City Corporation will carry out its treasury management activities. This statement is reviewed annually by the Court of Common Council. Treasury management activity is scrutinised by the Audit and Risk Management Committee.

61. The Treasury Management Strategy Statement outlines the organisation's borrowing strategy, which aims to make sure that sufficient cash is available to ensure the delivery of the City Corporation's capital programme as planned. Any borrowing decision will be undertaken in the context of managing interest rate exposure in order to contain the organisation's interest costs.
62. The City Corporation faces a number of key risks in terms of servicing its current and future debt requirement including interest rate risk, refinancing risk and liquidity risk. To control these risks, the City Corporation maintains treasury indicators which are set out in the Treasury Management Strategy Statement.

KNOWLEDGE AND SKILLS

63. The City Corporation has professionally qualified staff across a range of disciplines including finance, legal and property that follow continuous professional development (CPD) and attend courses on an ongoing basis to keep abreast of new developments and skills.
64. The City Corporation establishes project teams from all the professional disciplines from across the City Corporation as and when required. External professional advice is taken where required and will generally be sought in consideration of any major commercial property investment decision.
65. Within the Court of Common Council there are also a number of Members who have substantial professional expertise which assist when making crucial capital investment decisions. Some specialist committees, such as Property Investment Board, co-opt external members with specific expertise to further inform the decision making process.

BACKGROUND DOCUMENTS

Strategic Property Estate (City Fund & City's Estate) Annual Update & Strategy for 2023/24 to 2027/28 February 2023

City Fund Property Investment Portfolio Annual Update and Strategy Report February 2023

City's Estate 2023 Investment Property Portfolio Strategy

Treasury Management Strategy Statement 2023/24

Corporate Property Asset Management Strategy 2020/25

Corporate Project Procedure

City of London Corporate Plan

Corporate Risk Register

Annex A**CORE PRINCIPLES UNDERPINNING THE CAPITAL PROGRAMME**

In considering schemes for inclusion in the capital programme, regard will be paid to the following principles:

- schemes to be included in the Capital Programme, in accordance with the Project Procedure, follow an appropriate level of due diligence and assurance regarding deliverability/practicable.
- prior to mobilisation, all projects (except major programmes) follow the gateway process which ensure they are affordable and sustainable. This includes careful consideration of value for money and options appraisal.
- mobilisation of the major projects is subject to scrutiny of the Capital Buildings Committee.
- capital appraisal should promote schemes which provide a direct gain to the City Corporation's revenues within agreed risk appetite, e.g., commercial investment return, "invest to save" or "income generation" outcomes or attract external investment.
- environmental and social sustainability issues should be built into project appraisal.
- the financial implications of capital investment decisions is considered at Gateway 4 and will be properly appraised as part of the determination process.
- projects will not proceed to implementation unless full funding has been identified and approved as part of the Gateway process.
- available capital funding will be optimised e.g., through surplus asset disposal strategy and strategic investment disposals.
- maximising available capital resources through use of planning gain, corporately pooling capital receipts and by exploring external financing sources.
- that capital funding decisions minimise or mitigate the ongoing revenue implications of capital investment decisions.
- the financial implications of capital investment decisions should be fully integrated into revenue budget and longer-term financial plans.
- robust governance arrangements through the Corporate Project Procedure and other member oversight are in place for all programmes and projects, clearly defining responsibility for the delivery of individual schemes within the capital programme.
- all capital schemes follow appropriate project management arrangements
- a Project Management Academy is being progressed to ensure appropriate project management skills are applied.
- there are effective working relationships with partners.
- that projects are reviewed on completion to ensure key learning opportunities are maximised.

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Medium Term Financial Strategy/Budget Policy

City Fund

The main constituents of the City Fund medium term financial strategy/budget policy are as follows:-

- (i) to aim to achieve as a minimum over the medium-term planning period the 'golden rule' of matching on-going revenue expenditures and incomes;
- (ii) to implement budget adjustments and measures that are sustainable, on-going and focused on improving efficiencies;
- (iii) in line with (ii), as far as possible to protect existing repairs and maintenance budgets from any efficiency squeezes or budget adjustments and to ring-fence all other non-staffing budgets (to prevent any amounts from these budgets being transferred into staffing budgets);
- (iv) within the overall context of securing savings and budget reductions, to provide Chief Officers with stable financial frameworks that enable them to plan and budget with some certainty;
- (v) for the Police service, ordinarily to set an annual cash limit determined from the national settlement allocation to the City Police together with the allocation from the Business Rates Premium;
- (vi) to identify and achieve targeted/selective budget reductions and savings programmes;
- (vii) to continue to review critically all financing arrangements, criteria and provisions relating to existing and proposed capital and supplementary revenue project expenditures;
- (viii) to reduce the City Fund's budget exposure to future interest rate changes by adopting a very prudent, constant annual earnings assumption in financial forecasts. If higher earnings are actually achieved, consideration to be given to only making the additional income available for non-recurring items of expenditure;
- (ix) to accept that in some years of the financial planning period it may be necessary to make contributions from revenue balances to balance the revenue budget;
- (x) to finance capital projects first from disposal proceeds rather than revenue resources and supplementary revenue projects from provisions set aside within the financial forecast followed by external borrowing (if required) in an affordable, prudent and sustainable way; and
- (xi) to minimise the impact of rate/tax increases on City businesses and residents.

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Review of Contingency Funds

The following tables support the review of contingency funds within the City Corporation. They demonstrate that in each of the last four years the provision of funds has been sufficient to result in an uncommitted balance remaining.

The Bridge House Estates (BHE) Contingency is now overseen by the BHE Board and is no longer reported to Finance Committee.

General Contingencies		City's Cash	City Fund	Disaster Fund	Total
		£'000	£'000	£'000	£'000
2022/23	Provision	950	800	125	1,875
	Provision brought forward	234	608	0	842
	Total Provision	1,184	1,408	125	2,717
	Less Allocations	(680)	(748)	(100)	1,528
	Uncommitted Balance as at 09/02/2023	504	660	25	1,189
2021/22	Provision	950	800	125	1,875
	Top Up	0	0	250	250
	Provision brought forward	0	206	0	206
	Total Provision	950	1,006	375	2,331
	Less Allocations	(869)	(756)	(375)	(2,000)
	Uncommitted Balance	81	250	0	331
2020/21	Provision	950	800	100	1,850
	Provision brought forward	24	541	25	590
	Total Provision	974	1,341	125	2,440
	Less Allocations	(164)	(741)	(100)	(1,005)
	Uncommitted Balance	810	600	25	1,435
2019/20	Provision	950	800	100	1,850
	Provision brought forward	50	15	0	65
	Total Provision	1,000	815	100	1,915
	Less Allocations	(481)	(621)	(50)	(1,152)
	Uncommitted Balance	519	194	50	763
2018/19	Provision	950	800	100	1,850
	Provision brought forward	109	60	0	169
	Total Provision	1,059	860	100	2,019
	Less Allocations	(920)	(733)	(100)	(1,753)
	Uncommitted Balance	139	127	0	266

Policy Initiative Fund – City's Cash		£'000
2022/23	Provision	1,200
	Provision brought forward for unspent provisions	137
	Provision brought forward for agreed allocations not yet completed	1,073
	Total Provision	2,410
	Less Allocation	(2,146)
	Uncommitted Balance as at 09/02/2023	264
2021/22	Provision	1,200
	Provision brought forward for unspent provisions	527
	Provision brought forward for agreed allocations not yet completed	477
	Transferred to Covid Contingency	(200)
	Transferred to Disaster Fund Contingency	(125)
	Total Provision	1,879
	Less Allocation	(1,742)
	Uncommitted Balance	137
2020/21	Provision	1,250
	Provision brought forward for unspent provisions	437
	Provision brought forward for agreed allocations not yet completed	282
	Total Provision	1,969
	Less Allocation	(1,442)
	Uncommitted Balance	527
2019/20	Provision	1,250
	Provision brought forward for unspent provisions	105
	Provision brought forward for agreed allocations not yet completed	324
	Balance moved from P&R Contingency to cover multiyear allocations	100
	Total Provision	1,779
	Less Allocations	(1,342)
	Uncommitted Balance	437
2018/19	Provision	1,250
	Provision brought forward for unspent provisions	161
	Provision brought forward for agreed allocations not yet completed	174
	Total Provision	1,585
	Less Allocations	(1,480)
	Uncommitted Balance	105

Policy and Resources Contingency – City's Cash		£'000
2022/23	Provision	300
	Provision brought forward for unspent provisions	211
	Provision brought forward for agreed allocations not yet completed	93
	Total Provision	604
	Less Allocations	(257)
Uncommitted Balance as at 09/02/2023		347
2021/22	Provision	300
	Provision brought forward for unspent provisions	1
	Provision brought forward for agreed allocations not yet completed	383
	Total Provision	684
	Less Allocations	(473)
Uncommitted Balance		211
2020/21	Provision	300
	Provision brought forward for unspent provisions	234
	Provision brought forward for agreed allocations not yet completed	131
	Total Provision	665
	Less Allocations	(607)
Uncommitted Balance		58
2019/20	Provision	300
	Provision brought forward for unspent provisions	79
	Provision brought forward for agreed allocations not yet completed	302
	Balance moved to P&R Contingency to cover multiyear allocations	(100)
	Total Provision	581
	Less Allocations	(347)
Uncommitted Balance		234
2018/19	Provision	300
	Provision brought forward for unspent provisions	18
	Provision brought forward for agreed allocations not yet completed	193
	Total Provision	511
	Less Allocations	(432)
Uncommitted Balance		79

Brexit Contingency – City's Cash		£'000
2020/21	Provision brought forward for unspent provisions	640
	Provision brought forward for agreed allocations not yet completed	12
	Transferred to Covid Contingency	(652)
	Total Provision	0
	Less Allocations	0
	Uncommitted Balance	0
2019/20	Extra provision provided by MHGL	210
	Provision brought forward for unspent provisions	2,017
	Provision brought forward for agreed allocations not yet completed	0
	Provision moved to create COVID Contingency	(1,500)
	Total Provision	727
	Less Allocations	(87)
	Uncommitted Balance	640
2018/19	Provision	2,000
	Extra provision provided by MHGL	105
	Provision brought forward for unspent provisions	0
	Provision brought forward for agreed allocations not yet completed	0
	Total Provision	2,105
	Less Allocations	(88)
	Uncommitted Balance	2,017

COVID Contingency – City's Cash		£'000
2022/23	Provision	0
	Provision brought forward for unspent provisions	727
	Total Provision	727
	Less Allocations	(555)
Uncommitted Balance as at 09/02/2023		172
2021/22	Provision	0
	Provision brought forward for unspent provisions	479
	Additional Funds (previously ring-fenced for GSMD)	600
	Transferred from PIF & Finance Contingency	500
	Total Provision	1,579
	Less Allocations	(852)
Uncommitted Balance		727
2020/21	Provision	1,500
	Provision brought forward for unspent provisions	0
	Transferred from Brexit Contingency	652
	Total Provision	2,152
	Less Allocations	(1,673)
Uncommitted Balance		479
2019/20	Provision moved to create COVID Contingency	1,500
	Total Provision	1,500
	Less Allocations	0
Uncommitted Balance		1,500

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City Fund 2023/24 Budget Report and Medium-Term Financial Strategy including Non Domestic Rates and Council Taxes for the Year 2023/24

Resolution by the Court of Common Council

1. It is recommended that for the 2023/24 financial year the Court of Common Council approves:
 - the Premium multiplier on the Non-Domestic Rate and Small Business Rate multipliers be set at 0.014 (an increase of 0.002 on the present multiplier) to enable the City to continue to support the City of London Police, security and contingency planning activity within the Square Mile at an enhanced level;
 - an increase of 4.99% in the 'relevant basic amount' of Council Tax to £1,003.62 based on a 2.99% general increase and a 2% increase for Adult Social Care for a Band D property (excluding the GLA precept);
 - the overall financial framework and the revised Medium-Term Financial Strategy for the City Fund; and
 - the City Fund Net Budget Requirement of £185,732,138

Council Tax

2. It should be noted that in 2012 the Finance Committee delegated the calculation of the Council Tax Base to the Chamberlain and the Chamberlain has calculated the following amounts for the year 2023/24 in accordance with Section 31B of the Local Government Finance Act 1992:
 - (a) 8,862.95 being the amount calculated by the Chamberlain (as delegated by the Finance Committee), in accordance with the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012, as the City's Council Tax Base for the year; this amount includes a calculation of the amount of council tax reduction; and
 - (b) Parts of Common Council's Area

Inner Temple	Middle Temple	City excl. Temples (special expense area)
88.54	62.76	8,711.65

being the amounts calculated by the Chamberlain, in accordance with the Regulations, as the amounts of the City's Council Tax Base for the year for dwellings in those parts of its area to which the special items relate.

3. For the year 2023/24 the Common Council determines, in accordance with Section 35(2)(d) of the Local Government Finance Act 1992, that any expenses incurred by the Common Council in performing in a part of its area a function performed elsewhere in its area by the Sub-Treasurer of the Inner Temple and the Under Treasurer of the Middle Temple shall not be treated as special expenses,

apart from the amount of £21,674,000 being the expenses incurred by the Common Council in performing in the area of the Common Council of the City of London the City highways, street cleansing, waste collection and disposal, road safety, drains and sewer functions.

4. That the following amounts be now calculated by the Common Council for the year 2023/24 in accordance with Sections 31 to 36 of the Local Government Finance Act 1992:

(a) £483,193,000

Being the aggregate of the amounts which the Common Council estimates for the items set out in Section 31A(2) (a) to (f) of the Act, including the local precepts issued by the Inner and Middle Temples

(b) £475,240,746

Being the aggregate of the amounts which the Common Council estimates for the items set out in Section 31A(3) (a) to (d) of the Act;

(c) £8,895,034

Being the amount by which the aggregate at 4(a) above exceeds the aggregate at 4(b) above, calculated by the Common Council, in accordance with Section 31A(4) of the Act, as its council tax requirement for the year;

(d) £1,003.62

Being the amount of 4(c) above, divided by the amount at 2(a) above, calculated by the Common Council, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year;

(e) £22,050,424

Being the aggregate amount of all special items referred to in Section 34(1) of the Act, including the local precepts issued by the Inner and Middle Temples;

(f) £1,484.31

Being the amount at 4(d) above less the result given by dividing the amount at 4(e) above by the amount at 2(a) above, calculated by the Common Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no special item relates.

(g) Parts of Common Council's Area

Inner Temple	Middle Temple	City excl. Temples (special expense area)
£	£	£
1,003.62	1,003.62	1,003.62

being the amounts given by adding to the amount at 4(f) above the amounts of the special item or items relating to dwellings in those parts of the Common Council's area mentioned above divided in each case by the amount at 2(b) above, calculated by the Common Council, in accordance with Section 34(3) of the Act, as the basic amounts of its Council Tax for the year for dwellings in those parts of its area to which one of the special items relate; and

(h) Council Tax Valuation Bands

Valuation Bands	Inner Temple	Middle Temple	City excluding Temples (special expense area)
	£	£	£
A	669.08	669.08	669.08
B	780.59	780.59	780.59
C	892.11	892.11	892.11
D	1,003.62	1,003.62	1,003.62
E	1,226.65	1,226.65	1,226.65
F	1,449.67	1,449.67	1,449.67
G	1,672.70	1,672.70	1,672.70
H	2,007.24	2,007.24	2,007.24

being the amounts given by multiplying the amounts at 4(g) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which, in that proportion, is applicable to dwellings listed in valuation band D, calculated by the Common Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

5. It be noted that for the year 2023/24 the Greater London Authority has proposed the following amounts in precepts issued to the Common Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below:

Valuation Bands Precepting Authority

Greater London
Authority

	£
A	94.67
B	110.45
C	126.23
D	142.01
E	173.57
F	205.13
G	236.68
H	284.02

6. Having calculated the aggregate in each case of the amounts at 4(h) and 5 above, the Common Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby proposes the following amounts as the amounts of Council Tax for the year 2023/24 for each of the categories of dwelling as shown below:

Council Tax Valuation Bands Inclusive of GLA Precept

Valuation Bands	Inner Temple	Middle Temple	City excluding Temples (special expense
	£	£	£
A	763.75	763.75	763.75
B	891.04	891.04	891.04
C	1,018.34	1,018.34	1,018.34
D	1,145.63	1,145.63	1,145.63
E	1,400.22	1,400.22	1,400.22
F	1,654.80	1,654.80	1,654.80
G	1,909.38	1,909.38	1,909.38
H	2,291.26	2,291.26	2,291.26

7. The Common Council of the City of London hereby determines that the following amounts of discount be awarded:
- i. dwellings in Class B as defined in the Council Tax (Prescribed Classes of Dwellings) (England) Regulations 2003 prescribed by the Secretary of State under the provisions of Section 11A of the Local Government Finance Act 1992 should be nil;
 - ii. dwellings in Class C as defined in the Council Tax (Prescribed Classes of Dwellings) (England) Regulations 2003 prescribed by the Secretary of State under the provisions of Section 11A of the Local Government Finance Act 1992:

- (a) in the case of a vacant dwelling that has been such for a continuous period of less than 6 months ending immediately before the day in question: should be nil;
 - (b) in the case of a vacant dwelling that has been such for a continuous period of 6 months or more: should be nil;
 - iii. dwellings in Class D as defined in the Council Tax (Prescribed Classes of Dwellings) (England) Regulations 2003 prescribed by the Secretary of State under the provisions of Section 11A of the Local Government Finance Act 1992 should be nil;
 - iv. care leavers within the City up to the age of 25, under Section 13A(1)(c) of the Local Government Finance Act 1992 subject to liability considerations should be 100%; and
 - v. discretionary discounts up to 100% under Section 13A(1)(c) of the Local Government Finance Act 1992 to provide council tax support in exceptional circumstances as agreed by the Finance Committee at its meeting in November 2017.
8. The Common Council of the City of London determines that for 2023/24 a long-term empty property premium is levied under the provisions of Section 11B of the Local Government Finance Act 1992 at the maximum rate in accordance with legislation. (For 2023/24 this will result in an additional levy of 100% i.e. a council tax charge of 200% for applicable vacant dwellings empty over 2 years but empty less than 5 years. An additional levy of 200% i.e. a council tax charge of 300% will be applicable for dwellings empty over 5 years. An additional levy of 300% i.e. a council tax charge of 400% will be applicable for dwellings empty over 10 years).
9. The Common Council of the City of London hereby determines that its relevant basic amount of council tax for 2023/24, calculated in accordance with Section 52ZX of the Local Government Finance Act 1992 is not excessive in accordance with the Referendums Relating to Council Tax Increases (Principles) (England) Report 2022/23.

Council Tax Reduction (formerly Council Tax Benefit)

10. It be noted that at the Court of Common Council meeting in January 2017 Members approved the Council Tax Reduction Scheme for 2017/18 and future years to be the same as the scheme for 2016/17. There were no proposals to make any specific amendments to the Council Tax Reduction Scheme for that or future years, beyond keeping the scheme in line with Housing Benefit.

Effectively, therefore, the City's Local Council Tax Reduction Scheme for 2023/24 will remain the same subject to the annual uprating of non-dependent income and deductions, and income levels relating to Alternative Council Tax Reduction, or any other uprating as it applies to working age claimants, adjusted in line with inflation levels by reference to relevant annual uprating in the Housing Benefit Scheme or The Prescribed Council Tax Reduction Scheme for Pensioners.

Non Domestic Rates

11. The Common Council of the City of London being a special authority in accordance with Section 144(6) of the Local Government Finance Act 1988 hereby sets for the chargeable financial year beginning with 1st April 2022, a Non-Domestic Rating Multiplier of 0.526 and a Small Business Non-Domestic Rating Multiplier of 0.513 in accordance with Part II of the Schedule 7 of the said Act. (Both multipliers are inclusive of the City business rate premium of 0.014).
12. In addition, the levying by the Greater London Authority of a Business Rate Supplement in 2022/23 of 0.020 (i.e. 2.0p in the £) on hereditaments with a rateable value greater than £75,000, to finance its contribution to Crossrail, be noted.
13. A copy of the said Council Taxes and the Non-Domestic Rating Multipliers, signed by the Town Clerk, be deposited in the offices of the Town Clerk in the said City, and advertised within 21 days from the date of the Court's decision, in at least one newspaper circulating in the area of the Common Council.

Capital Expenditure and Financing for the Year 2023/24

Having considered the circulated report, we further recommend that the Court passes a resolution in the following terms: -

14. The City Fund capital budget is approved, and its final financing be determined by the Chamberlain, apart from in regard to any possible borrowing options.
15. For the purpose of Section 3(1) of the Local Government Act 2003, for the financial years 2023/24 to 2025/26, the Court of Common Council hereby determines that at this stage the amount of money (referred to as the "Authorised Limit"), which is the maximum amount which the City may have outstanding by way of external borrowing, shall be £365,100,000.
16. For the purpose of Section 21(A) of the Local Government Act 2003, for the financial year 2023/24, the Court of Common Council hereby determines that the prudent amount of Minimum Revenue Provision is £1,300,000 using the asset life method over the useful economic life of the relevant assets and which equals the amount of deferred income released from the premiums received for the sale of long leases in accordance with the Minimum Revenue Provision Policy at Appendix E.
17. Any potential external borrowing requirement and associated implications will be subject to a further report to Finance Committee and the Court of Common Council.
18. The Chamberlain be authorised to lend surplus monies on the basis set out in the Annual Investment Strategy, with an absolute limit of £300m for maturities in excess of 365 days.
19. The following Prudential Indicators be set:

	2023/24	2024/25	2025/26
Estimates of the ratio of financing costs to net revenue stream:			
HRA	(0.02)	(0.02)	(0.21)
Non-HRA	(0.43)	(0.30)	(0.30)
Total	(0.47)	(0.32)	(0.51)
Estimates of Capital Expenditure & External Debt	£m	£m	£m
HRA	72.892	54.635	10.625
Non-HRA	371.276	414.317	208.378
Total	444.168	468.952	219.003
Estimates of Capital Financing Requirement – underlying need to borrow	£m	£m	£m
HRA	13.533	4.232	0
Non-HRA	238.837	271.921	299.823
Total	252.370	276.153	299.823
Gross Debt	Period 2022/23 to 2025/26 £m 12.593		
Capital Financing Requirement – underlying need to borrow	299.823		

Prudential indicators for affordability, prudence, capital expenditure and external debt:

TREASURY MANAGEMENT INDICATORS	2021/22	2022/23	2023/24	2024/25	2025/26
	Actual	Probable Outturn	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m
Authorised Limit for external debt (City Fund) -					
Borrowing	187.9	194.3	352.4	376.2	399.8
other long-term liabilities	12.9	12.8	12.7	12.6	12.5
TOTAL	200.8	207.1	365.1	388.8	412.3
Operational Boundary for external debt (City Fund) -					
Borrowing	87.9	94.3	252.4	276.2	299.8
other long-term liabilities	12.9	12.8	12.7	12.6	12.5

TOTAL	100.8	107.1	265.1	288.8	312.3
Actual external debt (City Fund)*	0	0	-	-	-
Upper limit for total principal sums invested for over 365 days (per maturity date)	£400m	£300m	£300m	£300m	£300m

Maturity structure of borrowing during 2023/24	upper limit	lower limit
- under 12 months	50%	0%
- 12 months and within 24 months	50%	0%
- 24 months and within 5 years	50%	0%
- 5 years and within 10 years	75%	0%
- 10 years and above	100%	0%

Times Cover on Unencumbered Revenue Resources

	2022/23	2023/24	2024/25	2025/26
Times cover on unencumbered revenue reserves	0.8	0.9	2.3	-0.9
<i>At this time last year</i>	1.5	3	-0.8	-1.2

Other Recommendations

20. The Treasury Management Strategy Statement and Annual Investment Strategy 2023/24 are endorsed.
21. The Chamberlain's assessment of the robustness of budgets and the adequacy of reserves and contingencies is endorsed.

Report – Finance Committee

2023/24 City's Cash Budgets and Medium-Term Financial Plan

To be presented on Thursday, 9th March 2023

*To the Right Honourable The Lord Mayor, Aldermen and
Commons of the City of London in Common Council assembled.*

SUMMARY

This Report covers the 2023/24 Budget and the medium-term financial outlook for City's Cash and Guildhall Administration. The Report should therefore be read in conjunction with the City Fund and Bridge House Estates Budget Reports on your agenda.

With the global economic uncertainty, the risk of a recession, the war in Ukraine and inflationary pressures, risks persist in **City's Cash** key revenue streams of property rental income and growth in financial investments, potentially making City's Cash income streams volatile in 2023/24. In addition, the City Corporation is undergoing its own period of significant change in response to these events and its ambition to deliver on its key policy priorities such as its move to net zero and support to major projects. We are already drawing down on recent balance sheet growth to support the revenue position. However, prudent management of funds ensures the annual deficits can just about be accommodated within overall balance sheet growth over the medium-term.

Annual drawdowns in excess of assumed growth in financial assets are needed to cover exceptional items such as capital programmes and Crossrail contributions. Over the planning period, the cumulative drawdown on financial investments is £388.2m (including £204.8m for the capital programme and Crossrail contribution). Balance Sheet forecasting indicates this sum is sustainable over the medium-term, but not in the longer 10-year horizon when financing costs on major projects increase. A focus on how best to secure third-party investment is now needed and the City Surveyor is working with the Chamberlain to identify opportunities.

Additionally, it has become clear through the bilateral meetings with service committee chairmen that a more commercial approach to revenue generation is required. Plus, a more commercial approach is required to our operational assets base, ensuring that we maximise operational effectiveness and only retain the buildings really needed to deliver services.

In response to the financial challenges, the City Corporation has made significant cuts to budgets over the last decade, there remains significant pressures – caused by financing of major projects programme, inflation increases and staffing recruitment and retention challenges.

Guildhall Administration: the Report also summarises the budgets for central support services within Guildhall Administration (which currently 'holds' such costs before these are wholly recovered). Consequently, after recovery of costs through allocation to services within each fund, the net expenditure on Guildhall Administration is nil.

The 2023/24 Summary Budget Book is available via the *Members' Committees and Papers* section of the City Corporation's website. PDF copies via email can be requested from sonia.virdee@cityoflondon.gov.uk.

Recommendations

Following your Finance Committee's consideration of this report, it is recommended that Members of the Court of Common Council:

- 1.0 Note the latest revenue budgets for 2022/23 (paragraphs 17 to 24).
- 2.0 Note the overall budget envelope for City Cash 2023/24 revenue budgets.
 - 2.1 Additional funding is required for new on-going cost pressures and have been included as budget uplifts:
 - 2.1.1 Agreed pay award from 1st July 2022.
 - 2.1.2 Assumptions for 2023/24 pay award held centrally – the final settlement will be approved by your Corporate Services Committee.
 - 2.1.3 Health and Safety team to be offset from increase in income from Resource Prioritisation Refresh (RPR) workstreams (split across City Fund and City's Cash).
 - 2.1.4 For Cyclical Works Programme (CWP): Following the meeting with the Joint Resource Allocation Sub Committee and Service Committee Chairmen, additional headroom has been created for 2023/24 to address urgent health and safety issues – City's Cash £2.216m – profiled over two years. Plus, a further £5.5m p.a. additional funding allocated (profiled over two years) from 2024/25 is included within the medium term to support the bow wave. Robust programme of delivery required, including sufficient resources identified to deliver the programme in a timely manner – potential risk of cost creep.
- 3.0 To address inflationary pressures, the removal of the 2% savings requirement, using this overall sum plus carry forward underspends from 2022/23 to bolster the inflation contingency. Going forward, flat cash assumptions are no longer sustainable.
- 4.0 Fund one-off pressures and opportunities for transformation in 2023/24 outlined in paragraph 7 from forecast carry forward underspends from 2022/23.
- 5.0 Approve the overall financial framework and the revised Medium-Term Financial Strategy (paragraphs 3-16).

- 5.1 Unfunded additional revenue bids: To be avoided during 2023/24 - 2026/27 with the Resource and Priorities Refresh (RPR) being tasked with reprioritising current spend in line with new Corporate priorities.
- 5.2 Department carry forwards from 2022/23 to be minimised, but with a general contingency to be held from 2022/23 underspend to address 2023/24 one-off pressures and transformation opportunities.
- 6.0 Approve the 2023/24 Capital and Supplementary Revenue Project Budgets for City's Cash amounting to £58.2m (including the contribution to Crossrail) (paragraph 25).
- 7.0 Approve the allocation of central funding of up to £19.4m for City's Cash to meet the cost of 2023/24 approved capital schemes. Release of such funding being subject to approval at the relevant gateway and specific agreement of your Resource Allocation Sub-Committee at Gateway 4(a). In addition, a contingency to be held under the capital programme of up to £3.0m to address urgent health and safety capital schemes. No new capital bids to be received in 2023/24 (paragraph 26-30).
- 8.0 Delegate authority to the Chamberlain to determine the final financing of capital and supplementary revenue project expenditure.

Main Report

Background

1. The primary purpose of this Report is to summarise the latest budgets for 2022/23 and the proposed budgets for 2023/24 for City's Cash, which have all been prepared within agreed policy guidelines and allocations, for submission to the Court of Common Council.
2. During the autumn/winter cycle of meetings, each Committee has received and approved a budget report, which has been prepared based on the planning framework for Chief Officers:
 - The starting point for the 2023/24 budget is 4% inflation uplift on local risk budgets, with 2% efficiency savings from the previous resource allocation in 2022/23.
 - Central contingency held to address inflationary pressures (including pay and prices).
 - 2022/23 underspends to be carried forward (subject to consultation with the Chairman and Deputy Chairman of your Resource Allocation Sub-Committee) to address one-off budget pressure and fund transformation opportunities.
 - Progress with the Resources and Priorities Refresh (RPR) to align spend with corporate priorities and manage on-going pressures within existing resources - where this is not possible to create headroom to reallocate funds through RPR workstreams.

- The Cyclical Works Programme (CWP) continues to build a backlog. There is a significant risk of not addressing the CWP, increasing deterioration in operational properties subsequently posing health hazards and leading to an increase in major projects programmes – funding has been allocated for 2023/24 for urgent health and safety works, an opportunity to catch up on already approved programmes. Plus, additional amounts have been forecast over the medium term to support the bow wave.

Overall Financial Strategy

3. The City of London Corporation's overall financial strategy seeks to:
 - manage the effects of economic uncertainty, war in Ukraine, and inflation impacting on the economy and income;
 - maintain and enhance the financial strength of the City Corporation through its investment strategies for financial and property assets;
 - pursue budget policies which seek to achieve a sustainable level of revenue spending and create headroom for capital investment and policy initiatives, such as Destination City – renewed vision for the Square Mile;
 - create a stable framework for budgeting through effective financial planning;
 - promote investment in capital projects which bring clear economic, policy or service benefits;
 - manage the affordability to support major projects programmes now and in the future; and
 - financial strategy to be developed following review of the investment asset base and fund income requirements during 2023.
4. The medium-term financial strategies and budget policies for City's Cash are set out in Appendix 1. City Fund's medium-term financial strategy is included in the separate City Fund report.

Current Position

5. With the continued uncertainty of the recovery from the global pandemic, the war in Ukraine, inflationary pressures and global economic uncertainty, pressures and risks for the City Corporation's finances will continue into the 2023/24 fiscal year. With headwinds from high inflation, interest rate rises and global events, risks persist in the key revenue streams that support the activity of City's Cash. In addition, the City Corporation is undergoing its own period of significant change in response to these events and its ambition to deliver on its key policy priorities such as its move to net zero and support to major projects.

Budget Response

6. Whilst savings have been implemented via the 12% reduction in budgets and the Fundamental Review Programme, yielding a £5.4m reduction in costs, the external environment, especially the impact of inflation, would make further reductions in spend challenging along with significant increases in income

generation. The budget approach for 2023/24 has been to stabilise the position, acknowledging the headwinds in play, with a net 2% uplift in local risk budget, whilst also looking to reprioritise spend to priority areas via the Resources Priorities Refresh (RPR) Programme, which will seek to address resourcing pressure within the overall envelope of funds available.

7. In addition, subject to consultations with the Chairman and Deputy Chairman of your Resource Allocation Sub-Committee, it is proposed that the projected underspend from the current year budget (November 2022 estimate at £10.2m), should be carried forward to support the following areas:
 - a. Transformation funding to support the cultural change in the organisation, and support to progress the workstreams under RPR - sums to be confirmed but likely in the region of £2m to £3m in 2023/24, to be funded from 2022/23 underspends across City Fund and City's Cash.
 - b. Short term energy price inflation estimated at £1m caused by the war in Ukraine; prices are expected to return to normal levels in the medium term.
 - c. Your Civic Affairs Sub-Committee has requested additional funding for events around the King's Coronation. Your Finance Committee agreed that a sum be met from underspend to be used for this purpose.
 - d. Charity Review. Your Finance Committee approved additional time-limited support to complete the Corporate Charities Review & support the scoping of the Natural Environment Charities Review, this was recommended to be funded from 2022/23 underspends – split across City's Cash and City Fund (£0.394m in 2023/24 and £0.120m in 2024/25).
 - e. CIO Function. Your Corporate Services Committee, Finance Committee and Policy and Resources Committee approved, in November 2021, the creation of a new Strategic Investment advisory function working alongside Corporate Treasury and Investment Property, to provide expert advice on the investment strategy/allocation advice between property and financial investments. Corporate Services Category Board approved a two-year contract which commences in January 2023 - £0.45m in 2023/24 and £0.45m in 2024/25.
 - f. The balance to be held to support inflationary pressure which cannot be contained with allocated budgets.

Latest forecast position

8. The financial overview across the medium-term planning horizon is shown in table 1 below:

Table 1**CITY'S CASH**

£m	2022/23	2023/24	2024/25	2025/26	2026/27
City's Cash Surplus/(Deficit) before savings, capital and major projects	(30.83)	(20.09)	(13.46)	(14.27)	(19.49)
Build Back Better Fund	(4.50)	(2.59)	(2.53)	(1.03)	(0.71)
Fundamental review savings	1.37	1.37	1.37	1.37	1.37
12% inc TOM	4.13	4.01	4.01	4.01	4.01
Deficit, before capital and major projects financing	(29.84)	(17.31)	(10.61)	(9.93)	(14.83)
Financing major projects	(10.54)	(13.80)	(16.84)	(25.27)	(33.03)
Deficit, incl major projects financing	(40.38)	(31.11)	(27.46)	(35.20)	(47.86)
Exceptional items- Depreciation, BAU projects Capital incl SRP* and CWP**	(42.27)	(46.99)	(77.19)	(26.87)	(25.55)
Crossrail	(25.00)	(25.00)	0.00	0.00	0.00
Draw down on Financial Gain	35.62	35.13	33.35	30.77	29.64
City's Cash deficit	(72.02)	(67.97)	(71.30)	(31.30)	(43.77)
Net assets balance	3,199.32	3,194.39	3,230.69	3,242.92	2,625.68

*SRP – Supplementary Revenue Programme; **CWP – Cyclical Works Programme

9. Annual drawdowns in excess of assumed growth in financial assets are needed to cover exceptional items such as capital programmes and Crossrail contributions. Over the period, the cumulative drawdown on financial investments is £388.2m (including the planned £50m to finance Crossrail payments, and £154.8m for the capital programme but excluding non-cash items i.e. depreciation). Overall net asset on the balance sheet will reduce by £573.6m over the medium-term, driven by the financing requirements of the major projects, which are currently assumed to be met from disposal of investment properties. Balance Sheet forecasting indicates this sum is just about sustainable over the medium-term, assuming natural growth in investments, thereby increasing net assets by £406m over 10 years.
10. However, the gain in future financial investments is unable to support the longer-term drawdown of circa £35m p.a. (including future capital and cyclical works programmes), and therefore requires careful rebalancing of portfolios over the medium to longer-term. This also includes the full impact of major projects – the need to look at the operating models, for example Markets consolidation and how this impacts the longer-term sustainability of City's Cash. A financial strategy is to be developed following review of investment asset base and fund income requirements during 2023.
11. Your Resource Allocation Sub-Committee approved, in principle, no new capital bids for 2023/24 at its July meeting, with £3m contingency held for urgent health and safety capital programmes. Giving an opportunity to catch up on delivering existing approved programmes. The forecast includes already approved capital programmes plus £3m contingency, financed through disposal of investment properties or securities; and the revenue costs of financing Major Projects.

12. Major Projects: Three major projects have been forecast under the medium-term financial plan. It is currently assumed these projects will be financed through borrowing (£450m private placement already in place); planned capital receipts; plus, a drawdown on non-financial investments. Draw down on non-financial investments for Major Projects impacts on the rental income which currently supports the City's Cash revenue expenditure, which have been included the in forecasts. Based on these assumptions, there is an interim requirement for internal borrowing utilising City Fund general cash balances – pending receipts from disposal of investment properties. Interest payments to City Fund have been forecasted based on losses to City Fund from investing cash balances. Nonetheless, wider thinking is now needed on how best to secure third-party capital investment on our major projects and our asset base to relieve the pressure on our own capital resources. The major projects are listed below:

- Museum of London Landlord works;
- Fleet Street Estate – combined court (transferred from City Fund in 2021/22).
- Markets consolidation programme – Business case approved to move two markets to Dagenham Docks and sale of existing sites – amended to exclude income and expenditure from moving New Spitalfields market; includes impairment of markets consolidation in year 2027/28; also assumes no funding from Homes England/third-party funding.

13. It should be noted the Guildhall Master plan has not been included within the major projects programme as this needs a business case to use part of the site as commercial development opportunity to pay for the works. If approved the Guildhall Master plan is expected to achieve revenue savings which also benefits City Fund.

A Strategic Response to Match the Scale of the Challenges for City's Cash

14. This Report recommends a number of measures to stabilise the position in 2023/24 and that will support the steps that will need to be taken to shore up the medium-term, through: ensuring continuation of permanent year-on-year savings; building on collaboration breaking silos; progressing with service transformation and RPR workstreams – supporting the change in the operating model which includes a review and disposals of operational properties to ensure we only retain the buildings really needed to deliver services, opportunities for income generation via a more commercial approach, which was a key issue raised during the bilateral meetings held with service committee chairmen, as well as containing the cost of major capital projects and other programmes.

15. In addition, there is a need to make sure the position does not get worse by reinforcing the cap on the major capital projects and securing third-party capital where possible.

Additional Revenue Requests

16. Your Policy and Resources Committee and Finance Committee have messaged clearly that cost pressures should be managed within existing resources. Additional funding for the Health and Safety Team has been accommodated through an increase in income from RPR workstreams. Furthermore, headroom has been created to fund urgent health and safety works for the CWP. Where one-off funding/time limited resource is required, this is accommodated through underspends from 2022/23 carried forward. However, there is an expectation that additional pressures that might arise during 2023/24 will be absorbed within local risk budgets.

CITY'S CASH

17. The 2022/23 and 2023/24 budgets for City's Cash are set out below. They have been prepared within the planning frameworks agreed by your Resource Allocation Sub-Committee shown at Appendix 1.

Table 2

City Cash Summary	2022/23 Original	2022/23 Latest	2023/24 Original
Gross Revenue Expenditure	(119.0)	(131.2)	(126.1)
Gross Revenue Income	62.6	65.6	70.4
Operating Deficit funded by drawdown*	(56.4)	(65.6)	(55.7)

*Operating Deficit funded by drawdown row excludes capital programmes, however, includes CWP and SRP.

18. City's Cash net expenditure is £9.2m higher comparing the latest 2022/23 budget with the original budget. Other main movements comprise of 2021/22 carry forwards of £11.5m and additional income from interest on cash balances of £3m.
19. The budget for 2023/24 reduces by £9.9m when comparing the 2023/24 Original budget to the 2022-23 Latest.

Table 3

	£m
2022/23 Latest Budget	(65.6)
Additional Major Project financing costs	(3.3)
Increase in central support costs	(3.0)
22/23 Pay award impacts	(1.8)
4% Pay and price inflation	(1.5)
Additional Contingency balance held	(0.9)
Release of Carry Forwards - 2021/22	11.5
Increase in interest on cash balances	4.4
Profiling of Climate Action funding	1.9
Re-profiling of CWP costs	1.8
2% efficiency savings	0.6
Other minor changes	0.1
2023/24 Original Budget	(55.7)

20. The net positions for 2022/23 and 2023/24 are summarised by Committee in Appendix 2. The estimated deficit in the current year and in 2023/24 will need to be met from the drawdown from the gain in financial investments.

GUILDHALL ADMINISTRATION

Overall Budget Position

21. Guildhall Administration encompasses most of the central support services for the City, with the costs being fully recovered from the three main City Funds, Housing Revenue Account, Museum of London and other external bodies in accordance with the level of support provided. Consequently, after recovery of costs, the net expenditure on Guildhall Administration is nil. The table below summarises the position.

Table 4

Guildhall Administration Net Expenditure	2022/23 Original £m	2022/23 Latest £m	2023/24 Original £m
Town Clerks & C&CS	(12.1)	(14.1)	(13.8)
Chamberlain	(23.6)	(23.6)	(26.7)
Chief Operating Officer	(10.1)	(10.1)	(10.7)
City Surveyor	(21.1)	(21.1)	(22.1)
Remembrancer	0.0	0.0	0.0
Total Net Expenditure	(66.9)	(68.9)	(73.3)
Recovery Costs	66.9	68.9	73.3
Total Guildhall Administration	0.0	0.0	0.0

22. The gross expenditure for Guildhall Administration is recovered across all funds.

23. The 2023/24 budget has increased by £4.4m from the latest 2022/23 position following application of budget principles outlined above i.e., inflation uplifts, and additional funding previously agreed.

24. Appendix 3 shows the budgets by committee.

Capital and Supplementary Revenue Project Forecast Expenditure and Funding

25. The City of London has a significant programme of property investments, works to improve the operational property estate and major capital projects to benefit wider London. The total anticipated capital and supplementary revenue expenditure, including forecasts against approved budgets and the indicative cost of schemes awaiting approval is as follows:

Table 5

City Cash Capital Programme	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Capital Programme BAU - incl. Crossrail	42.0	47.4	57.8	7.3	6.0
Supplementary Revenue Programme	7.0	7.9	3.3	3.1	3.0
New Bids - profiled	1.0	3.0	5.0	5.0	5.0
Total Capital Programme (exclu. Major Projects)	50.1	58.2	66.2	15.3	14.0
Major Projects	83.55	74.33	116.9	336.8	274.3

26. The City's Cash capital and supplementary revenue project budgets are submitted to the Court of Common Council as part of the Summary Budget Book. They comprise forecasts of expenditure against budgets which have been approved to spend in accordance with the relevant governance arrangements e.g., corporate projects procedure, Capital Buildings Committee approvals etc. The latest forecasts of City's Cash 2022/23 capital and supplementary revenue project expenditure against approved budgets (included within the figures in the table above) amount to £14.0m. This includes the indicative costs of schemes awaiting approval.

27. Members are asked to **note** that, in July, your Resource Allocation Sub-Committee agreed no new capital bids for 2023/24 – instead an opportunity to catch up on already approved capital schemes circa £160m before adding more to the capital programme.

28. The capital review undertaken in Autumn 2022 provided the opportunity to reassess inflationary pressures within overall capital programmes, these were agreed by your Resource Allocation Sub-Committee. It is recommended further pressures are contained within agreed budgets through value engineering.

29. Members are asked to also **note** that, in July, your Resource Allocation Sub-Committee agreed £3m capital contingency to support urgent health and safety new capital bids, subject to approval of business case.

30. The financing of the City's Cash capital and supplementary revenue projects programmes needs to reflect the optimum reserves position of each fund. Therefore, approval is sought for authority to be delegated to the Chamberlain to determine the *final* financing of capital and supplementary revenue project expenditure.

Risk

31. There are risks to the achievement of the latest forecasts:

Within the City's control:

- Ensuring permanent year on year permanent savings from the 12% savings programme and income schemes under the Fundamental Review;
- Delay in RPR workstreams - unable to reprioritise resources to corporate prioritise and or create headroom to reallocate resource;
- Ability to retain / recruit staff under the current salaries structure;
- Major projects not being delivered within estimated costs.

Outside the City's control:

- Economists warning of a UK (global) recession during 2023, impact on income streams is unknown, particularly: rental income, event bookings, and student intakes – needs close monitoring;
- Significant inflationary risks, highly volatile, not only impacting pay and prices there is a continued impact on global supply chain bottlenecks;

Conclusion

32. Over the last decade there has been a significant effort across the Corporation family to commit to delivering year on year permanent savings to get us to a balanced 2023/24 budget and on track for sustainable MTFP. But there is a big task still ahead to manage the significant unprecedented range of external challenges e.g., warnings of a global recession, inflation, and continued impact on global supply chain bottlenecks. The Corporation family can no longer sustain further cuts, and finding sustainable efficiencies will likely require time, capacity, and upfront investment.

33. There are risks to the achievement of the 2023/24 budget position and MTFP, in particular: income volatility from a looming recession, significant pressures on pay and prices and tough decisions have been needed. However, officers have continued to work together with Members to mitigate on-going pressures through new initiatives.

34. Delivering the 2023/24 budget enables us to push ahead on reshaping the City Corporation: to enable the move to service transformation and culture shift; increasing opportunities through RPR workstreams to align resources to Corporate Priorities; to be able to respond in a more agile and flexible way to the challenges ahead.

All of which we submit to the judgement of this Honourable Court.

DATED this 21st day of February 2023.

SIGNED on behalf of the Committee.

Deputy Henry Colthurst
Chairman, Finance Committee

Appendices

- Appendix 1 - Medium Term Financial Strategy/Budget Policy
- Appendix 2 - City's Cash Budget
- Appendix 3 - Guildhall Administration Budget

City's Cash Medium Term Financial Strategy/Budget Policy

The main constituents of the current budget policy for City's Cash services reflect the general elements within the City Fund strategy together with the following specific objectives:

- ensure that ongoing revenue expenditure is contained within revenue income over the medium term and sufficient surpluses are generated to finance capital investment on City's Cash services;
- continue to seek property investment opportunities to enhance income/seek capital appreciation during the year, subject to any financing being met from the City's Estate Designated Sales Pool; and
- sell either property or financial assets, which would need to be in addition to property disposals required to meet the financing requirements of the Designated Sales Pool, to meet City's Cash cash-flow requirements.

CITY'S CASH Budget

City's Cash 2022/23 and 2023/24 budgets shown by Committee in the table below:

City's Cash Summary by Committee	2022/23 Original £m	2022/23 Latest £m	2023/24 Original £m
<i>Net Expenditure (Income)</i>			
Culture, Heritage & Libraries	(0.3)	(0.4)	(0.4)
Education Board	(3.0)	(3.0)	(3.0)
Finance	(51.9)	(55.5)	(44.7)
G. P. Committee of Aldermen	(3.7)	(3.8)	(3.9)
Guildhall School of Music and Drama	(13.2)	(13.2)	(14.7)
Markets	(0.3)	(0.6)	(0.6)
Open Spaces :-			
Open Spaces Directorate	0.0	0.0	0.0
Epping Forest and Commons	(6.3)	(7.5)	(7.5)
Hampstead, Queen's Pk, Highgate Wd	(5.1)	(6.5)	(5.6)
Bunhill Fields	(0.2)	(0.2)	(0.2)
West Ham Park	(1.0)	(1.2)	(1.1)
Policy and Resources	(17.3)	(19.4)	(20.6)
Property Investment Board	49.0	48.9	49.4
Schools :-			
City of London School (1)	(1.3)	(1.7)	(1.5)
City of London Freeman's School (1)	(0.5)	(0.5)	(0.1)
City of London School for Girls (1)	(1.0)	(0.9)	(1.5)
City of London Junior School (1)	(0.3)	(0.1)	0.3
(Deficit) Surplus (from) to reserves	(56.4)	(65.6)	(55.7)

1. The following table further analyses the budget to indicate the income produced from the City's assets (investment property rent income, non-property investment income and interest on balances, at lines 3 to 5 respectively). It also indicates the underlying deficits or surpluses on City's Cash before the anticipated profits on the sale of assets are taken into account (lines 6 to 8).

City's Cash Requirements 2022/23 and 2023/24				
		2022/23 Original £m	2022/23 Latest £m	2023/24 Original £m
1	Net expenditure on services	(106.0)	(117.5)	(114.2)
2	Cyclical Works Programme and SRP's	(13.0)	(13.7)	(11.8)
3	Estate rent income	56.9	56.9	56.6
4	Non-property investment income	3.9	3.9	4.5
5	Interest on balances	0.1	3.1	7.5
6	Operating (Deficit) Surplus	(58.1)	(67.3)	(57.4)
7	Profit on asset sales/deferred income	1.7	1.7	1.7
8	(Deficit) Surplus funded by drawdown*	(56.4)	(65.6)	(55.7)

*Deficit to reserves row excludes capital programmes, however, includes CWP and SRP.

2. The City's Cash position in the current year is expected to be a deficit of £65.6m compared to £56.4m in the original budget. The deficit (less non-cash items such as depreciation) will be funded with a drawdown from the gain in financial investments.

GUILDHALL ADMINISTRATION

1. Shown by Committee is the table below:

Guildhall Administration by Committee <i>Net (Expenditure)</i>	2022/23 Original £m	2022/23 Latest £m	2023/24 Original £m
Corporate Services			
Chief Operating Officer	(5.5)	(6.1)	(6.3)
Deputy Town Clerk & Chief Executive	(4.1)	(5.5)	(5.0)
Comptroller and City Solicitor	(1.0)	(1.0)	(1.2)
Digital Services			
Chief Operating Officer	(8.0)	(8.8)	(8.5)
Finance			
Chief Financial Officer and Chamberlain	(23.6)	(24.5)	(26.7)
Chief Operating Officer	(2.1)	(2.2)	(2.1)
City Surveyor	(21.7)	(21.7)	(22.6)
Remembrancer	0.5	0.5	0.5
Deputy Town Clerk & Chief Executive	(1.4)	(1.4)	(1.3)
Total Net Expenditure	(66.9)	(70.7)	(73.2)
Recovery of Costs	66.9	70.7	73.2
Total Guildhall Administration	0	0	0

Note - Figures in brackets denote expenditure, increases in expenditure, or shortfalls in income.

The net expenditure for 2023/24 is £73.2m, an increase of £6.3m from the 2022/23 original budget.

Report – Bridge House Estates Board

Bridge House Estates (BHE) – 2023/24 Budget and Financial Forecasts

To be presented on Thursday, 9th March 2023

*To the Right Honourable The Lord Mayor, Aldermen and Commons
of the City of London in Common Council assembled.*

SUMMARY

This report presents an update on the financial position for 2022/23, the 2023/24 budget and detailed financial forecasts for the period 2024/25 – 2026/27, alongside a summary of forecast funds to 2031/32 for Bridge House Estates (BHE). The latest forecast for 2022/23 presents net expenditure of £71.2m, reflecting a decrease of £52.0m from the original approved budget net expenditure of £123.2m. For 2023/24, the charity's proposed budget is a net expenditure of £121.4m comprising income of £36.4m and expenditure of £157.8m, including charitable funding of £106.8m (including grant commitments of £101.5m) and £22.1m on repair and maintenance of bridges.

The past year has been one of consolidation and evolution for the charity, as the BHE Board continues to embed the charity's new governance arrangements and ways of working, following the implementation of various organisation-wide exercises in 2021 and the formal establishment of the charity as an institution. Despite the challenges of the wider economic context, the charity continues to have sufficient funds available to meet its primary objective - the support and maintenance of its five Thames bridges, and its ancillary objective - charitable funding for broad charitable purposes for the general benefit of the inhabitants of Greater London, in line with the *Bridging Divides* funding policy, which this Court has agreed to extend until 2028.

However, this is also a significant moment in the charity's history, following the approval by His Majesty the King on 15 February of a Supplemental Royal Charter for the charity. Pending the sealing of this Supplemental Charter, various opportunities will become available to the charity through the express grant of relevant powers. Amongst these is the power to take a total return approach to investment of the permanent endowment fund. Whilst approval to adopt this power will be brought to a future meeting of this Court, the budget and financial forecasts have been prepared on the basis that adoption of this power is agreed.

The charity's 2023/24 budget and financial forecasts have been scrutinised and endorsed by your BHE Board, and are now presented to this Honourable Court for approval.

Recommendations

Following the Bridge House Estates Board's consideration of this report, it is recommended that the Members of the Court of Common Council, acting for the City Corporation as the charity trustee of Bridge House Estates and solely in the charity's best interests:

- i. Note the updated financial forecast for 2022/23 (**paragraphs 4 – 18**);
- ii. Approve the 2023/24 budget and financial forecasts for the period 2024/25 – 2026/27 (**paragraphs 4 – 18**);
- iii. Approve the release of the Bridge Replacement designated fund, upon the adoption of total return investment for the permanent endowment fund (**paragraph 23**);
- iv. Approve the release of the designation of unrestricted income funds relating to amounts allocated for Social Investment (the Social Investment Fund) (**paragraph 24**); and
- v. Approve a level of £55m of free reserves to be maintained over and above the agreed minimum policy of £35m due to the slowdown in economic growth alongside inflationary pressures (**paragraph 28**).

Main Report

Background

1. Bridge House Estates (BHE) is an unincorporated charitable trust and a registered charity (Registered Charity Number 1035628). The charity is permanently endowed which imposes particular restrictions and legal duties on the charity's trustee. In acting as charity Trustee, the City Corporation has a legal obligation to always act solely in the best interests of BHE. Consistent with their duties, trustees are required to:
 - a. administer their charity with reasonable care and skill;
 - b. act responsibly and honestly and demonstrate that they are complying with the law.
2. The purpose of this report is to present the latest financial forecasts for 2022/23, the budget for 2023/24, financial forecasts for the period 2024/25 – 2026/27 and an overview of the charity's reserves to 2031/32. These have been prepared in line with the policy guidelines and assumptions as set out in **Appendix 1**.
3. The proposals set out in this paper align with BHE's aims and objectives as set out in its overarching strategy, *Bridging London 2020 – 2045*. The overarching strategy for BHE '*Bridging London*' has the vision that '*Every person in London becomes truly connected*'. To achieve this vision, BHE delivers upon its primary object by supporting and maintaining its five Thames bridges and

utilises any available surplus income each year to advance its secondary purposes – being charitable funding under the ‘*Bridging Divides 2018-28*’ funding policy aimed at tackling inequality. The charity must also ensure that at all times it retains sufficient free reserves to meet its required policy level (see paragraph 28).

Overview

- An overview of the proposed budget for 2023/24 and financial forecasts for the period 2024/25- 2026/27 is shown in Table 1 below, with further detail in Appendix 2:

Table 1

Summary budget and forecasts

	2022/23		2023/24	2024/25	2025/26	2026/27
	Original budget	latest forecast	budget	forecast	forecast	forecast
	£m	£m	£m	£m	£m	£m
Income	32.0	34.8	36.4	37.9	42.2	43.7
Expenditure	(155.2)	(106.0)	(157.8)	(150.5)	(110.6)	(94.3)
Surplus/(deficit)	(123.2)	(71.2)	(121.4)	(112.6)	(68.4)	(50.6)
Net gains/(losses) on investments/pension scheme	93.3	1.2	82.4	92.1	104.1	107.2
Net movement in funds	(29.9)	(70.1)	(39.0)	(20.5)	35.7	56.6
Funds b/fwd as 1 April	1,675.0	1,720.2	1,650.1	1,611.1	1,590.6	1,626.3
Total funds c/fwd	1,645.1	1,650.1	1,611.1	1,590.6	1,626.3	1,682.9
Funds of the charity:						
Permanent endowment funds	1,030.1	1,031.7	1,092.5	1,168.0	1,256.9	1,347.6
Restricted Funds	0.5	0.0	0.0	0.0	0.0	0.0
Designated funds	494.8	503.8	167.1	105.9	91.5	90.5
Free reserves	194.8	114.6	351.5	316.8	277.9	244.9
Total charity funds	1,720.2	1,650.1	1,611.1	1,590.6	1,626.3	1,682.9

Income

- The charity’s total income budget for 2023/24 is proposed at £36.4m, an increase of £1.6m on forecast income for 2022/23. The variances within this increase are explained below.
- Tower Bridge tourism continues the recovery in income to almost pre-pandemic levels. The income forecast of £6.6m for 2022/23 is a 51% overperformance against the original budget of £4.1m. Admission levels are higher than anticipated at approximately 82% of pre-pandemic visitor figures. Retail income has performed well, with the gift shop and online retail provision experiencing high levels of sales.
- Based on performance for 2022/23, and factoring admission/event price increases, the income target of £7.3m for 2023/24 is an uplift of 11% on this year’s latest forecast. Despite the expected impact of the cost-of-living crisis on the domestic tourism market in 2023/24, industry predictions suggest visitors within the UK will still prioritise access to culture and heritage, and numbers of international visitors to the UK and London continue to increase.

8. Although most of the charity's financial investments are currently held on an absolute return basis (seeking to maximise returns to the charity through increases in growth or income reinvestment), there has been an increase in the forecast yield from those investments which generate income due to an improved market for income returns, reaching £3.9m by 2026/27 on forecast holdings. Similarly, the anticipated yield on cash held via Treasury deposits has significantly increased in recent months, with investment income increasing despite BHE's relatively low cash balances held.
9. Property investment income, made up of rental and other related income from the property portfolio holdings of the charity is budgeted at £24.2m, matching 2022/23 forecasts. The known rental income reduction from Salisbury House of £1.0m, following the recent re-gear, is offset by increases as more refurbished properties come back on stream. Property income is expected to increase from £25.3m to £30.7m over the period of financial forecasts presented.

Expenditure

10. The charity's total expenditure budget for 2023/24 is presented at £157.8m compared to a 2022/23 forecast of £106.0m. The increase versus current year of £51.8m arises mainly from increases in expenditure on charitable activities. Grant commitments originally budgeted for 2022/23 have been deferred to be committed across the next three financial years alongside increases in expenditure for repairs and maintenance of bridges for 2023/24.
11. The 2023/24 proposed budget for repairs and maintenance of bridges of £22.1m includes planned spend on projects such as the refurbishment of Blackfriars Bridge, Fire System Replacement, Hydraulic and Power Pack Replacement and resurfacing works at Tower Bridge. The Blackfriars Bridge refurbishment project which commenced in 2021/22 is on schedule with the remaining budgeted spend to be incurred across the next two financial years.
12. The increase in charitable funding includes a number of significant new programmes commencing or continuing in 2023/24. This includes a further £12.5m expected spend via the collaborative project Propel, and over £8m through the new Anchor Programme. Grant spending will continue at a similar level of c.£100m in 2024/25, including another £24m through these two programmes and an ongoing main grants programme budget of £40m, before tapering back to a regular rate of approx. £40m per year from 2026/27 onwards.
13. Tower Bridge tourism expenditure forecasts for 2021/22 represent an increase on the original year budget led by a growth in retail purchasing activity and restarting several important projects which had been paused due to the financial impact of the pandemic, including a new attraction and events lighting system, and an air conditioning feasibility study for the Walkways. The Bridge is expected to generate a surplus by year end, a positive deviation from its original 2022/23 budget which anticipated a break-even position.

14. The Tower Bridge tourism expenditure budget for 2023/24 includes increases in employee budgets, materials/stock costs and expenditure on several improvement projects as part of work to develop a long-term strategic plan for the growth of the visitor attraction, including facilities upgrade, new attraction content, and business-enabling technologies.
15. The £15.6m budget for the cost of raising funds in 2023/24 is an £0.5m increase on the latest forecast for 2022/23. Overall, fees for financial investment management remain broadly in line with previous years including a management fee of 0.56% on net asset value, which will reduce costs as drawdowns are made over the coming years. Property investment spend includes the charity's allocation of the proposed market forces supplement for the Investment Property Group.
16. Allocated to the various activities are management and administration costs provided directly by the charity and support costs for activities undertaken by the City Corporation on behalf of BHE. For 2023/24, these costs account for £4.5m of total budgeted expenditure with similar levels of spends predicted for the financial forecasts period 2024/25 – 2026/27. Recharges from the City Corporation have been provided on the same basis as in previous years, although BHE is now undertaking an increasing number of activities itself. The Chamberlain has committed to undertake a review of the basis of recharges during 2023/24, with changes resulting from this to be including as an in-year adjustment to budgets.
17. Given the ongoing economic uncertainty, the charity continues to hold contingency budgets at similar levels across the budget/forecast period. These will continue to be reviewed throughout the period. The 2023/24 budget and future years forecasts include provision for a central contingency of £900k, together with separate amounts for the provision of apprentices, provision for restructures within directorates yet to consider future plans, an allowance for inflation and utilisation of the climate action strategy designated fund.

Capital Expenditure

18. BHE's capital expenditure is reflected in forecasts for the charity's funds within the Balance Sheet. Total capital expenditure for 2023/24 is budgeted at £1.0m. The main area of spend relates to BHE's share of implementation costs for the City Corporation's Enterprise, Resource and Planning (ERP) system, following a review of existing key support systems which were found to be leading to inefficiencies in many tasks. The total capital budget for the project was confirmed in 2022 to be £9.8m; the allocation to BHE is forecast at £441k over 3 years 2022/23 to 2024/25, 4.5% of the total.

Funds

19. Key assumptions relating to long-term investment performance are set out in **Appendix 1**. For 2022/23, no gains or losses are forecast, with the exception of a small, realised gain on property sales. Financial investments held

(excluding private equities) were valued at £769.9m as at 31 December 2022, following £30m drawdowns during the year to date. Such holdings were £854m as at 31 March 2022. Some recovery has been reported in recent weeks. Advice was received from the City Surveyor in January 2023 that no increase in the value of BHE's property portfolio should be factored in for the year to 31 March 2023.

20. Underlying these assumptions are challenging market conditions arising from a combination of high inflation and economic uncertainty, driven by factors including the after-effects of the covid-19 pandemic and the war in Ukraine, but long-term recovery in both property and financial assets is forecast.
21. Total funds held by BHE as at March 2023 are expected to reduce by £70.1m compared to last year-end, with a £28m forecast decrease in the designated fund for grant making and a net reduction in free reserves of £80.2m as a result of the in-year deficit and the need to increase the bridge replacement fund by £47.8m to £239.0m. The latter increase reflects the high level of inflationary pressures on construction projects, making it prudent for BHE to set aside further funds for its primary object.
22. The new Supplemental Royal Charter, which is due to be sealed, following assent from His Majesty the King, provides for a number of changes to BHE's governing documents, including providing the Trustee with the power to adopt a total return approach to investment of its permanent endowment fund. This approach allows for increases in the value of endowment assets to be accessed as income, regardless as to whether returns are capital or income, subject to the adoption of a policy to determine how these returns are to be applied. The forecast movement in funds (**Appendix 3**) anticipates that this power will be adopted, but no drawdown on the endowment fund is built in until 2028/29.
23. The adoption of total return enables provision for the cost of future bridge replacement to be held in the endowment fund. Required amounts for replacing individual bridges will be transferred from the endowment fund as income at future dates to match bridge build plans. With this in place, and the comfort that sufficient funds are held to meet the most significant expenditure towards the charity's primary object when it becomes necessary, there will no longer be a need to hold part of the charity's unrestricted income funds as a designated fund for bridge replacement. It is therefore recommended that the current designation be released at the date at which total return accounting is formally adopted (in 2023/24). As a result, subject to agreement, the charity's free reserves will significantly increase in 2023/24, followed by a gradual reduction as a result of expected annual expenditure followed by stabilisation with the commencement of income being transferred from the endowment to meet costs.
24. In considering the charity's funds and investment allocations alongside new powers that are anticipated to be granted under the Supplemental Charter, and to ensure a consistent approach, it is recommended that the Social Investment designation within unrestricted income funds is released in

2022/23. It is not consistent with the Trustee's approach to allocation of investment assets between funds that it sets aside a specific designated fund for social investments. Each fund of the charity is held in a variety of investments classes (financial, property or social), rather than any specific class representing a fund.

25. Returns of 7.9% on financial investments from 2023/24 onwards are based on investment consultant Mercer's rolling 20-year forecast and anticipate inflation settling at a higher level than previously anticipated. Alongside forecast ongoing capital growth returns of 5% on property investments (from 2024/25 onwards), current assumptions are based on the Transitional Investment Strategy Statement (ISS) and will be subject to change when the revised ISS is implemented. Based on current assumptions, it is expected that total funds will reduce in both 2023/24 and 2024/25. From 2025/26 onwards increases are predicted, with growth seen in the endowment as no transfers to income are proposed until 2028/29, with free reserves available to be used for expenditure needs up to that point.
26. Future fund balances reflect current available information on the costs of maintaining the bridges and of future bridge replacement, with grant making assumed at an annual level of £40m. The assumptions relating to the future costs of the bridges are included in BHE's financial model which calculates the present value required to be invested to be able to cover the real value of rebuild costs at forecast replacement dates.
27. In light of changes in economic conditions and BHE's increased prioritisation of net zero commitments, the BHE Board has approved that a further in-depth report be commissioned to revisit the assumptions currently used. In addition, officers will be undertaking an in-depth review of the existing 50-year plan for bridge maintenance during 2023/24, to ensure that assumptions and timings are robust. Following this work, the level of annual charitable funding commitments can also be reviewed, with any proposed changes to this allocation to be brought before the Court for approval within the annual budget setting report.
28. In 2022/23, the target level of free reserves was set at £90m. This was based on a minimum policy requirement of £35m agreed by this Court in March 2020, plus an additional £55m, reflecting growth uncertainties across the forecast period. The BHE Board recommends retaining this policy as at 31 March 2023, with future consideration to take place given the number of significant matters for resolution highlighted within this paper – notably the planned adoption of the total return approach to investing the endowment, movement of the bridge replacement costs to the endowment and the reconsideration of the future costs of bridge replacement. Uncertainties of future inflation levels and investment returns further justify the continued higher level of free reserves as being a prudent approach for the Trustee to take.

Conclusion

29. The budget and forecast reflect the changing economic environment and impacts of high inflation on charitable activities in a post-pandemic world, as well as, over the longer-term, the new opportunities for BHE as a result of the anticipated power to adopt a total return approach to investment of the permanent endowment fund.
30. Members are therefore asked to note the reserves forecast for the period to 2031/32, and, subject to the approval of the Supplemental Royal Charter and adoption of the power of total return investment of the permanent endowment, to approve the recommendations to release the designations over both the bridge replacement fund (from 2023/24 onwards) and the social investment fund (as at 31 March 2023). As a further mitigation against risk, Members are recommended to approve the retention of the current reserves policy, at an additional £55m above the minimum reserves policy of £35m.
31. Your BHE Board has considered and endorsed the budget for 2023/24 and ongoing forecasts for the period 2024/25 to 2026/27, as well as the related recommendations outlined, as being in the best interests of the charity, and asks that this Honourable Court approve them, in order that important work at this crucial moment for the charity may continue.

All of which we submit to the judgement of this Honourable Court.

DATED this 22nd day of February 2023.

SIGNED on behalf of the Board.

Deputy Dr Giles Shilson
Chair, Bridge House Estates Board

Appendices

- Appendix 1 – Key Assumptions
- Appendix 2 – 2023/24 Budget & Financial Forecasts 2024/25 – 2026/27
- Appendix 3 – Forecast Movements in Funds to 2031/32

Appendix 1

Key Assumptions:

	22/23	23/24	24/25	25/26	26/27	Ongoing
Returns on cash held	3.95%	4.40%	3.30%	2.60%	2.50%	2.80%
Securities growth	0.00%	7.90%	7.90%	7.90%	7.90%	7.90%
Securities fees	0.56%	0.56%	0.56%	0.56%	0.56%	0.56%
Property growth	0.00%	3.00%	5.00%	5.00%	5.00%	5.00%
Property yields	Forecast	Forecast	Forecast	Forecast	Forecast	Flat

General

- i. Cash returns reflect the Treasury management team's anticipation that it will be able to benefit from elevated interest rates although these will fall back by 2025/26.
- ii. Securities growth is based on the investment consultant's annualised average returns over a 20-year rolling period.
- iii. Securities fee % linked to net asset value are expected to remain consistent, with other costs of management not linked as a % of net asset value.
- iv. Property growth is expected to be reduced over 2022/23 and 2023/24 as a result of challenging market conditions, based on advice from the Surveyor, although recovery is forecast from 2024/25 in line with recent year's returns.
- v. Property income forecasts are developed based on rental income estimates for each property and tenant held over the next four years and are then assumed to remain flat.

Inflation

- i. Inflation on staff related costs has been included at 4% from 23/24 to 26/27, reducing to 2% on an ongoing basis (in line with the other City Corporation Funds).
- ii. With BHE undertaking zero based budgeting, specific costs (such as utilities & construction costs) have been included at higher inflation levels as deemed appropriate. Inflation on other costs of the organisation has been included at 3% from 23/24 to 26/27, reducing to 2% on an ongoing basis.
- iii. Contingency calculations reflect additional inflation risk in particular operational areas notably staffing (in line with the other City Corporation Funds) alongside provision for potential future directorate restructures.
- iv. Inflation on bridges maintenance has been budgeted for 23/24 based on available information on the specific pricing for planned projects. Future rates of inflation for both bridge maintenance and bridge replacement are set out in the table below, reflecting higher inflation risks associated with construction costs.

	As at 23/24 5 Year Plan					
	22/23	23/24	24/25	25/26	26/27	Ongoing
Bridges	Forecast	Budget	7.00%	6.00%	5.00%	4.00%

Appendix 2

Detailed budget and forecast figures						
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	unaudited actuals £m	latest forecast £m	budget £m	forecast £m	forecast £m	forecast £m
Voluntary income	0.2	0.1	0.0	0.0	0.0	0.0
Charitable activities - Tower Bridge Tourism	3.1	6.6	7.3	7.7	8.1	8.5
Investment income:						
- Property Investments	26.2	24.2	24.2	25.3	29.2	30.2
- Financial Investments	3.9	3.0	3.5	3.7	3.9	3.9
- Interest receivable	0.3	0.5	1.2	1.0	0.8	0.8
Total Investment income	30.4	27.7	28.8	30.0	33.8	34.9
Other income	0.4	0.4	0.2	0.2	0.2	0.3
Total income	34.1	34.8	36.4	38.0	42.2	43.7
Raising funds:						
- Property Investments	(8.4)	(9.1)	(8.7)	(9.2)	(9.4)	(9.6)
- Financial Investments	(6.9)	(6.0)	(6.9)	(6.5)	(6.3)	(6.3)
Total expenditure on raising funds	(15.3)	(15.1)	(15.6)	(15.7)	(15.7)	(15.9)
Charitable activities:						
- Repair & maintenance of bridges	(9.8)	(19.6)	(22.1)	(16.0)	(16.5)	(17.0)
- Tower Bridge Tourism	(4.7)	(6.4)	(7.5)	(7.5)	(7.8)	(8.1)
- Charitable funding	(34.5)	(60.0)	(106.8)	(105.3)	(63.9)	(45.4)
Total expenditure on charitable activities	(49.0)	(86.0)	(136.4)	(128.9)	(88.2)	(70.6)
Other expenditure - pension scheme costs	(2.3)	(2.8)	(3.1)	(3.2)	(3.3)	(3.4)
Other expenditure - contingencies	0.0	(2.1)	(2.8)	(2.8)	(3.3)	(4.4)
Total expenditure	(66.6)	(106.0)	(157.8)	(150.6)	(110.6)	(94.3)
Net (expenditure)/income	(32.5)	(71.2)	(121.4)	(112.6)	(68.4)	(50.6)
Gains/(losses) on investments/pension scheme	109.5	1.2	82.4	92.1	104.1	107.2
Net movement in funds	77.0	(70.1)	(39.0)	(20.5)	35.7	56.6
Funds b/f as 01 April	1,643.2	1,720.2	1,650.1	1,611.1	1,590.6	1,626.3
Total funds c/f	1,720.2	1,650.1	1,611.1	1,590.6	1,626.3	1,682.9
Funds of the charity:		(28.0)				
Permanent endowment funds	1,030.1	1,031.7	1,092.5	1,168.0	1,256.9	1,347.6
Restricted Funds	0.5	0.0	0.0	0.0	0.0	0.0
<i>Designated funds:</i>						
Bridges repairs	56.2	45.3	32.8	33.0	37.9	39.1
Bridges replacement	191.2	239.0	0.0	0.0	0.0	0.0
Grant-making	210.3	182.3	119.4	58.5	40.2	40.0
Climate Action	15.0	15.0	14.5	14.0	13.0	11.0
Social investment fund	21.7	21.9	0.0	0.0	0.0	0.0
Property dilapidations/service charges	0.4	0.4	0.4	0.4	0.4	0.4
	494.8	503.8	167.1	105.9	91.5	90.5
General funds	219.8	143.5	384.5	353.9	319.4	290.8
Pension reserve	(25.0)	(28.8)	(32.9)	(37.1)	(41.5)	(45.9)
Free reserves	194.8	114.6	351.5	316.8	277.9	244.9
	1,720.2	1,650.1	1,611.1	1,590.6	1,626.3	1,682.9
Free reserves held	194.8	114.6	351.5	316.8	277.9	244.9
Deduct amounts in social investments (illiquid)*	n/a	(5.9)	(12.7)	(19.8)	(22.8)	(29.8)
Deduct amounts relating to fixed assets (illiquid)	(3.1)	(2.9)	(3.6)	(3.3)	(3.1)	(2.9)
Total available free reserves	191.7	105.9	335.3	293.7	252.0	212.2
Free reserves minimum	90.0	90.0	90.0	90.0	90.0	90.0
Variance	101.7	15.9	245.3	203.7	162.0	122.2

Please refer to **paragraphs 23 and 24 above** for recommendations relating to the designated funds for bridge replacement and social investment. Forecast figures assume that recommendations have been approved.

Appendix 3

2023/24 Budget and future reserves forecast Statement of Financial Activities

	2022/23 latest forecast £m	2023/24 budget £m	2024/25 forecast £m	2025/26 forecast £m	2026/27 forecast £m	2027/28 forecast £m	2028/29 forecast £m	2029/30 forecast £m	2030/31 forecast £m	2031/32 forecast £m
Surplus/(Deficit) prior to charitable giving	(11.2)	(14.6)	(7.3)	(4.5)	(5.2)	(0.6)	(1.2)	(8.3)	(13.4)	(10.4)
Charitable giving	(60.0)	(106.8)	(105.3)	(63.9)	(45.4)	(45.6)	(45.7)	(45.9)	(46.0)	(46.1)
	(71.2)	(121.4)	(112.6)	(68.4)	(50.6)	(46.3)	(46.9)	(54.2)	(59.3)	(56.4)
Net gains/(losses) on property investments	2.2	26.9	47.0	50.0	52.5	53.6	54.3	55.0	55.7	56.5
Net gains/(losses) on financial investments	0.0	56.5	46.1	55.2	55.8	59.0	63.4	68.3	73.0	78.4
Net gains/(losses) on social investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(Gains) / Losses on Pension Fund	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.1)	(1.1)	(1.1)
Net movement in funds	(70.1)	(39.0)	(20.5)	35.7	56.6	65.3	69.7	68.1	68.4	77.3
Funds b/fwd as 1 April	1,720.2	1,650.1	1,611.1	1,590.6	1,626.3	1,682.9	1,748.3	1,818.0	1,886.0	1,954.4
Total funds c/fwd	1,650.1	1,611.1	1,590.6	1,626.3	1,682.9	1,748.3	1,818.0	1,886.0	1,954.4	2,031.7
Funds of the charity:										
Permanent endowment funds	1,031.7	1,092.5	1,168.0	1,256.9	1,347.6	1,438.7	1,472.2	1,504.3	1,535.2	1,565.9
Restricted Funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Designated funds	503.8	167.1	105.9	91.5	90.5	93.3	99.8	98.9	92.2	84.4
Free reserves	114.6	351.5	316.8	277.9	244.9	216.2	246.0	282.8	327.0	381.4
	1,650.1	1,611.1	1,590.6	1,626.3	1,682.9	1,748.3	1,818.0	1,886.0	1,954.4	2,031.7
Split between assets:										
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Investment properties	895.6	952.4	999.4	1,049.4	1,071.9	1,085.5	1,099.8	1,114.7	1,130.5	1,187.0
Financial investments	849.5	781.0	737.1	712.3	738.0	757.0	790.5	828.8	861.8	900.2
Other net assets/(liabilities)*	(94.9)	(122.3)	(145.9)	(135.4)	(127.0)	(94.3)	(72.2)	(57.5)	(37.9)	(55.4)
Total	1,650.1	1,611.1	1,590.6	1,626.3	1,682.9	1,748.3	1,818.0	1,886.0	1,954.4	2,031.7

* including grant commitments and deferred income

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Report – Bridge House Estates Board

Bridge House Estates Annual Report and Financial Statements 2021/22

To be presented on Thursday, 9th March 2023

*To the Right Honourable The Lord Mayor, Aldermen and Commons
of the City of London in Common Council assembled.*

SUMMARY

This report presents the Annual Report and Financial Statements for Bridge House Estates (BHE) for the year ended 31 March 2022. The report was finalised and signed on behalf of the Trustee before being published and submitted to the Charity Commission. The audit work in respect of these accounts has been completed and Crowe LLP, the charity's external auditors, have issued an unqualified opinion.

The Annual Report and Financial Statements 2021/22 were scrutinised and approved by the BHE Board, the Audit & Risk Management Committee having first provided their comments for the Board's consideration, consistent with their particular skills, knowledge, and experience. Your BHE Board now present them to this Honourable Court, to be noted.

RECOMMENDATIONS

It is recommended that the Court of Common Council, on behalf of the City Corporation as Trustee of Bridge House Estates (Charity No. 1035628), note the BHE Annual Report and Financial Statements for the year ended 31 March 2022.

MAIN REPORT

1. Bridge House Estates ("BHE") is an unincorporated charitable trust and a registered charity (reg no. 1035628). The City Corporation is the corporate trustee of BHE, and the charity is administered by the City Corporation in accordance with the charity's own governing documents and the City Corporation's usual procedures and governance framework.
2. Following their approval by your BHE Board, the 2021/22 Annual Report and Financial Statements for BHE for the year ended 31 March 2022 are presented for information and are attached at Annex 1 to this report. The Charity Commission requires charities to submit their annual report within 10 months of their financial year-end (i.e., for BHE, by 31 January 2022) and this deadline was met by the charity.
3. With the constitution of the BHE Board on the 15 April 2021, unless expressly reserved to the Court of Common Council, the discharge of all the City

Corporation's functions as Trustee of Bridge House Estates are now the responsibility of the BHE Board.

4. In previous years, approval of BHE's Annual Reports and Financial Statements was delegated to the Finance Committee by the Court of Common Council. Following the establishment of the BHE Board, review and approval of the Annual Report and Financial Statements for the charity has since been delegated to the BHE Board, as per the committee terms of reference in place. In line with those responsibilities, the annual report is presented to the next possible meeting of the Court of Common Council for information, following signature by the Chair and Deputy Chair of the BHE Board.
5. In advance of this decision being taken, the full Court of Common Council was invited to attend an all-Member briefing on 7 December 2022. The BHE Board then sought comments from the Audit & Risk Management Committee on the Annual Report and Financial Statements at its meeting on 16 January 2023, consistent with that committee's particular skills, knowledge and experience and oversight of such matters for the City Corporation's other funds, to help inform the decision of the BHE Board.
6. Following comment by the Audit & Risk Management Committee, the BHE Board considered and approved the Annual Report and Financial Statements of the Bridge House Estates charity. The Chair and Deputy Chair of the BHE Board subsequently signed the Annual Report, on behalf of the Trustee.

Appendices

Annex 1: Annual Report and Financial Statements for Bridge House Estates, 2021/22

All of which we submit to the judgement of this Honourable Court.

DATED this 27th day of January 2023.

SIGNED on behalf of the Board.

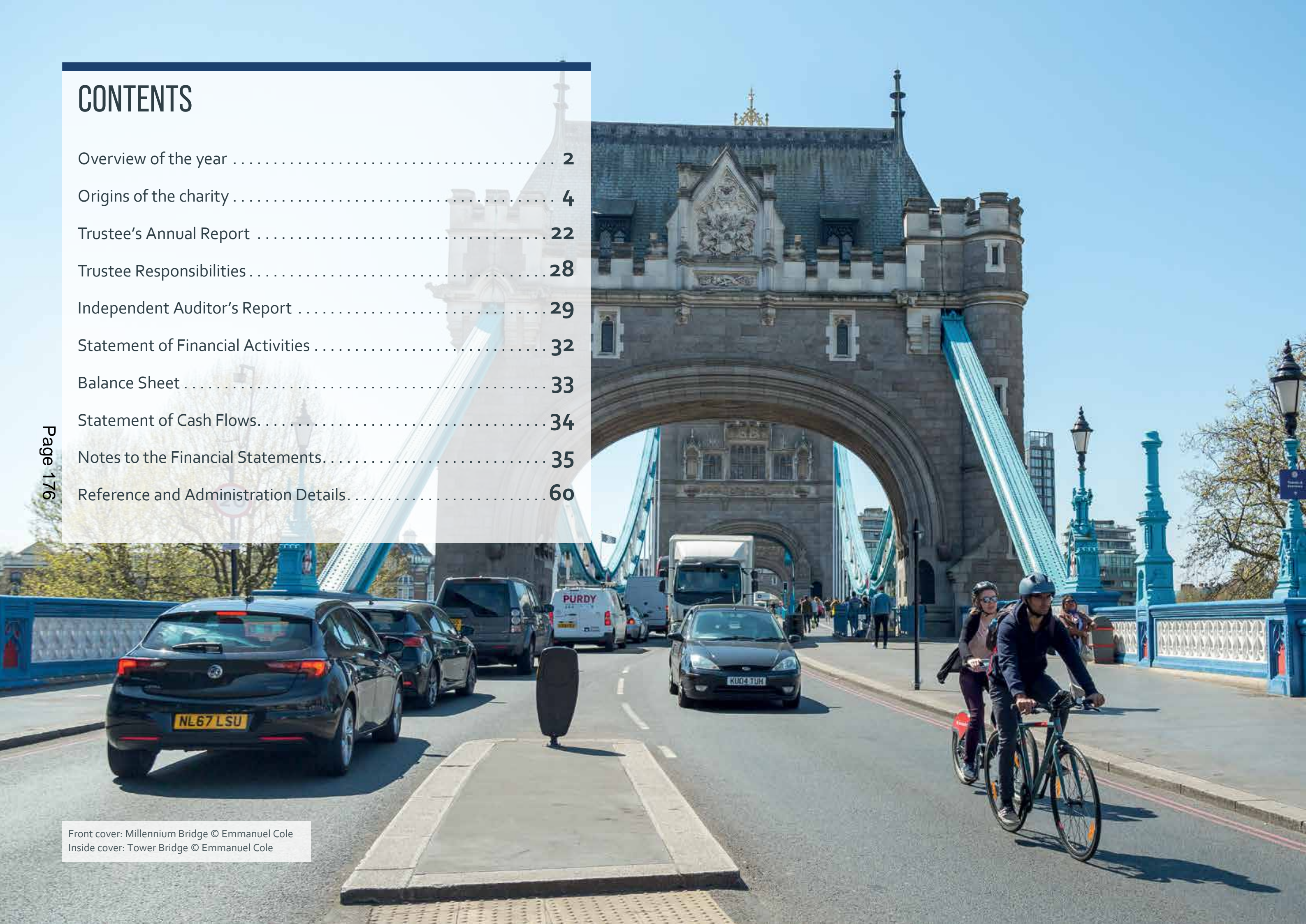
Deputy Dr Giles Shilson
Chair, Bridge House Estates Board

ANNUAL REPORT & FINANCIAL STATEMENTS

For the year ended 31 March 2022

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Front cover: Millennium Bridge © Emmanuel Cole
Inside cover: Tower Bridge © Emmanuel Cole

OVERVIEW OF THE YEAR

Giles Shilson, Chair of the Bridge House Estates Board, looks back at the challenges and key successes of the past year.

Our charity Bridge House Estates (BHE) is able to trace its London roots back more than 900 years, to when a single wooden bridge spanned the Thames. Over the centuries the capital has withstood many threats, including previous pandemics such as the Black Death, the Great Fire of London and Blitz bombing. As Covid-19 continues to impact around the globe, I'm pleased to say that BHE continues to play its part in supporting London's recovery.

BHE's primary purpose is to manage and maintain five of London's key bridges (Blackfriars, London, Millennium, Southwark and Tower Bridges), vital infrastructure which connects the capital and those who live and work here. Our bridges are symbols of London's history and beacons for its future. BHE is also, by way of sound investment and good financial governance, able to maintain and support the Bridges and award at least £30m in grants every year. This funding supports some of the most vulnerable and disadvantaged communities living across Greater London.

The management and maintenance of the five Bridges continues on track, undertaking an essential service to London. An extensive three-year refurbishment project commenced at Blackfriars Bridge, which includes the full reconstruction of the parapets and repainting overall.

Meanwhile, Southwark Bridge celebrated its 100th birthday on 6 June 2021, with a specially commissioned light display, made possible by the architectural lighting system previously installed for the Illuminated River project. At only one century old, Southwark Bridge stands as a relatively young reminder of BHE's long history, its deep ties to London, and the people of London.

London's most iconic visitor attraction, Tower Bridge, was able to reopen as a public attraction and events venue in May 2021, but considerable care was necessary to balance increasing visitor numbers while retaining Covid-specific safety measures. The Bridge's offer has clearly been very effective, with a 'Gold Accolade' from Visit England and a Trip Advisor Traveller's Choice Award. The Bridge's online popularity has also increased, following the decision to remain digitally open while physically closed at the start of the pandemic. Tower Bridge offers a superb range of online learning and creative resources, along with a virtual visitor experience.

The majority of BHE's revenue is generated from its property and financial investments. The global impact of Covid-19, followed by market volatility and high inflationary pressures, has prompted fears of an economic slowdown. While BHE is financially secure, and

able to meet the needs of the Bridges that it maintains and supports, these factors have emphasised the need for continuous financial forecasting and consideration of the impacts that these challenging conditions have on our ability to manage the activities of the charity now and in the future.

Rising inflation rates and the cost of living crisis are impacting heavily on the communities the funding arm of BHE, City Bridge Trust (CBT) supports. Organisations in receipt of funding are finding that grants are less effective than expected due to rising costs, and that staff and volunteers, often working on the frontline in grassroots organisations, are experiencing increased demand when already very stretched due to the impact of the pandemic.

Hence CBT's role has perhaps never been more important in bridging London's communities, and as an influencer and convenor in the broader London charitable sector. As the capital's largest independent funder, CBT continued to reshape and increase its grant-making programme *Bridging Divides*, and by working in partnership with other funders, CBT was able to boost its reach, efficiency and impact. The *Bridging Divides* review drew on lessons from the previous year, when some funding streams were put on hold in favour of supporting the sector-wide London Community Response, which was created to respond to the needs of communities in the capital affected by the Covid-19 pandemic. To ensure no one was left behind, a new support scheme, called 'Transition Funding', was launched to provide interim funding where some grant-making programmes remained paused.

At only one century old, Southwark Bridge stands as a relatively young reminder of BHE's long history, its deep ties to London, and the people of London.

CBT's non-financial support - offered to funded organisations via our 'Funder Plus' programme, was bolstered by the launch of the 'Bridge Programme' in early 2021. Funded organisations can benefit from a wide range of free offers, including training courses, peer-to-peer learning, property advice and in-depth management consultancy projects.

Several lessons learned from the pandemic influenced changes in CBT's funding practices over the year, from continuing to allow grant-holders to convert their funding to core unrestricted grants, to working more closely with equity partners within the London charity sector, to revisiting CBT's monitoring processes and making them more streamlined in order to free up valuable time for funded organisations.

All in all, BHE is a charity that continues to evolve and learn, in order to be as progressive, diverse and modern as the capital it serves and the people who live or work in it.

We are committed to work together to improve the lives of all those who live or work in the capital - for a London where everyone is truly connected.

ORIGINS OF THE CHARITY

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The origins of Bridge House Estates can be traced back to 1097 when William II, successor as King to William the Conqueror, raised a special tax to help repair London Bridge.

By the end of the twelfth century, the shops and houses adorning Peter de Colechurch's new stone London Bridge were beginning to generate not only increased cross-river trade, but also increased taxes, rents and bequests. A significant fund began to accumulate, administered from a building on the south side of the bridge called Bridge House. Over succeeding centuries this fund has been administered by the City of London Corporation ('the City Corporation') as Trustee.



The Bridge House Mark, established as an identifying emblem of the charity for many centuries was designed by William Leybourn, a famous seventeenth century surveyor.

The work of Bridge House Estates now reaches out across the whole of London in many important and diverse ways:

The River Bridges

The maintenance and support of five of the bridges that cross the Thames into or by the City of London – London Bridge, Blackfriars Bridge, Southwark Bridge, Tower Bridge, and Millennium Bridge – is the primary purpose of the charity. They are gateways to the City of London and require sustained investment and expert care.

London Bridge – The first stone bridge across the Thames was built between 1176-1209 and replaced between 1823-1831. The current bridge was built between 1967-1972 and designed by the City Engineer, Harold Knox King with architects Mott, Hay & Anderson and William Holford & Partners. Made of concrete with polished granite, the Bridge has three spans founded on concrete piers fixed deep into the river clay. It was opened by Her Majesty, The Queen in 1973.

Blackfriars Bridge – Blackfriars Bridge was originally built between 1760-1769 and was known as 'Pitt Bridge' after William Pitt the Elder. This structure was replaced between 1860-1869 with a design by Joseph Cubitt of five wrought iron arches faced with cast-iron, on granite piers. The decorations include ornithological sculptures surmounting the granite columns on each cutwater, archaded cast iron parapets and enormous attached columns in red granite with Portland stone capitals. The sculptures depict land birds on the landward side of the bridge and sea birds on the side facing the sea. Queen Victoria opened the bridge in 1869.

Southwark Bridge – Originally built between 1814-1819, Southwark Bridge was purchased by the charity in 1868. The City of London had been trying to obtain control since 1827 to catch criminals escaping to Southwark, outside its jurisdiction! It was replaced between 1912-1921 with a design by Sir Ernest George and Basil Mott and comprises five steel arches with granite cutwaters and piers.

Tower Bridge – Designed by the Victorian architect Sir Horace Jones, the City Architect, in collaboration with Sir John Wolfe Barry KCB, Tower Bridge was opened in June 1894 after eight years of construction. It is a working bascule, suspension and girder bridge, constructed as a steel frame clad in stone and granite in Gothic style to complement the neighbouring Tower of London and is the only bridge where no part actually touches the City footprint. Under the Corporation of London (Tower Bridge) Act 1885 (as amended), the City

Corporation is required to raise the Bridge to provide access to and egress from the Upper Pool of London for registered vessels with a mast or superstructure of 30 feet or more. The service is provided free of charge subject to 24 hours' notice and is available any time, day or night, 365 days per year. The City Corporation as BHE's Trustee ensures that the Bridge, a designated Grade 1 listed building, is properly maintained and protected as part of the nation's heritage.

As a world-famous icon of London, Tower Bridge enables tourists to have access to the internal areas of the Bridge, with a public exhibition having been in place since 1982. The exhibition showcases the Victorian architecture, engineering and also the original Victorian engines used to power the lifting of the Bridge. The operational and tourism activities at Tower Bridge are managed by the Trustee on behalf of the charity.

Millennium Bridge – As the first new pedestrian bridge to be built across the Thames for over a century, Millennium Bridge links the City of London at St Paul's Cathedral with the Tate Modern Gallery at Bankside. Funded by the charity and the Millennium Commission, the 'Blade of Light' is a 325 metre steel pedestrian bridge, conceived by Sir Anthony Caro OM CBE and built by Ove Arup and Foster Associates under the project management of the London Borough of Southwark and subsequently transferred to the charity to own and maintain.

The Grant-Making and Other Charitable Activities of City Bridge Trust

After the responsibilities relating to the bridges have been met, the charity can use surplus income in any year for its ancillary charitable purposes, the provision of transport for elderly and disabled people in Greater London and/or for other charitable purposes for the general benefit of the inhabitants of Greater London, further to a cy-près scheme settled by the Charity Commission in 1995. This scheme enables the charity to work through its charitable funding arm, CBT for a fairer London through tackling disadvantage. CBT works collaboratively to further these purposes through three key areas of activity, namely:

- Grant-making;
- Social investment; and
- Encouraging philanthropy.

Further information on the activities of CBT is available at www.citybridgetrust.org.uk

TRUSTEE'S ANNUAL REPORT

Structure and Governance

Governing Document

Reflecting its ancient nature, complex history and long connection to the City Corporation, Bridge House Estates' (BHE) "governing document" is made up of a number of different sources or instruments, some of which are referenced below. In March 1994, the charity was registered with the Charity Commission.

Founders

By various ancient gifts of property, added to over the centuries.

Governing Instruments

Historic trust documents governing gifts, grants and bequests including, a Royal Charter of 24 May 1282.

A supplemental Royal Charter of 26 November 1957
Private Acts of Parliament including:

- The Blackfriars Bridge Act 1863
- The Blackfriars and Southwark Bridges Act 1867
- The Corporation of London (Tower Bridge) Act 1885
- The Corporation of London (Bridges) Act 1911
- The City of London (Various Powers) Act 1926, section 11

- The City of London (Various Powers) Act 1949, section 13
- The City of London (Various Powers) Act 1963, sections 9 & 32
- The London Bridge Act 1967
- The City of London (Various Powers) Act 1979, section 19

Various Schemes and Orders made by the Charity Commission:

- The Charities (Bridge House Estates) Order 1995 (S.I.1995/1047) and the Charity Commission Scheme which took effect by that Order
- An Order of the Charity Commission sealed 10 July 1997 (350.97)
- An Order of the Charity Commission sealed 20 July 1998 (251.98)
- The Charities (Bridge House Estates) Order 2001 (S.I.2001/4017)
- The Charity Commission Scheme dated 26 August 2005
- The Charities (Bridge House Estates) Order 2007 (S.I. 2007/550)

Ancient custom and practice.

Governance Arrangements

BHE is an unincorporated charity. The Mayor and Commonalty and Citizens of the City of London (also referred to as 'the City Corporation' or 'the City of

London Corporation'), a corporation by prescription, is the corporate Trustee of BHE. The City Corporation is Trustee acting by its Court of Common Council and that executive assembly has delegated responsibility in respect of the day-to-day administration and management of this charity for the period of this report to the BHE Board, subject to those matters expressly reserved to the Court.

The BHE Board was formally constituted by the Court of Common Council in April 2021 and is responsible for the management and control of the charity, in the discharge of the City Corporation's functions as Trustee, under the oversight of the Court. This revised governance arrangement provides a framework for effective decision-making and which better demonstrates decisions have been taken solely in the best interests of the charity. In considering ongoing and effective administration and governance, the BHE Board established a Grants Committee of the Board to discharge operational functions in advancing the charity's ancillary object. As with the exercise of any delegated authority, the BHE Board retains responsibility and accountability for all decisions taken by its Grants Committee, with ultimate responsibility and oversight for the City Corporation as Trustee of BHE remaining vested in the Court.

Membership of the BHE Board and the Grants Committee is drawn from the 125 elected Members of the Common Council together with external appointees. In making appointments, the Court of Common Council will take into consideration any skills, knowledge and

experience of the elected Members, and where relevant, external appointees. External appointments are made after a 'skills' audit. Members of the Court of Common Council are unpaid for support provided to BHE and are elected by the electorate of the City of London.

To support the BHE Board in its first year of constitution, the Board resolved to proactively consult with, and seek the advice of, other Committees of the Court of Common Council, drawing on their skills, knowledge and experience, to facilitate delivery of existing workstreams under the revised delegation arrangements, and to better inform the Board's decision-making on certain matters. The following Committees' advice were sought on matters as described below in the year 2021/22:

Policy and Resources Committee – in relation to any existing and on-going BHE projects which were previously within the purview of that Committee prior to the constitution of the BHE Board to assist the Board in taking its decisions for the successful delivery of those projects, as appropriate.

Investment Committee – in relation to strategic property and financial investment matters, that committee previously having had responsibility for such matters for BHE, to assist the BHE Board in taking related decisions for the charity.

Audit and Risk Management Committee – with these matters for BHE previously having fallen within the purview of this Committee, in relation to audit and risk matters as they affected both the external audit of BHE, and the internal audit and risk management for the charity as it operates and is managed within the City Corporation's operational and management audit and risk framework adopted in the discharge of all the City Corporation's functions.

All the above Committees are ultimately responsible to the Court of Common Council. Meetings are held at the Trustee's discretion in public (except where it is considered not to be in the charity's best interests to do so), supporting a decision-making process which is clear, transparent and publicly accountable.

Good governance is considered by the Trustee to be fundamental to the success of the charity. The comprehensive governance review that commenced in 2017/18 concluded during the year, with a move to an implementation stage. Following the constitution of the BHE Board, which provides more cohesive oversight of the charity's activities, a senior leadership team was established in January 2022, holding responsibility for the day-to-day operational management of the charity.

Utilising the Target Operating Model process established by the City Corporation, this team builds on a greater institutional definition for the charity within the City Corporation's wider operational framework, whilst maintaining appropriate autonomy of operation and decision-making for the charity. Appropriate consideration is being given to the practices recommended within the Charity Governance Code throughout this review.

Consistent with the Trustee's duty to keep BHE's governance under review to ensure the charity is operating effectively to further its charitable purposes, the work to seek further changes to BHE's governing documents by way of a Supplemental Royal Charter continued throughout the year with Her Late Majesty giving her assent at the meeting of her Privy Council in June 2022. The powers granted will enable the charity to operate more effectively and generate greater impact.

Organisational structure and decision-making process

The charity is administered in accordance with its governing documents and the law. The Trustee discharges its duties and functions in accordance with the City Corporation's own procedures and internal corporate governance framework (which include Committee Terms of Reference setting out the scope of delegations from the Court of Common Council, Standing Orders, Financial Regulations, a Members' Code of Conduct, and the Chief Officers' Scheme of Delegations). These City Corporation governance documents can be obtained via a request to the email address stated on page 61.

Each elected Member by virtue of their membership of the Court of Common Council, its relevant boards, committees and sub-committees, has a duty to support the City Corporation in the proper discharge of its duties and functions as Trustee of the charity by faithfully acting in accordance with charity law, the charity's governing documents, the Terms of Reference of the relevant board, committee or sub-committee to which responsibilities are delegated from the Court, and the City Corporation's agreed corporate governance framework and procedures as noted above.

Induction and Training of Members

The City Corporation makes available to its Members (and external appointees), seminars and briefings on various aspects of its activities, including those concerning the charity, to better enable them to perform their duties efficiently and effectively. Induction

meetings are provided on specific aspects of the work of BHE, with an emphasis on involvement for those Members (and external appointees) actively working with the charity. If suitable seminars or other training options are identified that are relevant to the charity, Members (and external appointees) are advised of these opportunities.

Purposes and activities

The purposes of the charity are the support and maintenance of London Bridge, Blackfriars Bridge, Southwark Bridge, Tower Bridge and Millennium Bridge. After these responsibilities are met, any income surplus to that which can be usefully applied in accordance with the subsisting trusts in any given year is applied for the provision of transport for elderly and disabled people in Greater London and/or for other charitable purposes for the general benefit of the inhabitants of Greater London in accordance with a policy settled by the Trustee following consultation.

Public benefit statement

The Trustee confirms that it has referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing BHE aims and objectives and in planning future activities. The five river bridges maintained and supported by the charity are available to the general public on an open access basis. Regarding grant-making activities of the charity and other support for the charitable sector undertaken by the charity's funding arm 'City Bridge Trust,' the Trustee awards grants at its discretion to address disadvantage across London's diverse communities and provides more general support to the charitable sector through various strategic initiatives. This process is based upon published criteria, and through thoughtful analysis and collaboration with other partners in the sector regarding the needs of marginalised communities in Greater London. The charity uses a transparent and fair assessment process and ensures that a robust monitoring system is in place to establish the public benefit derived from each grant approved alongside the other activities of the charity.

Consequently, the Trustee considers that BHE operates to benefit the general public and satisfies the public benefit test.

Reference and administrative details

The administrative details of the charity are stated on pages 60 - 61.



Gardening and food growing at the Albany arts centre in Deptford, funded by City Bridge Trust

ACHIEVEMENTS AND PERFORMANCE

The Bridges

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Bridge House Estates maintains and supports five of the main river bridges in central London. These are road and pedestrian bridges which cross the Thames into (or nearby) the City: Tower Bridge, London Bridge, Southwark Bridge, Millennium Bridge and Blackfriars Bridge. These vital thoroughfares are managed and maintained by a specialist team, working closely with other stakeholders to ensure the bridges continue to serve the capital, safely and securely now and in the future.

On 6 June 2021, Southwark Bridge celebrated its centenary. Following a commemorative boat inspection by the Lord Mayor, the bridge was lit with a specially commissioned light display over its birthday weekend. Each evening, the bridge glowed with slow pulses of bright, white light, repeating in 100-second cycles. The display made use of the architectural lighting system previously installed by the Illuminated River project.

There has been significant activity at Blackfriars Bridge with the commencement of the long-awaited Blackfriars Bridge refurbishment project. Infrastructure services company FM Conway was appointed to carry out the extensive refurbishment, including the full reconstruction of the parapets and full repainting of the bridge. The refurbishment will take place over three years. There was a considerable period of engagement, owing to the number of significant projects and stakeholders in the area, such as Tideway. However, work started on site in earnest in January 2022. As part of the project, the cast iron parapets have started to be stripped down to their component parts and taken back to bare metal whilst being meticulously tracked and recorded. This is the first time this has been attempted across the whole of the bridge since its construction in 1869. Any new elements required are being re-cast in the traditional manner before being coated in a modern paint system to protect the bridge structure for years to come. The distinct red

and white colour scheme will be restored, and the rust staining removed. The benefits of this project will be visibly apparent over the coming years as the refurbishment traverses the bridge, span by span.

Adjacent to Blackfriars Bridge, the Thames Tideway Tunnel project (a massive new Super Sewer being constructed along the line of the river) has continued at pace. The City Corporation's Bridges Engineering Team have been working closely as part of the project team to provide technical approval and ensure that BHE's assets are protected throughout. The extensive monitoring of the Bridges continued to show lower than anticipated settlement as a result of tunnelling activity, well within safety limits.

Discussions have continued with the developer of Colechurch House over the replacement of the footbridge over Duke Street Hill which provides access from London Bridge to London Bridge Station.



Millennium Bridge
© Emmanuel Cole / City Bridge Trust



Tourism at Tower Bridge

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For almost 130 years Tower Bridge has been the symbolic gateway to London. It is one of the capital’s most recognisable landmarks, a working bascule bridge which is also an award-winning and popular, paid visitor attraction. In May 2021, following the third national lockdown, the Bridge was able to again reopen as an attraction and events venue to the public, carefully increasing capacities while retaining the majority of its Covid-specific safety measures, in line with public feedback and expectations.

The UK and London tourism and events economies started to experience gradual recovery in 2021/22, following the severe impact of the pandemic on domestic and international visitor appetite and ability to travel. Preparations ahead of the year saw Tower Bridge working closely with industry bodies and working partners in order to understand the latest predictions for recovery, following which a flexible operational and promotional plan was created and deployed. As a result, visitor levels at Tower Bridge increased to a greater degree than experienced at many of its peer major central London attractions in 2021/22, due to an agile marketing approach which initially targeted Londoners and the

‘hyper-local’ market, after which the sector continued to recover and international travel restrictions were lifted.

Following the third national lockdown, the Bridge reopened as an attraction and events venue to the public on 17 May 2021. It was in the first wave of UK attractions to do so, and welcomed over 2,000 visitors in its first week, which saw the restarting of income generation for the charity in terms of admissions, events and retail. Following reopening, government restrictions including distancing measures remained in place until July 2021, which meant significantly reduced capacities in order to maintain social distancing.

Visitor sentiment research undertaken by key tourism bodies and associations showed there was significant public appetite (75% of the visitor attraction-going UK public) for seeing distancing measures retained past the removal of legal requirements in mid-July, with 40% stating they would not visit without measures in place. As a result, Tower Bridge retained the majority of its Covid-specific safety measures to the end of the financial year, while carefully increasing capacities in line with positive changes in national data. Feedback illustrated this was instrumental in maintaining confidence and encouraging visitors back to the attraction.

	21/22*	20/21**	19/20	18/19
Visitor numbers to Tower Bridge	261,815	45,127	835,821	862,696
No. of pupils participating in education programme	2,604	1,429	4,344	3,975
Admissions Income	£1,867,911	£320,625	£4,033,965	£4,367,647
Retail Income	£703,458	£147,512	£1,698,765	£1,498,267
Venue Hire Income	£529,502	£10,448	£931,116	£916,478

*Business recovery year following the pandemic – reopened from mid-May 2021 in line with Government restrictions, to reduced capacities and increased safety measures. Onsite school sessions did not recommence until October 2021. Visitor appetite gradually increased throughout the year, although a return to pre-pandemic levels is not predicted by industry bodies until 2023/24.

**Business and operations severely affected by the pandemic. Open for only four months of the financial year in line with Government restrictions and substantially reduced footfall and appetite across the tourism industry after initially reopening in July 2020.

The operational management of Tower Bridge as a working bascule bridge, transport infrastructure and its 24-hour security provision continued throughout 2021/22, including the fulfilment of the Trustee’s statutory obligation for raising Tower Bridge for river vessels, and

In terms of quality of experience, the Bridge achieved its record score of 93% for its annual Visit England (VE) assessment, which resulted in contention for the 2021 VE Accolades and the awarding of a subsequent ‘Gold Accolade’ in October 2021. The Bridge also achieved a Trip Advisor Traveller’s Choice Award in 2021 and at the time of writing is ranked on their website as second of all London ‘things to do’ and ‘Visitor Attractions’.

The Learning team at Tower Bridge maintained the Sandford Award for Heritage Education in 2021, receiving highly positive feedback following a period of piloting the return of onsite learning sessions with enhanced safety measures. The Bridge’s digital presence was also developed further in 2021/22. After remaining digitally open while physically closed at the outset of the pandemic, its online learning provision and virtual visitor offer proved very popular and were clearly here to stay, including extensive workshops and online resources.

The Bridge also experienced its highest participation levels for specific onsite initiatives over the course of the year, including family activities and ‘relaxed early openings’, designed to provide an autism-friendly environment.

The venue hire business at Tower Bridge was unable to restart until September 2021 due to Government restrictions after which it experienced a sharp increase in bookings and enquiries. Weddings, receptions, dinners and other celebrations took place in the Bridge’s event spaces across the latter half of the financial year, which included the highest number of events facilitated in March 2022 in comparison with any previous year.

the protection of the Bridge and the public. A number of major operational projects were also successfully completed in 2021/22, including a ten-month replacement of the Bridge’s hydraulic pipework and components, while it remained operational throughout.



Bridge House Estates' Funding and Philanthropic Activities

Since 1995, BHE's charitable funding arm CBT has distributed surplus income that is not required for the long-term maintenance and support of the five bridges. As London's largest independent funder, CBT provides grants to hundreds of organisations every year, and works collaboratively with other funders and partners to maximise efficiency and extend reach. The funding is used to reduce inequality and grow stronger, more resilient and thriving communities for a London that serves everyone.

The ongoing impact of the pandemic influenced much of CBT's work across the capital. The team worked hard to support London's charitable and social sector with funding and investment, while maintaining a focus on a just and equitable recovery. CBT's Bridge Programme provided additional free support to funded organisations, engaging a network of partners to help with a wide range of support options, including organisational development and governance, fundraising and impact measurement.

Bridging Divides

An interim review of BHE's charitable funding strategy, 'Bridging Divides', delivered through the charity's funding arm, CBT, led to many open funding programmes being updated to better deliver the core policy objectives of the strategy. A new support scheme, 'Transition Funding', was launched to provide interim funding where some programmes remain paused.

Despite the challenges of the pandemic, the charity's overall strategy through CBT remains valid, empowering people and communities across London to reach their full potential by:

- tackling disadvantage and exclusion
- reducing inequalities and marginalisation
- fostering more resilient and thriving communities.

CBT aims to support communities in using their assets to tackle the root causes of, and mitigate the impact of, disadvantage, exclusion, inequality, and marginalisation. Following two years of disruption, CBT is not returning to 'business as usual' but is undergoing a process of learning and adaption.

As well as grant-making, CBT offers robust, non-financial support for funded organisations via the Bridge Programme. This connects CBT-funded organisations with a range of free support, making use of the non-financial resources of BHE and the City Corporation, encompassing assets such as expertise, networks, venues and training. The initiative aims to enhance organisations' capacity, resilience and long-term sustainability, and is supported by partners Rocket Science, Locality and Cranfield Trust.

CBT is also proactive in seeking additional opportunities to support sustained, positive change across the capital, by making the most of resources, influence, networks, skills and assets.

Diversity, Equity and Inclusion

CBT is committed to being truly inclusive and anti-racist with a robust and progressive Diversity, Equity and Inclusion (DEI) programme. There is a power imbalance inherent in grant-making structures and practices and CBT is working hard to redress this, guided by a dedicated DEI working group. This is with the understanding that a greater diversity of views, skills and lived experience will help generate better ideas and better decision making.

CBT strives for equal opportunities and outcomes for those supported by its work, taking into account different backgrounds, cultures, race and abilities. The team actively seek out the opinions and experiences of under-represented people and communities to inform our services and aim to fund more organisations led by people with lived experience.

CBT is actively working on delivering a DEI Action Plan, which incorporates a Race Action Plan.

Alliance Partnerships

CBT values the benefits of working in alliance with other funders. By collaborating with other organisations CBT increases the reach and impact of its grant-making. Notable examples from this year include:

The Rise Fund: CBT provided £500k over two years to Rosa, a grant-making charity that funds grassroots women's organisations and works to make the UK a fairer, safer place for women and girls. The Rise Fund invests in the future of Black and minoritised-led women's and girls' organisations, providing grants to strengthen the sector.

Civil Society Roots 3: A collaboration with the Greater London Authority (GLA). CBT contributed £720k. The GLA is coordinating the distribution of grants across 10 London boroughs. Funding is for groups that are led by and for communities impacted by structural inequalities, with the aim of strengthening networks, capacity and voice.

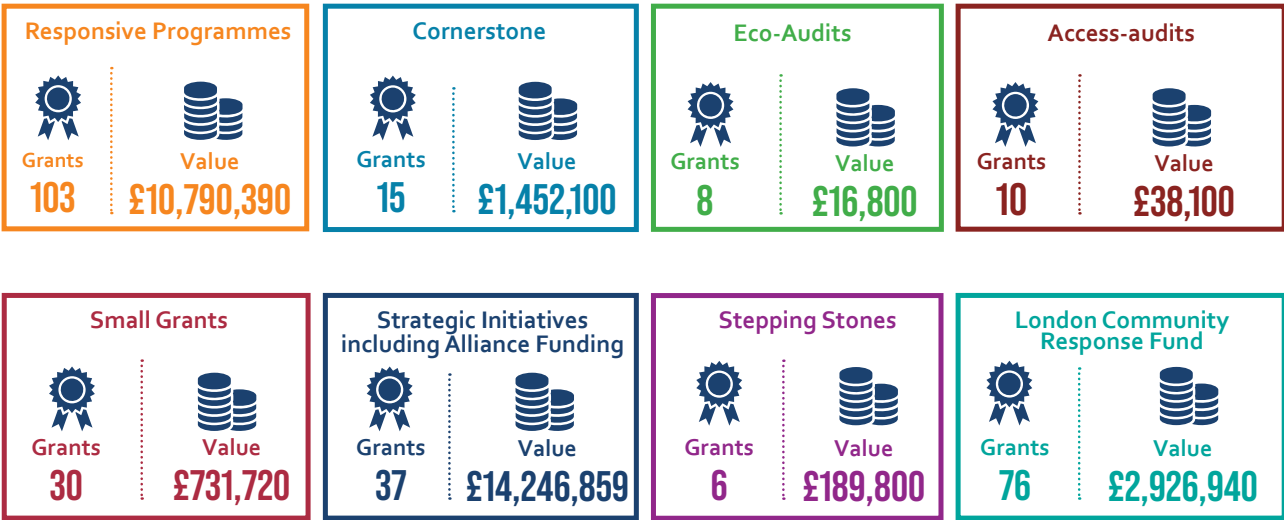
Trust for London (TFL): CBT provided £2m to TFL's Racial Justice Fund, which aims to tackle racial injustice by increasing economic empowerment among London's Black and minoritised communities.

CBT also provided £1.5m to TFL's Disability Justice Fund which will supply grants to strengthen the disability movement in London by supporting organisations led by Deaf and Disabled people, enabling growth in effectiveness, power, and influence.

City Bridge Trust Charitable Funding

FINANCIAL YEAR 2021/22

BRIDGING DIVIDES



In 2021/22, Strategic Initiatives grants included six Alliance Funding awards, totalling £6,239,999



Strategic Initiatives

In addition to its responsive grant-making, each year CBT also funds Strategic Initiatives which enhance London’s voluntary and community sector. These include:

A contribution of £485k towards LocalMotion. This collaboration of six funders, including CBT, will use their collective resources, experience and strengths to support local communities, working with local partners to address specific social, environmental and economic priorities.

A grant of £37k to Spectra, providing initial funding for the development of a Trans Learning Partnership. This trans and non-binary research and development programme will share knowledge, experience and good practice to directly improve lives.

A grant of £35k towards the access costs of people with disabilities taking part in TFL’s Commission on Social Security, which is exploring ways of improving the social security system.

Stronger Voices

As part of CBT’s focus on equity, support is made available to those that need it most. For example, CBT is funding a training programme designed to strengthen the voices of London-based equality organisations. This will help them effectively advocate for their beneficiaries and causes, driving through positive change for the capital’s marginalised and vulnerable groups.

This Stronger Voices project is being led by Media Trust, backed with CBT funding of £223k over three years. The programme provides six months of free training, specifically designed for the voluntary sector. The aim is to empower people with lived experience to share their stories, and to level the playing field.

Grant-making policy

The Trustee has established BHE’s grant-making policy to achieve the charity’s ancillary purpose, as laid out on page 5, for the public benefit. In the name of CBT, its charitable funding arm, BHE considers and funds a large number of organisations and makes awards through a wide programme of funding schemes. The majority of grant commitments are usually for revenue expenditure, awarded over 2–5 years.

All applications are assessed via a robust process to ensure that proposed activities for funding will be supported by adequate and appropriate resources and will be used only for activities that match the charity’s criteria. Approved grantees are required to report annually on the impact of their work. Information is collected in a uniform and

systematic way, enabling analysis and feedback to take place. The results of monitoring reports are used to assess the overall effectiveness of grant-making, along with a commissioned grantee perception survey providing benchmarking and performance data.

Details of how to apply for grants are available on the CBT website – www.citybridgetrust.org.uk

Social Investment

CBT isn’t just a grant funder. It also invests, providing loans where a well-defined and measurable social benefit can be achieved within the term of the investment.

As an example, during the year the drawdown against the £320k investment in social enterprise Micro Rainbow was used to support its aims to provide safe shelter for LGBTQI-asylum seekers and refugees in London. Such investment builds on CBT’s vision for an equitable London, a city where people from every background can access the opportunities and support they need, and where all individuals and communities can thrive.

Impact and Learning

CBT has a dedicated Impact and Learning team. Their task is to continue boosting a culture of learning (externally and internally), enhance data collection, enable impact measurement and catalyse sector feedback. By making better use of evidence the team improves CBT’s work and impact, increasingly ensuring this data benefits sector partners.

Processes have been put in place to enable funded organisations to help improve CBT’s work. The Team analyse and act on insights gathered through feedback, case studies and learning visits. Further information is gathered from an online service called GrantAdvisor UK, which allows grant-seekers to submit free, anonymous reviews of grant-makers.

Research began in 2021 to examine how disabled people experience hybrid working. The research - in collaboration with The Work Foundation (part of Lancaster University) will also examine how hybrid working could support job entry, return-to-work and job retention, creating policy recommendations.

As the capital recovers from the past two years, CBT remains committed to working in accordance with its PACIER values (Progressive, Adaptable, Collaborative, Inclusive, Environmentally Responsible and Representative) – and with its partners to catalyse a London where people from every background can access the same opportunities and support; where all have a chance to thrive.



BHE Investments

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The Investment Strategy Statement (ISS) held by BHE provides the framework for managing the charity's investment portfolio and incorporates the strategic objectives approved within the overarching strategy for BHE, *Bridging London 2020 – 2045*. This reflects the radical Climate Action Strategy adopted in 2020 by the City Corporation for both the organisation itself and as Trustee for BHE.

The purpose of the ISS is to ensure that the charity maintains consistent funding for its primary purpose, meeting the needs of the five Thames Bridges, with surplus investment income being appropriately managed to support the ancillary purpose in line with BHE's latest approved charitable funding strategy, delivered in the name of CBT. The ISS covers the investment of the charity's permanent endowment fund – both now and in the future - and unrestricted income fund, and encompasses property, financial and social investments.

Investment policy

The charity's investments are invested in accordance with the powers set out in an Order of the Charity Commission dated 20 July 1998, the Trustee Act 1925, the Trustee Act 2000 and within its Investment Strategy Statement (ISS). The Order, in addition to its other powers, enables the Trustee to invest the property of the charity either:

- in the acquisition of any securities or property (real or personal) of any sort; or
- on deposit or loan whether in the UK or elsewhere.

The charity defines investment risk principally as the danger of failing to meet its primary purpose. As an endowed charity, the Trustee has a duty, when investing the permanent endowment, to balance capital growth and income return to meet the charity's purposes now and in the future. To achieve this, the real value of the permanent endowment is required to be preserved, after providing for annual expenditure, alongside consideration of required levels of income generation. Due to the in-perpetuity nature of the objects and size of the charity's funds, the charity can take a more longer-term view and tolerate a reasonable level of short-term volatility to the value of the endowment fund as an investment opportunity rather than as a threat. The long-term investment objectives of the portfolio are currently to:

- a. Apply a targeted income return of CPI +4% to the financial investment funds held.
- b. Outperform the MSCI Benchmark (Greater London Properties) for total return on an annualised 5-year basis, for the property investment funds held.
- c. Apply a minimum targeted income return of CPI to the Social Investment Fund.

The Trustee is committed to being a responsible investor of the charity's funds and the long-term steward of the assets in which it chooses to invest those funds. It expects this approach to protect and enhance the value of the charity's assets over the long term. The Trustee is aware that the charity's mission or its credibility may be

undermined if it invests in businesses whose activities undermine the charity's values and charitable purposes. The Trustee recognises it is consistent with its fiduciary duties and duty in investing charity property to manage Environmental, Social and Governance (ESG) issues that may be financially material. As a long-term investor, BHE recognises that it should manage ESG risks that can be both long-term and short-term in nature. In addition, the Trustee seeks to identify investment opportunities for BHE aligned with the charity's long-term purposes. As a signatory to the Principles for Responsible Investment (PRI), the Trustee has also agreed to incorporate the six core principles of PRI into the charity's investment analysis and decision-making processes. The Trustee is also committed to align the charity's financial investment portfolio with the goals of the Paris Agreement on climate change (2015). It is further committed to being net zero across BHE's full value chain, working closely with other aspects of the City Corporation's business to deliver the joint Climate Action Strategy adopted for BHE as Trustee and by the City Corporation for itself, with a deadline of net zero by 2040.

The performance of the charity's investments during the year is discussed on pages 19 - 20 and set out in Notes 13 - 15.

Property Investments

BHE has a property investment portfolio comprising of assets located primarily in the City of London and the London Borough of Southwark. The portfolio is predominately comprised of offices together with retail, industrial and education assets, and represents the permanent endowment funds of the charity. There are now 66 assets (2020/21: 65 assets) within the portfolio of which around 50% by value are ground leases, providing regular income. Due to their nature, 12 of these assets, such as bridge vaults, are not benchmarked alongside the rest of the portfolio but are valued externally.

The underlying value of the property portfolio, as disclosed in the balance sheet, increased by £45.3m (5.3%) to £888.1m at 31 March 2022. The objectives for this portfolio, as stated within the ISS, are to maximise rental income and to outperform the MSCI Benchmark (Greater London Properties including owner occupied) total return on an annualised 5-year basis. The portfolio outperformed the MSCI Benchmark across all reported periods. The performance of the property portfolio is depicted in the table below:

	31 March 2022	31 March 2021
Capital Value*	£888.1m	£843.8m
Gross Rental Income **	£26.2m	£27.0m
5-year annualised Total Return	8.6%	10.2%
Benchmark 5-year annualised Total Return	6.3%	4.3%
MSCI Universe (All UK Property) 5-year annualised Total Return	2.1%	3.1%

* Inclusive of lease smoothing adjustment
** Inclusive of service charge income

Review of activities from 2021/22:

- Increased investment in industrial sector with purchase of DNL House, Walthamstow (£13.8m) with passing rent of £430k per annum and estimated rental value of £582k per annum
- Maximised the price of £19.5m achieved from the sale of 64 & 65 London Wall EC2 (ahead of valuation of £17.5m)
- Regear of Millennium Bridge House ground lease to allow major refurbishment with phased premium of £12m (£5m received to date)
- Agreement for lease exchanged with Fashion Retail Academy for pre-let at 84 Moorgate for total rent of £2.8m per annum after expiry of rent-free period
- Progressed major refurbishments at 120 Cannon Street, 30 New Bridge Street, 23 Finsbury Circus and 74 Moorgate & 84 Moorgate, all targeting Energy Performance Certificate (EPC) ratings of a minimum of B and BREEAM sustainability ratings of Excellent, while reducing carbon emissions.

Financial Investments

The BHE financial investment portfolio primarily represents the unrestricted income funds of the charity, although currently around a fifth of the portfolio forms part of the permanent endowment fund. The aim of the portfolio, as set out in the Investment Policy on page 16, is to seek an absolute return over the long term to provide for increases in annual expenditure whilst preserving its capital base in real terms, which is currently set at CPI + 4%.

To achieve its objective, the portfolio is invested across a diverse array of asset classes, on a global basis, which includes exposure to publicly listed equities, fixed income,

multi-asset funds, infrastructure and private equity. The charity primarily accesses these asset classes through pooled fund vehicles, each managed by specialist appointed fund managers. Twenty percent of the portfolio is managed on a segregated account basis by Ruffer LLP.

The performance of the financial investment portfolio is shown in the table below:

	31 March 2022	31 March 2021
Financial Investments Portfolio Value*	£879.5m	£834.0m
One Year Total Return	6.6%	26.5%
Absolute Return Target	11.0%	4.7%
Asset Allocation Benchmark	11.4%	18.4%

* The Portfolio Value includes £879.5m long term investments (£843.0m as at 31 March 2021) plus £8.5m short term investments with fund managers (£9.1m as at 31 March 2021).

Financial markets started the year to 31 March 2022 positively as economies reopened and a strong recovery in corporate earnings supported momentum in equity returns. However, by the middle of the year market volatility had increased as supply chain challenges constrained the recovery, exerting inflationary pressures and prompting fears of an economic slowdown. After a brief resurgence at the end of 2021, Markets contracted in the final three months to March both as a result of Russia’s invasion of Ukraine (which led to a further increase in commodities prices) and due to changes in monetary policy conditions, as central banks acted to combat inflation.

It is very difficult for the portfolio to outpace high inflation over the short term and under these challenging investment conditions, the charity’s financial investments generated an annual return of 6.6% in the year to 31 March 2022. Although this trailed the charity’s absolute return target (11.0%) and asset allocation benchmark (11.4%) for the year, this followed a year of strong outperformance in 2020/21 and it should be noted that the charity aims to meet its investment targets over the long term, where performance continues to be positive.

Social Investments

BHE holds £8.6m (2020/21: £9.1m) of unrestricted income funds as social investments. The activities and performance of the social investment fund is stated on page 16 alongside the section on BHE’s philanthropic and funding activities.

Plans for future periods

BHE has always existed, and continues to exist, for the benefit of London, and is anchored by the needs of London’s communities. BHE’s role continues to be more important than ever in bridging and connecting London – both physically via its five bridges, and through supporting causes at the heart of London’s communities that help bridge divides in society. The grant of the Supplemental Royal Charter will provide the opportunity to enhance the governance of the charity ensuring that BHE is a modern and progressive charity that can continue to respond to the issues of today. The changes that the new charter will bring includes:

- greater flexibility in the application of BHE’s funds, with suitable safeguards to protect the primary object to maintain and support needed for the five Bridges
- provision of more modern and flexible powers in relation to the administration of BHE and
- greater clarity around the operation of the Trustee’s existing powers and embedding of the principles of modern, good governance in the charity’s governing document.

The vision for the next year across the activities of the charity includes:

The Bridges: A major focus over the coming year continues to be the Blackfriars Bridge refurbishment project, with Southwark Bridge also seeing major works, with the waterproofing of approach structures on both sides of the Bridge. The Team will continue to work closely with the Tideway Tunnel Team and in enhancing bridge security. Discussions are ongoing with Transport for London regarding traffic access constraints on London Bridge, and concerns regarding the potential damage to Tower Bridge arising from increased contraventions of the weight restrictions for heavy goods vehicles.

Tower Bridge Tourism: The continued recovery of the Bridge’s tourism, events business and education provision will remain a priority, allied to adaptive and responsive operational and strategic marketing models. Current business support facilities will be reviewed with the potential procurement and implementation of a new ticketing, bookings, point of sale and back of house system. The journey towards official ‘Green Tourism’ accreditation will be commenced, in support of BHE’s strategic focus on sustainability.

Activities of City Bridge Trust: CBT will apply learning from the last two years to set out a clear, accessible funding offer that supports communities to use their assets to tackle the root causes of, and mitigate the

impact of, disadvantage, exclusion, inequality, and marginalisation. By collaborating with other funders, CBT will increase reach and maximise use of resources. A new website for BHE will increase engagement, transform the user experience and enable more audiences to access funding and support. With Covid restrictions lifting, face-to-face learning visits with funded organisations will restart. In April 2022 CBT held its first Networking and Learning Day - enabling a wide range of funded organisations to come together and share their stories and experiences with one another.

Investments: A detailed review of the current ISS is planned for 2022/23, considering the future management of the charity’s investment portfolio and the approach to be taken on matters such as impactful investing. The intention is for a revised policy to be adopted ahead of the 2023/24 financial year. Plans for the specific investment areas during 2022/23 include:

Property Investments: major office refurbishments which continue at 120 Cannon Street and 30 New Bridge Street are targeting EPC ratings of B and BREEAM ratings of Excellent for sustainability and a consultant will be appointed to advise on achieving EPC ratings of B by 2030 and net zero carbon by 2040 across the portfolio. The impacts of high inflation on these and other projects will require management, with funds raised by re-gearing the ground lease at Adelaide House (EC4) and Salisbury House (EC2) potentially being redirected to address escalating costs.

Financial Investments: the BHE Board will continue to manage the charity’s financial investment portfolio in line with the overall objectives, awaiting changes that may arise from the review of the ISS. Throughout 2022/23 it will monitor the performance of the financial investments, ensuring that asset allocation remains appropriate and managing the performance of appointed investment managers.



The Heart n Soul project in Deptford, enabling young people to learn new skills, make new music and art. Funded by City Bridge Trust

FINANCIAL REVIEW

Overview of financial performance

Over the year, the charity continued to focus on managing the impacts of the pandemic. This included the reopening of Tower Bridge as a visitor attraction in May 2021, keeping on track with our bridge maintenance programme and reviewing our funding programmes to meet the needs of Londoners. Economic factors, such as increasing inflation rates, low interest rate levels and the impacts of the Government's plans to address the pandemic, continued to cause uncertainties for the cost of various projects, the Tower Bridge visitor operations and the ability of our investments to raise sufficient income to undertake plans. The prudent management of unrestricted income funds has ensured that the charity has sufficient funds available to meet its primary objective - the support and maintenance of its five Thames bridges - alongside its ancillary purpose of charitable funding for the general benefit of the inhabitants of Greater London.

Income

Total income for 2021/22 was £34.1m, a reduction of £13.3m on the previous year (£47.4m). 2020/21's total income benefited from restricted grant income of £15.0m received towards the London Community Response Fund.

Following the lifting of pandemic-related restrictions, Tower Bridge tourism experienced a steady recovery in income. The income derived from visitor admissions, retail and events at Tower Bridge increased to £3.1m from the previous year's £0.5m. March 2022 enjoyed a boost in visitor admissions which had an impact on the full year results.

Investment income, made up of rental and other related income from the property portfolio and income from the financial investment holdings of the charity, totalled £30.4m, the same as was achieved in the previous year. Within this total, income received from financial investments increased due to the impacts of the reopening of economies at the beginning of the financial year alongside improved returns on private equity funds however there was a decrease in property rental income. The charity continued to support its tenants with offers such as rent-free periods, plus due to delayed completion of property refurbishment projects, alongside some tenants exercising lease breaks, void periods with no rental income increases.

The remainder of the charity's investment income comes from interest earned from monies placed on

treasury deposits and social investments held, at £0.3m (2020/21: £0.9m). The reduction in interest income reflects lower returns available in the money markets, alongside there being net repayments made within social investments held.

Other income in 2020/21 included £0.8m in claims under the Government's Coronavirus Job Retention Scheme (CJRS) for staff who were furloughed due to the Covid-19 pandemic. With the phasing out of the CJRS, the amount receivable for 2021/22 totalled £0.2m.

Expenditure

Total expenditure for 2021/22 was £66.6m, a reduction of £23.0m on the previous year.

Expenditure on charitable activities comprises spend for supporting and maintaining the bridges, the operational costs of Tower Bridge as both a working bridge and a visitor attraction, and the charitable funding activities undertaken by BHE in the name of City Bridge Trust (CBT). In 2021/22, expenditure on charitable activities reduced to £49.0m from the previous year's £72.3m. There was an increase in spend supporting and maintaining the bridges with the commencement of the Blackfriars Bridge refurbishment project and other cyclical improvement works for all five bridges. An increase in Tower Bridge tourism spend reflected the increased visitor numbers following the lifting of pandemic-related restrictions. The overall reduction in charitable activities expenditure was attributable to the decrease in funding activities compared to the record high of commitments made in the previous year, which included grants awarded under the London Community Response Fund (LCRF) programme. A pause in grant-making, whilst an interim review of the Bridging Divides programme took place, led to this position.

In contrast to the above, expenditure on raising funds increased to £15.3m (2020/21: £15.0m). The increase was driven by fees relating to the management of the charity's financial investments, with these being based on the market value of assets under management which increased over the year. However, property investment expenditure reduced, following an improvement in the collection of rent arrears, with the release of £0.6m of bad debt provision previously provided.

Overall performance

The above-mentioned activities for the year resulted in an overall deficit of £32.5m (2020/21: £42.2m), prior to movements on investments held. Total gains of £104.5m were reported as at 31 March 2022, compared to £155.5m for the previous year. Financial investments

followed on from the previous year’s record result with another strong performance with gains of £62.4m. There was a net gain on property investments of £42.3m as the property market experienced a significant improvement compared to the Covid-19 depressed property market as at March 2021. Further details on the performance of investments is stated on pages 19 - 20.

There was an unrealised loss of £0.2m on the social investment fund (2020/21: gain of £0.2m).

Funds held

Total funds held by the charity as at 31 March 2022, increased by £77.0m, representing 4.7%, to £1,720.2m (2021: £1,643.2m). Within total funds, £1,030.1m represent the permanent endowment funds which are held in perpetuity to generate income for the future activities of the charity. All income arising from the endowment fund is accounted for within unrestricted funds. Such income enables the charity to meet its primary purpose of maintaining and supporting the five river bridges across the Thames, with the remaining surplus income available to undertake the activities of CBT.

Restricted funds held as at year-end amounted to £0.5m (2021: £3.8m). Details of these are stated on page 55.

The unrestricted income funds of the charity include both the general fund (free reserves) and a number of designated funds. As at 31 March 2022, these funds totalled £689.6m (2021: £659.9m) being net of £25.0m held to cover the pension deficit (2021: £27.7m).

From the charity’s unrestricted income funds, it has set aside or designated funds for specific purposes. At year-end, these designated funds totalled £494.8m (2021: £445.6m). To ensure the charity can meet future maintenance costs of its five bridges, £17.1m was transferred into the bridges repair fund increasing the total held at year-end to £56.2m (2021: £48.1m). This increase reflects the major project underway on Blackfriars Bridge, alongside the need to provide for inflationary pressures. A further £22.5m was transferred into the bridges replacement fund, giving a total of £191.2m (2021: £168.7m) held as at year-end to fund future rebuild costs. The balance on the grant-making fund at year-end was £210.3m (2021: £206.9m), a decrease of £3.4m.

During the year, the charity established a new designated fund to enable the charity to further progress and potentially accelerate delivery of its Climate Action Strategy (CAS). £15.0m was transferred into this fund.

Details of all funds held, including their purposes, is set out within Note 21 to the financial statements.

Reserves policy

The permanent endowment funds are held in perpetuity. It is the Trustee’s policy to invest the assets of the charity held within this fund to retain the real value of the endowment, while also generating sufficient returns to fund the charity’s primary purpose to maintain and support its five river bridges, whilst preserving both the ‘real’ value of the asset base and the purchasing power of the sums available for annual expenditure over the long term.

Any income surplus to that required to be applied to the charity’s primary purpose is predominantly used to provide assistance in the form of grants to charitable organisations across Greater London. The level of funds available for charitable funding is monitored and adjusted to ensure compliance with the policy to preserve the ‘real’ value of the asset base.

The free reserves of the charity are held to cover working capital needs and a provision for unplanned urgent activities. The Trustee believes that an amount of £35m should be held for these purposes, although has approved that an additional amount of up to £55m (giving a total of £90m) should be held due to the uncertain economic conditions with high inflation and managing the aftereffects of Covid-19 pandemic. This amount is subject to at least annual review.

The charity is considering, within its governance review, adopting a total return basis for its permanent endowment fund – with this power being within the new Supplemental Royal Charter. With this approach, the charity’s Trustee decides each year how much of the total return within the endowment fund can be released to income for spending against the objectives and how much is retained for investment.

Reserve levels held as at 31 March 2022 are set out in Note 21. The charity holds free reserves of £194.8m (2021: £214.3m). Amounts held are £104.8m above the current revised policy, following a strong performance during the year by the investments in which the unrestricted income funds are held. The Trustee remains cautious of the impacts of the uncertain economic climate on its investment portfolio, noting the potential risk of future realised losses and increase in property construction costs and continues to review the level of reserves held.

Remuneration policy

The charity’s senior staff are employees of the City Corporation and, alongside all staff, pay is reviewed annually. These expenses incurred by the Trustee in administering the charity are re-charged to BHE. The City Corporation is committed to attracting, recruiting and

retaining skilled people and rewarding employees fairly for their contribution. As part of this commitment, staff are regularly appraised and, subject to performance, eligible for the payment of bonuses and recognition awards. The above policy applies to staff within the charity’s key management personnel, as defined within Note 11 to the financial statements.

Senior staff posts of the charity are individually evaluated and assessed independently against the external market allowing each post to be allocated an individual salary range within the relevant grade, which incorporates market factors as well as corporate importance.

The charity is committed to equal opportunities for all employees. An Equality and Inclusion Board has been established by the City Corporation to actively promote equality, diversity and inclusion in service delivery and employment practices. The Board is responsible for monitoring the delivery of the Equality and Inclusion Action Plan. This also includes addressing the City Corporation’s gender pay gap.

Fundraising

Section 162(1)(a) of the Charities Act 2011 requires charities to make a statement regarding fundraising activities. The legislation defines fundraising as “soliciting or otherwise procuring money or other property for charitable purposes”. Although the charity does not undertake widespread fundraising activities, any such amounts receivable are presented in the financial statements as “voluntary income” including grants.

In relation to the above we confirm that all solicitations are managed internally, without involvement of commercial participators or professional fundraisers, or third parties. The day-to-day management of all income generation is undertaken by the CBT team, who are accountable to the Trustee. The charity is not bound by any regulatory scheme and does not consider it necessary to comply with any voluntary code of practice.

The charity has received no complaints in relation to fundraising activities in the current year (2020/21: nil). Individuals are not approached for funds hence the charity does not consider it necessary to design specific procedures to monitor such activities, including those designed to protect vulnerable people.

Principal risks and uncertainties

The charity is committed to a programme of risk management as an element of its strategy to preserve the charity’s assets. In order to embed sound practice the senior leadership team ensures that risk management policies are applied, that there is an on-going review of activity and that appropriate advice and support is provided. A key risk register has been prepared for the charity, which has been reviewed and adopted by the Trustee. This identifies the potential impact of key risks and the measures which are in place to mitigate such risks.

The principal risks faced by the charity, and actions taken to manage them are as follows:

Risk	Actions to manage risks
Structural damage to Bridges Major structural damage to one of the bridges may cause it to become non-operational.	The City Surveyor’s Department and Department of the Environment within the City Corporation work together (for the charity and in the discharge of the City Corporation’s separate statutory and regulatory functions), alongside other bodies and stakeholders, to manage ongoing actions associated with this risk which includes potential structural damage as a result of issues such as a substantial vessel strike or through acts of terrorism. Possible impacts from the Thames Tideway tunnelling continue to be monitored. A 50-year maintenance plan is in place to manage on-going works.
Reputation Management A range of incidents both within and outside the direct control of the Trustee, may adversely impact upon the charity’s operations, activities, and reputation. Ineffective delivery of responses to actual and/or potential events that damage the charity’s reputation.	<p>Operate a proactive strategic communications approach that positively promotes the BHE brand and the whole range of the charity’s activities.</p> <p>Regularly review the Principal Risks register and current/future issues that could potentially expose the charity to adverse comment and initiate appropriate responses.</p> <p>When appropriate initiate the charity communications crisis response arrangements ensuring effective communication to both internal and external stakeholders and other relevant media channels.</p>
Unsustainable financial position to meet objects Insufficient returns from investment activities are available to meet the charity’s purposes, strategies and objectives. Continued high inflation leading to increased costs and hence additional demand from income.	<p>Monitor investments held against the ‘transitional’ Investment Strategy. Implement a new Investment Strategy and regularly review to ensure that the investments are suitable and appropriately diverse (i.e. appropriate levels of asset allocation between asset types and within funds held by the charity).</p> <p>Continuation of ongoing financial scenario planning, with focus on ensuring sufficient liquidity is in place.</p>
Failure to deliver BHE’s strategy and organisational change Lack of support for BHE’s strategic vision; insufficient capacity and resources to deliver strategy; poor communication/ collaboration within and between teams; lack of cohesive business plan to deliver strategic aims; lack of engagement from CoLC in implementing strategic decisions for organisational change within the CoLC as they affect BHE.	Deliver a detailed implementation plan for the charity’s overarching strategy, Bridging London, and embed an appropriate strategic framework for Policies and plans are in place which support the delivery of the Strategy. Effective planning and implementation of a change management programme for the charity. Align BHE changes within the City Corporation’s Target Operating Model process in accordance with the charity’s best interests.

Risk	Actions to manage risks
Safeguarding Safeguarding requirements not embedded into all of the charity’s activities, including lack of regular and effective safeguarding training for the Board and for all relevant staff; insufficient monitoring of safeguarding issues across operational delivery of strategies furthering the primary and ancillary objects.	Develop and embed a new bespoke Safeguarding Policy for the charity across all its activities and deliver ongoing general training to staff and the BHE Board in adopting the policy. Deliver further tailored/ specific training to teams within the charity to effectively monitor and manage safeguarding risks in their area of work.

Going concern

The financial statements of BHE have been prepared on a going concern basis as the Trustee considers that there are no material uncertainties about the charity’s ability to continue as a going concern. In making this assessment, the Trustee has considered the potential ongoing impact of the Covid-19 pandemic and the current high inflationary pressures on the value of investment assets held, future income levels, expenditure requirements and the liquidity of the charity over the next 12-month period. The Trustee is satisfied that the charity could absorb significant changes in investment value with no impact on its ability to continue as a going concern. The charity’s funds grew by £77m in the year to 31 March 2022, with funds available in liquid assets to meet any cash needs as they fall due.

Financial projections have been considered over the short-term, being a 3-year period, with the assumption that income levels will initially continue to be below normal expectations. Financial investments held have

generated gains which have exceeded previous forecasts although this is not a guaranteed portrayal of future performance, with the early months of 2022/23 showing a decline in valuation. The primary purpose of the charity is to meet the needs of the charity’s five Thames bridges, ensuring that adequate funds have been set aside to cover both their short and long-term needs. The Trustee continues to be satisfied that it will have the necessary resources to meet these needs, with sufficient funds available as at 31 March 2022 to make the necessary transfers to designated funds for these purposes, based on current requirements. The ancillary purpose of BHE is undertaken only where surplus income is available after responsibilities relating to the Bridges have been met, as stated on page 5, and the charity continues to be able to fund both its responsibilities for the Bridges and its ancillary purpose. However, should it be required, this method of operation provides flexibility to the charity when approving future plans. For this reason, the Trustee continues to adopt a going concern basis for the preparation of the financial statements.

TRUSTEE RESPONSIBILITIES

The Trustee is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Charity law requires the Trustee to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under charity law the Trustee must not approve the financial statements unless the Trustee is satisfied that they give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources, including the income and expenditure, of the charity for that period. In preparing these financial statements, the Trustee is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK 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 charity will continue in business.

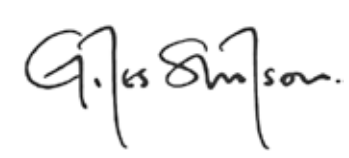
The Trustee is responsible for keeping adequate accounting records that are sufficient to show and explain the charity’s transactions and disclose with reasonable accuracy at any time the financial position of the charity and enable the Trustee to ensure that the financial statements comply with the Charities Act 2011. The Trustee is also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Trustee is aware:

- there is no relevant audit information of which the charity’s auditors are unaware; and
- the Trustee has taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Financial statements are published on the Trustee’s website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Trustee’s website is the responsibility of the Trustee. The Trustee’s responsibility also extends to the ongoing integrity of the financial statements contained therein.

Adopted and signed for on behalf of the Trustee.



Dr Giles Shilson
Chairman of BHE Board

Guildhall, London



Paul Martinelli
Deputy Chairman of BHE Board

30 January 2023

INDEPENDENT AUDITOR’S REPORT TO THE TRUSTEE OF BRIDGE HOUSE ESTATES

Opinion

We have audited the financial statements of Bridge House Estates (‘the charity’) for the year ended 31 March 2022 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows and the notes to the financial statements, including 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* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the charity’s affairs as at 31 March 2022 and of its incoming resources and application of resources 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 Charities Act 2011.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. 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 charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’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 trustee’s 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 charity’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

The trustee is responsible for the other information contained within the annual report. The other information comprises the information included in the annual report, other than the financial statements and our auditor’s report thereon. 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.

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 this gives rise to a material misstatement in the financial statements themselves. 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 in relation to which the Charities (Accounts and Reports) Regulations 2008 requires us to report to you if, in our opinion:

- the information given in the financial statements is inconsistent in any material respect with the trustee’s report; or
- sufficient and proper accounting records have not been kept by the charity; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the trustee’s responsibilities statement set out on page 28, the trustee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustee 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 trustee is responsible for assessing the charity’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 trustee either intend to liquidate the charity or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial statements

We have been appointed as auditor under section 151 of the Charities Act 2011 and report in accordance with the Acts and relevant regulations made or having effect thereunder.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from 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 of 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.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

A further description of our 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.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We identified and assessed the risks of material misstatement of the financial statements from irregularities, whether due to fraud or error, and discussed these between our audit team members including internal specialists. We then designed and performed audit procedures responsive to those risks, including obtaining audit evidence sufficient and appropriate to provide a basis for our opinion.

We obtained an understanding of the legal and regulatory frameworks within which the charity operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Charities Act 2011 together with the Charities SORP (FRS 102). We assessed the required compliance with these laws and regulations as part of our audit procedures on the related financial statement items.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which might be fundamental to the charity’s ability to operate or to avoid a material penalty. We also considered the opportunities and incentives that may exist within the charity for fraud. The laws and regulations we considered in this context for the UK operations were General Data Protection Regulation (GDPR) and Health and Safety Legislation.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and

regulations to enquiry of the Trustee and other management and inspection of regulatory and legal correspondence, if any.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be within the timing of recognition of income, the valuation of financial investments and investment properties and the override of controls by management. Our audit procedures to respond to these risks included enquiries of management, internal audit, legal counsel and the Audit & Risk Committee about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals, reviewing accounting estimates including those specific to the investment valuations for biases, reviewing regulatory correspondence with the Charity Commission, and reading minutes of meetings of those charged with governance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

Use of our report

This report is made solely to the charity’s trustee in accordance with Part 4 of the Charities (Accounts and Reports) Regulations 2008. Our audit work has been undertaken so that we might state to the charity’s trustee 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 charity and the charity’s trustee for our audit work, for this report, or for the opinions we have formed.

Crowe U.K. LLP
Statutory Auditor
London, UK

31 January 2023

Crowe U.K. LLP is eligible for appointment as auditor of the charity by virtue of its eligibility for appointment as auditor of a company under section 1212 of the Companies Act 2006.

STATEMENT OF FINANCIAL ACTIVITIES

For the year ended 31 March 2022

BALANCE SHEET

As at 31 March 2022

	Notes	Unrestricted Funds £m	Restricted Funds £m	Endowment Funds £m	2021/22 Total Funds £m	2020/21 Total Funds £m
Income and Endowments from:						
Voluntary income	2	—	0.2	—	0.2	15.4
Charitable activities	3	3.1	—	—	3.1	0.5
Investments	4	30.4	—	—	30.4	30.4
Other income	5	0.4	—	—	0.4	1.1
Total Income		33.9	0.2	—	34.1	47.4
Expenditure on:						
Raising funds	6	14.9	—	0.4	15.3	15.0
Charitable activities						
Repair and maintenance of bridges		9.8	—	—	9.8	9.4
Tower Bridge tourism		4.7	—	—	4.7	4.3
Charitable funding		31.0	3.5	—	34.5	58.6
Total charitable activities	7	45.5	3.5	—	49.0	72.3
Other						
Net pension scheme costs	19	2.3	—	—	2.3	2.3
Total Expenditure		62.7	3.5	0.4	66.6	89.6
Net (expenditure) before gains/(losses) on investments		(28.8)	(3.3)	(0.4)	(32.5)	(42.2)
Net gains/(losses) on property investments	13	—	—	42.3	42.3	(23.4)
Net gains on financial investments	14	53.7	—	8.7	62.4	178.7
Net (losses)/gains on social investments	15	(0.2)	—	—	(0.2)	0.2
Total gains on Investments		53.5	—	51.0	104.5	155.5
Net income/(expenditure) after gains/(losses) on investments		24.7	(3.3)	50.6	72.0	113.3
Other recognised gains/(losses):						
Actuarial gains/(losses) on defined benefit pension scheme	19	5.0	—	—	5.0	(6.5)
Net movement in funds		29.7	(3.3)	50.6	77.0	106.8
Reconciliation of funds:						
Fund balances brought forward at 1 April 2021		660.0	3.8	979.5	1,643.2	1,536.4
Total funds carried forward	21	689.7	0.5	1,030.1	1,720.2	1,643.2

All of the above results are derived from continuing activities.
There were no other recognised gains and losses other than those shown above.
The notes on pages 35 to 59 form part of these financial statements.

	Notes	2022 Total £m	2021 Total £m
Fixed assets:			
Tangible assets	12	3.1	3.1
Investment properties	13	888.1	843.8
Financial investments	14	879.5	834.0
Social investment fund	15	8.6	9.1
Total fixed assets		1,779.3	1,690.0
Current assets			
Stock		0.2	0.3
Debtors	16	11.3	11.7
Short term investments and deposits	14	26.9	38.0
Cash at bank and in hand		4.1	4.5
Total current assets		42.5	54.5
Creditors: Amounts falling due within one year	17	(47.4)	(44.8)
Net current (liabilities)/assets		(4.9)	9.7
Total assets less current liabilities		1,774.4	1,699.7
Creditors: Amounts falling due after more than one year	18	(29.2)	(28.8)
Net assets excluding pension scheme liability		1,745.2	1,670.9
Defined benefit pension scheme liability	19	(25.0)	(27.7)
Total net assets	20	1,720.2	1,643.2
The funds of the charity:			
Permanent endowment funds		1,030.1	979.5
Restricted funds		0.5	3.8
Designated funds		494.8	445.6
General funds		194.8	214.3
Total funds	21	1,720.2	1,643.2

The notes on pages 35 to 59 form part of these financial statements

Approved and signed on behalf of the Trustee

Chamberlain of London and Chief Financial Officer
30 January 2023

STATEMENT OF CASH FLOWS

For the year ended 31 March 2022

NOTES TO THE FINANCIAL STATEMENTS

	Notes	2021/22 Total £m	2020/21 Restated Total £m
Cash flows from operating activities:			
Net cash (used in) operating activities	22	(56.7)	(68.1)
Cash flows from investing activities:			
Dividends, interests and rents from investments		30.0	30.2
Additions to short term deposits		(58.2)	(84.9)
Proceeds from sale of short term deposits		69.3	96.3
Sale of investment property		24.7	14.3
Purchase of property		(26.7)	(26.6)
Additions to Social Investments		(1.0)	(0.6)
Social Investments repayments		1.3	4.3
Additions to financial investments		(136.1)	(60.5)
Proceeds from sale of financial investments		153.0	92.4
Net cash provided by investing activities		56.3	64.9
(Decrease) in cash in the year		(0.4)	(3.2)
Change in cash and cash equivalents in the reporting period		(0.4)	(3.2)
Cash and cash equivalents at the beginning of the reporting period		4.5	7.7
Cash and cash equivalents at the end of the year	23	4.1	4.5

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items that are considered material in relation to the financial statements of the charity.

a. Basis of preparation

The financial statements of the charity, which is a public benefit entity under FRS 102, have been prepared under the historical cost convention, as modified for the revaluation of investment property and financial investments measured at fair value, and in accordance with the Accounting and Reporting by Charities: Statement of Recommended Practice (SORP) applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (second edition effective 1 January 2019) and the Charities Act 2011.

The City Corporation is Trustee of the charity, with officers of the City Corporation providing administrative services for both the charity and other Funds for which it is responsible. All assets, liabilities, income and costs are accounted for by the charity individually. Where required, costs are apportioned based on actual activity of the charity. Please see Note 1 (c) (vi) below for further explanation.

The Financial Statements are presented in sterling which is the functional currency of the charity.

b. Going concern

The financial statements have been prepared on a going concern basis as the Trustee considers that there are no material uncertainties about the charity's ability to continue as a going concern. A rolling annual review of the charity's forecast financial position over a five-year period is carried out to confirm that sufficient income funds will be generated to finance required expenditure on the bridges with any available surplus funds allocated to charitable funding.

In making this assessment, the Trustee has considered the potential ongoing impact of the Covid-19 pandemic

and the current high inflationary pressures on the value of investment assets held, future income levels, expenditure requirements and the liquidity of the charity over the 12-month period from the date of the signed accounts. Financial projections have been considered over the short-term assuming that income levels will continue to be below former expectations, with some of the investments held unlikely to generate gains in line with previous financial years results. The primary purpose of the charity is to meet the needs of the bridges, ensuring that adequate funds have been set aside to cover both the short and long-term. The Trustee is satisfied that it will have the necessary resources to meet these needs. For this reason, and as set out in the Trustee's report above on page 28 the Trustee continues to adopt a going concern basis for the preparation of the financial statements.

c. Critical accounting judgements and assumptions

Key accounting judgements and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The following are the significant judgements that have been made in the process of applying the charity's accounting policies and that have the most significant effect on the amounts recognised in the Financial Statements:

i. Valuation of investment properties

Investment properties are properties ultimately owned by the charity and are held for capital appreciation, rental income, or both. They are valued at each balance sheet date at fair value as determined by professionally qualified internal and external valuers.

Valuations are calculated, in accordance with "RICS Valuation – Global Standards 2020" together with the UK National Supplement (the "RICS Red Book") current edition at valuation date. The valuations apply market capitalisation rates to future rental cash flows with reference to data from comparable market transactions together with an assessment of the security of income.

Where lease premia or costs relating to rent free periods are recognised in advance of the related cash flows, an adjustment is made to ensure that the carrying value of the relevant property, including accrued or deferred income, does not exceed the fair value as assessed by the external valuers.

The outbreak of Covid-19, declared by the World Health Organisation as a global pandemic on 11 March 2020, continues to impact on the global economy. Property markets are functioning again, with adequate transaction volumes providing market evidence upon which to base opinions of value. Accordingly, valuations are not reported as being subject to ‘material valuation uncertainty’ as defined by the RICS Red Book Global, which contains mandatory rules, best practice guidance and related commentary for all RICS members undertaking asset valuations.

In considering the specific portfolio of 66 assets which the charity holds, the valuers have not identified any assumptions that provide a material impact on a single or sub-group of those assets which were specifically sensitive to the impacts of the pandemic and which were relevant to the judgments applied as at 31 March 2022.

ii. Investment property disposals

When accounting for the disposal of long leaseholds of investment properties, the charity utilises the methodology as set out within the RICS Professional Standards (“the Red Book”) in apportioning values between land and buildings. This includes a number of factors such as insurance values and future construction costs, which are subject to judgement.

iii. Valuation of financial investments

Within financial investments are amounts invested in private equity fund vehicles. These funds are valued by the fund managers based on a number of assumptions, some of which are based on non-observable inputs (such as discounts applied either to reflect changes in the fair value of financial assets or to adjust earnings multiples).

iv. Valuation of social investments

Unquoted social investments are in some cases internally valued, and management is required to make certain judgemental assumptions. Social investments that are loans are accounted for at the outstanding amount of the loan less any provision for unrecoverable amounts. Unquoted equity, social investment funds and partnerships, and similar social investments are held at cost, less any provision for diminution in value, unless the charity is able to obtain a reliable estimate of fair value.

v. Defined benefit pension scheme

The charity has an obligation to pay pension benefits to those working for it. The cost of these benefits and the present value of the obligation depend on a number of factors, including: life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See Note 19 for the disclosures relating to the defined benefit pension scheme, alongside further detail on the sensitivity of assumptions made.

The Pension Fund is the responsibility of the City Corporation as a corporate body exercising its functions including as Trustee of BHE, and the charity does not have an exclusive relationship with the City of London Pension Fund. Although the proportion of the Pension Fund that relates to City Corporation employee members engaged on BHE activities is not separately identifiable, *an estimated share* of the total Pension Fund net deficit has been allocated to BHE based on employer’s pension contributions paid into the Fund by BHE as a proportion of total employer’s contributions paid.

vi. Allocation of support costs

Support costs, incurred by the City Corporation on behalf of the charity, are allocated on a cost recovery basis to the charity. Human resources and digital services are apportioned on headcount basis. Legal support and public relations are allocated per usage, premises costs are allocated on space occupied basis, accounting services costs are allocated on the basis of time spent and number of invoices processed with committee administration costs allocated on the basis of the number of committees overseeing the charity’s activities.

d. Income and expenditure

All income is included in the Statement of Financial Activities (SOFA) when the charity is legally entitled to the income; it is probable that the economic benefit associated with the transaction will come to the charity and the amount can be measured reliably. Income consists of fees and charges from the tourism operation at Tower Bridge, grants income, income from property (see policy g below) and financial investments and income on money market deposits held.

Grant income - Grant income is accounted for on a receivable basis when there is evidence of entitlement to the grant, receipt is probable, and the amount of the grant can be measured reliably.

Tower Bridge tourism fees and charges - Income included under this heading includes admissions fees, events income, retail and filming fees, all of which are recognised in the period to which the income relates.

Investment property income - Income is recognised on an accrual basis and on a straight-line basis (Note (1) (g)).

Financial investments income – consists of dividend and interest which are recognised when receivable.

Other income - is recognised in the period in which the charity becomes entitled to receipt.

Expenditure is accounted for on an accruals basis and has been classified under the principal categories of ‘expenditure on raising funds’, ‘expenditure on charitable activities’ and ‘other expenditure’.

Expenditure on raising funds comprises those related to management of the investment property portfolio and financial investments, including apportioned support costs. The element of costs relating to property and financial investments that are attributable to maintaining the capital value of the endowment are charged to that fund, with the balance of these costs coming from the unrestricted income fund.

Expenditure on charitable activities comprises repair and maintenance of the bridges, those related to the operation of the Tower Bridge tourist attraction, alongside grant-making, including apportioned support costs.

Grants are recognised as expenditure at the point at which an unconditional commitment is made, with notification made in writing to the grantee, and where the liability can be quantified with reasonable certainty. Where the payment is planned to be more than 12 months after the reporting date of the charity’s accounts, the charity reviews the present value of future payments and considers whether the effective financing cost is material to the charity’s reporting. If so, the financing charge is disclosed in the SOFA. Otherwise, the unadjusted value of the grant awarded is shown within creditors. In 2021/22 the charity does not consider the effective financing cost of future payments as material, and no adjustment has been made.

Governance costs include the costs of governance arrangements which relate to the general running of the charity as opposed to the direct management functions inherent in the activities undertaken. These include external audit, internal audit and costs associated with constitutional and statutory requirements such as the cost of Trustee meetings.

Support costs (including governance costs) include activities undertaken by the City Corporation on behalf of the charity, such as human resources, technology, legal support, accounting services, committee administration, public relations and premises costs. The basis of the cost allocation is set out in Note 10.

The Trustee, the City Corporation, accounts centrally for all payroll related deductions. As a result, the charity accounts for all such sums due as having been paid, with details provided in Note 11.

e. Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are valued at the year-end rate of exchange. All gains or losses on translation are taken to the Statement of Financial Activities in the year in which they occur.

f. Pension costs

Defined benefit scheme

The Trustee operates a funded defined benefit pension scheme for its staff employed on its activities, which includes staff acting for the Trustee on behalf of Bridge House Estates. The original scheme is based on final salary and length of service on retirement. Changes to the Scheme came into effect from 1 April 2014 and any benefits accrued from this date are based on career average revalued salary, with various protections in place for those members in the Scheme before the changes took effect.

For the defined benefit scheme the amounts charged within expenditure are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the Statement of Financial Activities if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and expected return on the assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in other recognised gains and losses.

The assets of the scheme are held separately from those in the charity and are invested by independent fund managers appointed by the Trustee. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis by a qualified actuary using the projected unit method and discounted at a rate equivalent to the current rate of return on a high

quality corporate bond of equivalent currency and term to the scheme liabilities. The resulting defined benefit asset or liability is presented separately after net assets on the face of the balance sheet.

g. Operating leases – Bridge House Estates as the lessor

Assets subject to operating leases are included in the Balance Sheet according to the nature of the assets. Rental income from operating leases, excluding charges for services such as insurance and maintenance, are recognised on a straight-line basis until the next rent review, even if the payments are not received on this basis, unless another method is more representative of the time pattern in which the benefits derived from the leased asset are diminished. Rent- free periods are allocated over the term of the lease.

Where rent concessions have been granted because of the Covid-19 pandemic, these have included the forgiveness of a portion of or all lease payments for an agreed period (i.e. a temporary rent reduction or rent holiday). These concessions have been recognised over the periods that the change relate to, in accordance with amendments to FRS 102 issued in October 2020.

h. Taxation

The charity meets the definition of a charitable trust for UK income tax purposes, as set out in Paragraph 1 Schedule 6 of the Finance Act 2010. Accordingly, the charity is exempt from UK taxation in respect of income or capital gains under part 10 of the Income Tax Act 2007 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

i. Fixed assets

Tangible fixed assets

Assets that are capable of being used for more than one year and have a cost greater than £50,000 are capitalised. Such assets are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is charged from the year following that of acquisition, on a straight-line basis, in order to write off each asset over its estimated useful life as follows:

Computer software	3 years
Computer and other equipment	5 years
Fixtures and fittings	8-20 years
Operational assets	10-30 years

Land is not depreciated.

Where a fixed asset (other than freehold land) is not depreciated or has a life of more than 50 years, an annual impairment review is carried out.

Heritage assets

In recognition of the historical and cultural nature of the five bridges maintained by the charity, these are considered to be heritage assets in line with the definition within FRS 102. The bridges are also considered to be inalienable (i.e. they may not be replaced or disposed of without specific statutory powers). A valuation of the bridges, and certain strategic properties integral to the operation of Tower Bridge, is not included in these accounts as the Trustee does not consider that relevant cost or valuation information can be obtained at a cost commensurate with the benefit to readers of the financial statements. This is because of the unique nature of the assets held, the lack of reliable cost information held and the lack of comparable market values. The insured value, with cover being for all risks, of the five bridges at 31 March 2022 was £1,034.2m (2021: £944m). All significant repair and refurbishment costs related to the bridges are expensed within the SOFA in line with expenditure policy 1 (d).

Investment properties

Investment properties for which fair value can be measured reliably on an on-going basis are measured at fair value annually with any change recognised in the Statement of Financial Activities. The valuations are estimated by appropriately qualified professional valuers.

No depreciation or amortisation is provided in respect of freehold or leasehold investment properties.

Financial investments

i. Quoted investments

Quoted investments comprise publicly quoted, listed securities including shares, bonds and units. Quoted investments are stated at fair value at the balance sheet date. The basis of fair value for quoted investments is equivalent to the market value, using the bid price. Asset sales and purchases are recognised at the date of trade.

ii. Unquoted investments

Private equity investments are valued at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines (2018). Valuations include assumptions based on non-observable market data, such as discounts applied either to reflect changes

in the fair value of financial assets or to adjust earnings multiples. Where a valuation is not available at the balance sheet date, the most recent valuation is used, adjusted for cashflows and foreign exchange movements and any impairment between the most recent valuation and the balance sheet date. These valuations are provided by fund managers and are subject to either independent valuation or annual audit.

iii. Cash held by fund managers

The fund managers utilised by the charity may hold investments in the form of cash from time to time when making transactions. These amounts are recognised within investments due to the intention to reinvest.

Social investments

Social investments that are loans are accounted for at the outstanding amount of the loan less any provision for unrecoverable amounts. Unquoted equity, social investment funds and partnerships, and similar social investments are held at cost, less any provision for diminution in value, unless the charity is able to obtain a reliable estimate of fair value.

j. Stocks

Stocks are valued at the lower of cost or net realisable value. All stocks are finished goods and are held for resale as part of the Tourism operation at Tower Bridge.

k. Cash

Cash and cash equivalents include cash in hand, short term deposits and other instruments held as part of the Corporation's treasury management activities with original maturities of three months or less and, if any, overdrafts.

l. Financial assets and liabilities

Since the charity only has financial instruments which qualify as basic financial instruments, it has chosen to adopt Section 11 of FRS 102 in respect of financial instruments. Financial assets and liabilities, including

debtors and creditors, are recognised when the charity becomes party to the contractual provisions of the instrument. Additionally, all financial assets and liabilities are classified according to the substance of the contractual arrangements entered into. Financial assets and liabilities are initially measured at transaction price (including transaction costs) and are subsequently re-measured where applicable at amortised cost. Financial assets are derecognised when the contractual rights to the cash flows from the asset expire, or when the charity has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

m. Funds structure

Income, expenditure and gains/losses are allocated to particular funds according to their purpose:

Permanent endowment fund – this fund consists of funds which are held in perpetuity for the benefit of the charity as a result of conditions imposed by the original donors and trusts. Income generated from the investments which represent these funds can be spent on the charitable purposes of the charity, hence is allocated to the unrestricted income fund. Gains/losses on the underlying assets remain as part of the endowment.

Restricted funds – these include income that is subject to specific restrictions imposed by donors, with related expenditure deducted when incurred.

Unrestricted income funds – these funds can be used in accordance with the charitable objects at the discretion of the Trustee and include both income generated by assets held within the permanent endowment fund and from those representing unrestricted funds. Specifically, this represents the surplus of income over expenditure for the charity which is carried forward to meet the requirements of future years, known as free reserves.

Designated funds – these are funds set aside by the Trustee out of unrestricted funds for a specific purpose.

2. Income from voluntary activities

	Restricted Income Funds £m	Total 2021/22 £m	Restricted Income Funds £m	Total 2020/21 £m
Grant income	0.2	0.2	15.4	15.4
	0.2	0.2	15.4	15.4

Previous year's Restricted Income included £15.0m received for the London Community Response Fund from various funders.

3. Income from charitable activities

	Unrestricted Income Funds £m	Total 2021/22 £m	Unrestricted Income Funds £m	Total 2020/21 £m
Tower Bridge tourism fees and charges	3.1	3.1	0.5	0.5
	3.1	3.1	0.5	0.5

4. Income from investments

	Unrestricted Income Funds £m	Total 2021/22 £m	Unrestricted Income Funds £m	Total 2020/21 £m
Investment property	26.2	26.2	27.0	27.0
Financial investments	3.9	3.9	2.5	2.5
Interest receivable	0.3	0.3	0.9	0.9
Total Investment income	30.4	30.4	30.4	30.4

All investments are held to provide an investment return to the charity.

5. Other income

	Unrestricted Income Funds £m	Total 2021/22 £m	Unrestricted Income Funds £m	Total 2020/21 £m
Other income	0.2	0.2	0.3	0.3
Government grants	0.2	0.2	0.8	0.8
	0.4	0.4	1.1	1.1

Government grants covers claims from HMRC under the Government's Coronavirus Job Retention Scheme (CJRS) for staff who were furloughed due to the Covid-19 pandemic. There are no unfulfilled conditions or other contingencies relating to this grant income and no other forms of government assistance were received in the year.

6. Expenditure on raising funds

	Direct costs £m	Support costs £m	Total 2021/22 £m	Direct costs £m	Support costs £m	Total 2020/21 £m
Investment property expenses	5.8	2.6	8.4	6.0	3.1	9.1
Financial investment expenses	6.7	0.2	6.9	5.9	–	5.9
	12.5	2.8	15.3	11.9	3.1	15.0

Of the total expenditure on raising funds, £14.9m (2020/21: £14.6m) relates to the unrestricted income fund and £0.4m (2020/21: £0.4m) to the endowment fund.

Investment property expenses - staff costs, repairs and maintenance costs, and professional fees relating to the management of the investment property portfolio.

Financial investment expenses - fees paid to fund managers. An allocation of support costs has been included against this activity.

7. Expenditure on charitable activities

	Direct costs £m	Support costs £m	Total 2021/22 £m	Direct costs £m	Support costs £m	Total 2020/21 £m
Repair and maintenance of bridges	9.0	0.8	9.8	8.8	0.6	9.4
Tower Bridge tourism	3.9	0.8	4.7	3.5	0.8	4.3
Charitable funding	33.3	1.2	34.5	57.4	1.2	58.6
	46.2	2.8	49.0	69.7	2.6	72.3

Repair and maintenance of bridges - staff costs, repairs and maintenance, insurance, equipment and materials costs relating to the Thames River bridges maintained by the charity.

Tower Bridge tourism - staff costs and other expenses related to the management and operation of the Tower Bridge tourist attraction.

Charitable funding - grants awarded in the name of CBT, the grant-making arm of the charity, for purposes benefiting the inhabitants of Greater London. Direct costs include net grants awarded of £29.8m (2020/21: £54.7m) and costs of administering the grants process of £3.5m (2020/21: £2.7m).

8. Charitable funding

During the year ended 31 March 2022, grants were awarded to institutions under the following programmes:

	2021/22 £m	2020/21 £m
Bridging Divides:		
Core activities	13.0	25.3
Strategic Initiatives	14.2	1.1
London Community Response Fund	2.9	28.3
Stepping Stones Fund	0.2	0.4
CBT 20th Anniversary Grants	-	0.1
Charitable funding	30.3	55.2
Charitable funding adjustments and cancellations	(0.5)	(0.5)
Net charitable funding	29.8	54.7
Other charitable funding related activities	3.5	2.7
	33.3	57.4

Grants were made to 251 organisations in the year (2020/21: 1,617), supporting 278 projects (2020/21: 2,031). The average amount of a grant equalled £109,326 (2020/21: £27,171). The reduction in the number of organisations supported and increase in average value of grant funding in 2021/22 is due to the focus in the previous year on the London Community Response Fund driving low value, high volume funding activity. All grantees receiving funding must work for the benefit of inhabitants of Greater London and have to meet stated eligibility criteria. Grants are not given directly to individuals.

Details of all the grants approved are shown on the CBT website www.citybridgetrust.org.uk, within the News & events section, including organisation name, amount given and purpose of the award.

Reconciliation of grants payable:

	2021/22 £m	2020/21 £m
Commitments at 1 April	46.6	43.3
Commitments made in the year	30.3	55.2
Charitable funding adjustments and cancellations	(0.5)	(0.5)
Charitable funding paid during the year	(28.3)	(51.4)
Commitments at 31 March	48.1	46.6

Outstanding grant commitments at 31 March 2022 are payable as follows:

	2021/22 £m	2020/21 £m
Within one year (note 19)	32.6	31.5
After more than one year (note 20)	15.5	15.1
Commitments at 31 March	48.1	46.6

The split of future payment dates is based upon contractual terms, which may relate to multi-year commitments.

9. Net income for the year

Net income is stated after charging:

	2021/22 £m	2020/21 £m
Auditors remuneration for the audit of the financial statements	75,000	78,000
Additional fees incurred for the audit of 2020/21 financial statements	9,000	-
Depreciation	262,873	313,492

10. Support costs

Support costs include activities undertaken by the City Corporation on behalf of the charity, such as human resources, digital services, legal support, accounting services, committee administration, public relations and premises costs. Such costs are determined on a departmental basis, and are allocated on a cost recovery basis to the charity on the basis of resources consumed by the respective activities as follows:

	Tourism £m	Investment Property £m	Financial Investments £m	Bridges £m	Grants £m	Governance £m	2021/22 £m	2020/21 £m
Department:								
Chamberlain	-	0.3	0.1	0.1	-	-	0.5	0.4
Comptroller & City Solicitor	-	0.1	-	0.1	0.1	-	0.3	0.2
Town Clerk	0.1	-	-	-	0.2	0.2	0.5	0.4
City Surveyor	-	2.0	-	0.2	-	-	2.2	2.5
Built Environment	-	-	-	0.1	-	-	0.1	0.1
Culture, Heritage & Libraries	0.1	-	-	-	-	-	0.1	0.2
Digital Services	0.2	-	-	-	0.2	-	0.4	0.7
Premises costs	0.1	-	-	0.1	0.2	-	0.4	0.4
BHE Central costs	0.1	0.1	0.1	0.1	0.4	-	0.8	-
Other	0.1	0.1	-	-	-	0.1	0.3	0.8
Sub-total	0.7	2.6	0.2	0.7	1.1	0.3	5.6	5.7
Reallocation of governance costs	0.1	-	-	0.1	0.1	(0.3)	-	-
Total Support costs	0.8	2.6	0.2	0.8	1.2	-	5.6	5.7

All support costs are undertaken from unrestricted funds. Governance costs are allocated on the basis of FTE staff within each activity. An allocation of support costs has been included against Financial Investments in 2021/22. Costs for management and administration support services provided directly to the charity are included in BHE Central costs.

11. Details of staff costs

All staff that work on behalf of the charity are employed by the City Corporation. The average full-time equivalent number of people directly undertaking activities on behalf of the charity during the year was:

	2021/22 Number	2020/21 Number
Investment properties	9	11
Tower Bridge tourism	49	50
Repair & maintenance of bridges	31	29
Grants team	34	36
Administration	8	4
	131	130

The above figures are for the FTE average number of staff rather than the average number of employees on an annual basis due to the City Corporation employing all staff. FTE is based on the activities undertaken on behalf of the charity.

In addition, support staff are charged to the charity on the basis described within Note 10. The full-time equivalent number of support service staff charged is 56.7 (2020/21: 61.1).

Amounts paid in respect of employees directly undertaking activities on behalf of the charity were as follows:

	2021/22 £m	2020/21 £m Restated
Salaries and wages	5.5	5.4
National Insurance costs	0.6	0.5
Employer's pension contributions	1.0	0.9
Total emoluments of employees	7.1	6.8

Salaries and wages for 2020/21 have been restated to include £0.4m for staff in newly created departments within the charity.

The number of directly charged employees whose emoluments for the year were over £60,000 was:

	2021/22	2020/21
£60,000 – £69,999	7	6
£70,000 – £79,999	2	2
£80,000 – £89,999	–	1
£90,000 – £99,999	2	1
£120,000 – £129,999	1	1
	12	11

All employees paid over £60,000 have retirement benefits accruing under the defined benefit scheme.

Remuneration of Key Management Personnel

The charity considers its key management personnel to comprise the Members of the City of London Corporation, acting collectively for the City Corporation in its capacity as the Trustee, senior officers employed by the City Corporation and key members of the BHE leadership team. The senior officers of the City Corporation include the Town Clerk and Chief Executive, Chamberlain, Comptroller and City Solicitor, and the City Surveyor. These officers work on a number of the City Corporation's activities and their salaries and associated costs are allocated to the activities under its control, including BHE, on the basis of employee time spent on the respective services, as stated within Note 11. Further details on this can be found within the Annual Report for City Fund. The key members of the BHE leadership team included within Key Management Personnel comprise the Managing Director, Finance Director, Chief Operating Officer, Associate Director of CBT, Philanthropy Director and Director of Communications and Engagement.

Total employment benefits, including employer pension contributions and employer national insurance contributions for key management personnel in 2021/22 was £351k (2020/21: £259k). The increase is due to the establishment of the BHE leadership team in January 2022.

The highest paid role is the Managing Director of BHE, with total employment benefits, including employer pension contributions and employer national insurance contributions in 2021/22 being £173k. This role was not in place during 2020/21, with the highest paid role being the Chief Grants Officer and Director of CBT with equivalent cost being £168k.

No Members received any remuneration for time spent on BHE matters with directly incurred expenses reimbursed, if claimed. No expenses were claimed in 2021/22 from the charity (2020/21: Nil).

12. Tangible fixed assets

	Computers & other equipment £m	Fixtures & fittings £m	Leasehold improvements £m	Total £m
Cost				
At 1 April 2021	0.6	2.4	4.2	7.2
Additions	0.1	0.1	0.1	0.3
Disposals	–	–	–	–
At 31 March 2022	0.7	2.5	4.3	7.5
Depreciation				
At 1 April 2021	0.4	1.3	2.4	4.1
Charge for the year	0.1	0.1	0.1	0.3
Disposals	–	–	–	–
At 31 March 2022	0.5	1.4	2.5	4.4
Net book value				
At 31 March 2022	0.2	1.1	1.8	3.1
At 31 March 2021	0.2	1.1	1.8	3.1

13. Investment properties

	2022 £m	2021 £m
Market value at 1 April	843.8	854.9
Purchases and improvements	26.7	26.6
Book value of disposed assets	(17.4)	(14.8)
Total unrealised gains/(losses)*	35.0	22.9
Market value at 31 March	888.1	843.8

* Includes rent free adjustment of £4.4m (2020/21: £3.7m).

The net gain on property investments is arrived at as follows:

	2022 £m	2021 £m
Total unrealised gains/(losses)	35.0	(22.9)
Realised gains/(losses) on disposal	7.3	(0.5)
	42.3	(23.4)

A full valuation was performed as at 31 March at market values determined in accordance with the RICS Valuation – Professional Standards ("the Red Book"). This was undertaken by C&W(UK) LLP and Savills (UK) Ltd, chartered surveyors, acting as independent valuers. The carrying values of investment properties are primarily dependent on judgements of such variables as the state of the markets, location, condition of the properties and various indices.

As many of the investment properties were gifted to the charity and others were acquired centuries ago, it is impracticable to provide historical cost information. It has therefore been assumed that the historical cost is nil. The properties are all situated in Greater London.

The charity determines its valuation policies and procedures and is responsible for overseeing the valuations. Valuations performed by the charity's independent external valuers are based on information extracted from the charity's financial and property reporting systems, such as current rents and the terms and conditions of lease agreements, together with assumptions used by valuers (based on market observation and their professional judgement) in their valuation models.

14. Financial investments

Total financial investments as at 31 March are split as follows:

	2022 £m	2021 £
Long term investments	879.5	834.0
Short term investments:		
- short term deposits and money market funds	18.4	28.9
- short term investments in hands of fund managers	8.5	9.1
	26.9	38.0
Total investments at 31 March	906.4	872.0

	2022 £m	2021 £m
Investments held by fund managers		
Market value 1 April	834.0	687.2
Additions to investments at cost	136.1	60.5
Disposals at market value	(153.0)	(92.4)
Gain from change in fair value	62.4	178.7
Investments at 31 March	879.5	834.0

Cash investments		
Investments at 1 April	38.0	49.4
Additions to investments at cost	58.2	84.9
Disposals at market value	(69.3)	(96.3)
Investments at 31 March	26.9	38.0
Total investments at 31 March	906.4	872.0

The geographical spread of investments at 31 March was as follows:

	Held in the UK £m	Held outside the UK £m	Total at 31 March 2022 £m	Total at 31 March 2021 £m
Fixed Interest	18.4	41.7	60.1	61.0
Index Linked	35.4	10.9	46.3	45.0
Pooled units	125.9	528.8	654.7	626.3
Listed equities	28.5	29.9	58.4	53.8
Managed funds	8.5	–	8.5	9.1
Private equity	4.0	21.5	25.5	28.4
Infrastructure	–	52.9	52.9	48.4
	220.7	685.7	906.4	872.0

The majority of the charity's financial investments are held in mutual funds operated by professional asset managers whereby the charity's assets are pooled with other investors and invested in equities, bonds and other securities. These investment assets are termed "pooled units" in the above table.

15. Social Investment Fund

	Value as at 1 April 2021	Drawn down	Repaid	Investment (loss)	Value as at 31 March 2022
	£m	£m	£m	£m	£m
Investment Fund	3.0	0.5	–	(0.2)	3.3
Loan	1.2	0.2	(0.4)	–	1.0
Bond	2.3	–	(0.9)	–	1.4
Property Fund	2.6	0.3	–	–	2.9
	9.1	1.0	(1.3)	(0.2)	8.6

The geographical spread of social investments at 31 March was as follows:

	Held in the UK	Held outside the UK	Total at 31 March 2022	Total at 31 March 2021
	£m	£m	£m	£m
Investment Fund	3.1	0.2	3.3	3.0
Loan	1.0	–	1.0	1.2
Bond	1.4	–	1.4	2.3
Property Fund	2.9	–	2.9	2.6
	8.4	0.2	8.6	9.1

At the year-end £1.3m (2020/21: £2.6m) had been committed but remained undrawn, making a total promised of £9.9m (2020/21: £12.5m). Details of all investments placed are shown on the City Bridge Trust website www.citybridgetrust.org.uk.

16. Debtors

	2022 £m	2021 £m
Debtors - amounts due in less than one year		
Trade debtors	0.5	0.1
Rental debtors	2.6	3.8
Prepayments & accrued income	3.5	4.1
Sundry debtors	0.3	–
	6.9	8.0
	2022 £m	2021 £m
Debtors - amounts due in more than one year		
Rental debtors	4.4	3.7
	4.4	3.7
Total debtors	11.3	11.7

17. Creditors – amounts falling due within one year

	2022 £m	2021 £m
Grants payable (note 8)	32.6	31.5
Trade creditors	1.6	1.2
Accruals	3.9	2.2
Deferred income	6.0	6.2
Rent deposits	3.0	3.3
Other creditors	0.3	0.4
	47.4	44.8

Deferred income comprises property rental income and lease premiums received in advance.

	2022 £m	2021 £m
Deferred income analysis within creditors:		
Balance at 1 April	6.2	6.3
Amounts released to income	(6.2)	(6.4)
Amounts deferred in the year	6.0	6.3
Balance at 31 March	6.0	6.2

18. Creditors – amounts due after more than one year

	2022 £m	2021 £m
Grants payable (note 8)	15.5	15.1
Deferred income	11.9	11.9
Other creditors	1.8	1.8
	29.2	28.8
	2022 £m	2021 £m
Deferred income – due after more than one year:		
Balance at 1 April	11.9	11.9
Amounts transferred to less than one year	(1.6)	(1.7)
Amounts deferred in the year	1.6	1.7
Balance at 31 March	11.9	11.9

Deferred income relates to lease premiums that will be released over periods of up to 163 years.

19. Pensions

City of London Corporation defined benefit pension scheme

The City Corporation operates a funded defined benefit pension scheme, The City of London Pension Fund, for its staff employed on activities relating predominantly to the three principal funds for which it is responsible (City Fund, City's Cash and Bridge House Estates).

The assets of the scheme are held in a specific trust separately from those of the Corporation and contributions are paid to the scheme as agreed with the scheme's Trustees. As the proportion of the Pension Fund deficit that relates to Bridge House Estates is not separately identifiable, the share of pension contributions paid to the scheme by the charity is calculated pro-rata to employer's contributions paid by each of the City Corporation contributors to the scheme. Further details can be found in the Annual Report of City Fund.

Accounting for the defined benefit scheme under IAS19

The full actuarial valuation of the defined benefit scheme was updated to 31 March 2021 by an independent qualified actuary in accordance with IAS19. As required by IAS19, the defined benefit liabilities have been measured using the projected unit method. The valuation has been completed under IFRS, in line with the City Fund requirements, rather than under FRS102, with no material differences between the two accounting standards identified.

The returns on gilts and other bonds are assumed to be the gilt yield and corporate bond yield respectively at the relevant date. The return on equities is then assumed to be a margin above gilt yields.

The estimated amount of total employer contributions expected to be paid to the scheme by the charity during 2021/22 is £965,000 (2020/21 actual: £914,000). This figure is calculated pro-rata to total contributions that will be payable by the City Corporation in accordance with the Schedule of Contributions towards the scheme's deficit.

Barnett Waddingham LLP, an independent actuary, carried out the latest triennial actuarial assessment of the scheme as at 31 March 2019, using the projected unit method. The actuary will carry out the next triennial actuarial assessment of the scheme as at 31 March 2022 during 2022/23, which will set contributions for the period from 1 April 2023 to 31 March 2026.

a) Major assumptions by the actuary

Financial

The financial assumptions used for the purposes of the FRS102 calculations are as follows:

Assumptions as at:	2022 % p.a.	2021 % p.a.	2020 % p.a.	2019 % p.a.
CPI increases	3.3	2.9	1.9	2.4
Salary increases	4.3	3.9	2.9	3.9
Pension increases	3.3	2.9	1.9	2.4
Discount rate	2.6	2.0	2.4	2.4

Life expectancy

The demographic assumptions used are consistent with those used for the most recent Fund valuation (31 March 2019), except for the post-retirement mortality assumptions which have been updated in light of the coronavirus pandemic. The assumed life expectations from age 65 are:

Life expectancy from age 65 (years)		2022	2021
Age 65 retiring today	Males	21.6	21.6
	Females	24.3	24.3
Retiring in 20 years	Males	23.0	22.9
	Females	25.8	25.7

Sensitivity analysis

The sensitivity of the liabilities to changes in the key assumptions used to measure the Pension Scheme's liabilities is shown in the table below:

	Change to assumptions %	Impact on liabilities	
		Increase £m	Decrease £m
Salary increases	+/- 0.1	0.1	(0.1)
Life expectancy	+/- 0.1	2.8	(2.6)
Discount rate	+/- 0.1	(1.3)	1.3

b) Amounts included in the balance sheet

The amounts included in the charity's balance sheet arising from the City Corporation pension scheme's liabilities in respect of the defined benefit scheme for the current and previous two periods are as follows:

	2022 £m	2021 £m	2020 £m
Fair value of assets (bid value)	38.0	35.6	28.3
Fair value of liabilities	63.0	63.3	47.2
Net liability in balance sheet	25.0	27.7	18.9

The net pension fund liability represents 3% (2019/20: 3%) of the total net balance sheet liability in the City Corporation Pension Fund financial statements.

c) Amounts included in the statement of financial activities

The amounts included within total expenditure in relation to the defined benefit scheme are as follows:

	2022 £m	2021 £m
Current service cost	2.5	2.4
Past service cost	0.3	0.3
Settlements and curtailments	–	0.1
Interest cost	0.6	0.5
Contributions	(1.1)	(1.0)
Total expense	2.3	2.3

The total pension costs charged in the Statement of Financial Activities (as adjusted for current service cost and employer's contributions) represents 3% (2019/20: 3%) of the total charge in the City Corporation Pension Fund financial statements.

d) Asset allocation

The current allocation of the scheme's assets is as follows:

Employer asset share - bid value	2022		2021	
	£m	% p.a.	£m	% p.a.
Equity investments	22.5	60	21.4	59
Cash	0.5	1	0.2	2
Infrastructure	4.7	12	4.1	12
Absolute return portfolio	10.3	27	9.9	27
Total assets	38.0	100	35.6	100

The charity's share of pension scheme assets at 31 March 2022 represents 3% (2020/21: 3%) of the total pension scheme assets of the City Corporation Pension Fund.

e) Movement in the present value of scheme liabilities

Changes in the present value of the scheme liabilities over the year are as follows:

	2022 £m	2021 £m
(Deficit) at beginning of the year	(63.3)	(47.2)
Current service cost	(2.6)	(2.4)
Interest cost	(1.2)	(0.9)
Remeasurement gains/(losses):		
Actuarial gains arising from changes in demographic assumptions	–	0.5
Actuarial (losses)/gains arising from changes in financial assumptions	(3.4)	14.5
Other actuarial (losses)/gains	(0.1)	(0.6)
Past service cost, including curtailments	(0.3)	(0.3)
Liabilities extinguished on settlements	–	(0.2)
Benefits paid	1.4	1.4
Contributions from scheme participants	(0.3)	(0.3)
(Deficit) at the end of the year	(63.0)	(63.3)

The charity's share of the closing value of the pension scheme liabilities represents 3% (2019/20: 3%) of the total closing value of the pension scheme liabilities of the City Corporation Pension Fund.

f) Movement in the scheme net liability

The net movement in the scheme liabilities over the year are as follows:

	2022 £m	2021 £m
(Deficit) at beginning of the year	(27.7)	(18.9)
Current service cost	(2.8)	(2.8)
Net interest	(0.6)	(0.5)
Employer contributions	1.1	1.0
Actuarial gains/(losses)	5.0	(6.3)
Other (losses)	–	(0.2)
(Deficit) at the end of the year	(25.0)	(27.7)

g) Movement in the present value of scheme assets

Changes in the fair value of the scheme assets over the year are as follows:

	2022 £m	2021 £m
As at 1 April	35.6	28.3
Interest on assets	0.7	0.4
Remeasurement gains/(losses):		
Return on assets less interest	1.8	6.9
Contributions by employer including unfunded	1.1	1.0
Contributions by scheme participants	0.3	0.3
Estimated benefits paid net of transfers in and including unfunded	(1.5)	(1.4)
Settlement prices received	–	0.1
Closing value of scheme assets	38.0	35.6

h) Projected pension expense for the year to 31 March 2023

No allowance has been made for the costs of any early retirements or augmentations which may occur over the year and whose additional capitalised costs would be included in the liabilities. As it is only an estimate, actual experience over the year may differ. No balance sheet projections have been provided on the basis that they will depend upon market conditions and the asset value of the scheme at the end of the following year.

	Year to 31/03/2023 £m	Year to 31/03/2022 £m
Service cost	–	2.4
Interest cost	0.6	0.5
Total expense	0.6	2.9
Employer contribution	1.0	1.0

20. Analysis of net assets between funds

	Unrestricted Income Funds		Restricted Funds	Endowment Funds		
As at 31 March 2022	General Funds £m	Designated Funds £m	Restricted Funds £m	Endowment Funds £m	Total at 31 March 2022 £m	Total at 31 March 2021 £m
Fixed assets – Investment properties	–	–	–	888.1	888.1	843.8
Fixed assets – Financial investments	278.4	486.2	–	114.9	879.5	834.0
Other fixed assets	3.1	8.6	–	–	11.7	12.2
Current assets & liabilities	(32.6)	–	0.5	27.1	(5.0)	9.7
Long-term liabilities	(29.1)	–	–	–	(29.1)	(28.8)
Pension liability	(25.0)	–	–	–	(25.0)	(27.7)
	194.8	494.8	0.5	1,030.1	1,720.2	1,643.2

	Unrestricted Income Funds		Restricted Funds	Endowment Funds		
As at 31 March 2021	General Funds £m	Designated Funds £m	Restricted Funds £m	Endowment Funds £m	Total at 31 March 2021 £m	Total at 31 March 2020 £m
Fixed assets – Investment properties	–	–	–	843.8	843.8	854.9
Fixed assets – Financial investments	291.3	436.5	–	106.2	834.0	687.2
Other fixed assets	3.1	9.1	–	–	12.2	16.0
Current assets & liabilities	(23.6)	–	3.8	29.5	9.7	31.1
Long-term liabilities	(28.8)	–	–	–	(28.8)	(33.9)
Pension liability	(27.7)	–	–	–	(27.7)	(18.9)
	214.3	445.6	3.8	979.5	1,643.2	1,536.4

21. Movement in funds

As at 31 March 2022	Total as at 1 April 2021 £m	Income £m	Expenditure £m	Gains & Losses £m	Transfers £m	Total as at 31 March 2022 £m
Endowment Funds	979.5	–	(0.4)	51.0	–	1,030.1
London Communities Response Fund	3.4	–	(3.1)	–	–	0.3
Other restricted Funds	0.4	0.2	(0.4)	–	–	0.2
Total Restricted Funds	3.8	0.2	(3.5)	–	–	0.5
General Funds	242.0	33.5	(23.5)	53.7	(85.9)	219.8
Pension Reserve	(27.7)	–	(2.3)	5.0	–	(25.0)
Total General Funds	214.3	33.5	(25.8)	58.7	(85.9)	194.8
Property Dilapidations	0.4	–	–	–	–	0.4
Climate Action	0.0	–	–	–	15.0	15.0
Bridges Repairs	48.1	–	(9.0)	–	17.1	56.2
Bridges Replacement	168.7	–	–	–	22.5	191.2
Grant-making	206.9	–	(27.9)	–	31.3	210.3
Social Investment Fund	21.5	0.4	–	(0.2)	–	21.7
Total Designated Funds	445.6	0.4	(36.9)	(0.2)	85.9	494.8
Total Unrestricted Income Funds	659.9	33.9	(62.7)	58.5	–	689.6
Total Funds	1,643.2	34.1	(66.6)	109.5	–	1,720.2

As at 31 March 2021	Total as at 1 April 2020 £m	Income £m	Expenditure £m	Gains & losses £m	Transfers £m	Total as at 31 March 2021 £m
Endowment Funds	984.2	–	(0.4)	(4.3)	–	979.5
Total Endowment Funds	984.2	–	(0.4)	(4.3)	–	979.5
London Community Response Fund	2.8	15.0	(28.7)	–	14.3	3.4
Other Restricted Funds	–	0.4	–	–	–	0.4
Total Restricted Funds	2.8	15.4	(28.7)	–	14.3	3.8
General Funds	127.6	31.6	(23.0)	159.6	(53.8)	242.0
Pension Reserve	(18.9)	–	(2.3)	(6.5)	–	(27.7)
Total General Funds	108.7	31.6	(25.3)	153.1	(53.8)	214.3
Property Dilapidations	0.4	–	–	–	–	0.4
Bridges Repairs	41.7	–	(8.8)	–	15.2	48.1
Bridges Replacement	158.5	–	–	–	10.2	168.7
Grant-making	219.2	–	(26.4)	–	14.1	206.9
Social Investment Fund	20.9	0.4	–	0.2	–	21.5
Total Designated Funds	440.7	0.4	(35.2)	0.2	39.5	445.6
Total Unrestricted Income Funds	549.4	32.0	(60.5)	153.3	(14.3)	659.9
Total Funds	1,536.4	47.4	(89.6)	149.0	–	1,643.2

Purpose of the endowment fund

The permanent endowment fund is held in perpetuity as a capital fund to generate income for the activities of the charity. Any income arising from this capital is accounted for within unrestricted funds. Further detail of the origins of this fund is stated on page 4.

Purposes of restricted funds

London Community Response Fund (LCRF) – established in response to the Covid-19 health pandemic to establish a collective response with other funders to support London's civil society in furtherance of the BHE funding policy, 'Bridging Divides' (£0.3m held).

Other Restricted Funds includes:

The Cornerstone Fund - a funder collaboration that aims to bring about systemic change in how civil society organisations access and receive support and which tackles structural inequalities in order to grow stronger, more resilient communities (£0.2m held).

Purposes of designated funds

Designated funds have been set aside by the Trustee for the following purposes:

Property Dilapidations	represents funds not yet utilised as received from tenants at the end of a lease to enable the property to be brought back to the required condition.
Climate Action	represents funds set aside to further progress and potentially accelerate delivery of the Charity's Climate Action Strategy.
Bridges Repairs	represents funds required to maintain the bridges for the next 5 years.
Bridges Replacement	represents funds set aside to fund the future rebuild of the bridges. This is based on the annually calculated present value of estimated future costs, adjusted for increases in construction costs.
Grant-making	represents surplus income which has been designated for future grant-making activities in the name of CBT.
Social Investment Fund	to finance investments that generate a financial return, alongside an associated social return, consistent with the agreed investment policy.

The charity also maintains a Pension Reserve Fund, representing the net liability owed.

Transfers between funds

In 2020/21, a transfer of £14.3m was made from the grant-making designated fund to the LCRF restricted fund to support the response to the Covid-19 pandemic.

Transfers are made to and from unrestricted income funds in order to maintain designated funds at the required levels.

22. Note to the statement of cash flows

Reconciliation of net income to net cash outflow from operating activities.

	2021/22 £m	2020/21 £m
Net income for the reporting period (as per the statement of financial activities)	72.0	113.3
Adjustments for:		
Interest and income from investments	(30.4)	(30.2)
Depreciation charges	0.3	0.3
(Gains) on financial investments	(62.4)	(178.7)
(Gains)/losses on property investments	(42.3)	23.4
Losses/(gains) on social investments	0.2	(0.2)
Decrease in stock	0.1	–
Decrease/(increase) in debtors	0.5	(0.1)
Increase in creditors falling due within one year	2.7	6.9
(Increase)/decrease in long term creditors	0.3	(5.1)
Net pension scheme costs	2.3	2.3
Net cash (used in) operating activities	(56.7)	(68.1)

23. Analysis of changes in net funds/cash and cash equivalents

	Total as at 1 April 2021 £m	Cash Flows £m	Total as at 31 March 2022 £m
Cash and cash equivalents			
Cash	4.5	(0.4)	4.1
Total	4.5	(0.4)	4.1

Other non-cash changes are detailed in Note 22.

24. Operating Leases

Minimum lease payments receivable under operating leases:

	31 March 2022 £m	31 March 2021 £m
Not later than one year	23	26
Later than one year and not later than five years	77	84
Later than five years	1,073	1,249
	1,173	1,359

25. Commitments

The following commitments exist as at 31 March in respect of future accounting periods:

	2022 £m	2021 £m
Works to bridges	14.6	–
Investment properties	26.3	3.9
	40.9	3.9

26. Related parties

The City Corporation is the sole Trustee of the charity, as described on page 6. The City Corporation provides various services to the charity, the costs of which are recharged to the charity. This includes the provision of banking services, charging all transactions to the charity at cost and crediting or charging interest at a commercial rate. The cost of these services is included within expenditure, as set out in Note 10.

The charity is required to disclose information on related party transactions with bodies or individuals that control or have significant influence over the charity. Members are required to disclose their interests, and these can be viewed online at www.cityoflondon.gov.uk.

Members and Senior Staff are requested to disclose all related party transactions, including instances where their close family has made such transactions. The charity has decided to disclose all instances whereby a Member or officer has a connection with a charity which is a grantee of BHE to provide full transparency.

Figures in brackets represent the amounts due at the balance sheet date. Other figures represent the value of the transactions during the year.

Related party	Connected party	2021/22 £000	2020/21 £000	Detail of transaction
London Funders (LF)	An Officer of the City Corporation is a Trustee of LF	300 (400)	180 (250)	LF received grant funding from CBT
		3 (-)	3 (-)	The charity paid a membership fee to LF
Trust for London (TL)	The City Corporation nominates three Members to TL	570 (200)	400 (770)	TL received grant funding from CBT
		4,375 (4,475)	570 (200)	TL received grant funding from CBT
		200 (-)	200 (-)	CBT received grant as contribution to Cornerstone fund
		216 (132)	410 (24)	TL paid rent, service charges & insurance
Blind in Business (BiB)	A Member of the City Corporation is a Trustee of BiB	- (-)	93 (-)	BiB received grant funding from CBT
Partnership for Young London (PYL)	A Member of the City Corporation is a Trustee of PYL	27 (-)	157 (60)	PYL received grant funding from CBT
Cripplegate Foundation, incorporating Islington Giving (CF)	Two Members of the City Corporation are Trustees of CF	225 (225)	40 (55)	CF received grant funding from CBT
Heart of the City (HoTC)	An Officer and a Member of the City Corporation are Trustees of HoTC. Two Members of City Corporation are Council Members of HoTC, with a further Council Member having departed the BHE Board in December 2021	- (119)	95 (214)	HoTC received grant funding from CBT
Guild of Freemen of the City of London (GF)	A Member is a Director of GF	20 (-)	21 (3)	GF paid rent, service charges & insurance to the Charity

Related party	Connected party	2021/22 £000	2020/21 £000	Detail of transaction
Museum of London Archaeology (MOLA)	A members is a Director/ Trustee of MOLA	- (-)	10 (41)	MOLA received grant funding from CBT
Augmentum Capital Limited (AC)	A Member of the City Corporation is a Director of AC Ltd.	12 (-)	-	Contribution towards AC's fit-out as part of the tenancy agreement
CBRE Global Investors (CBRE)	A Member of the City Corporation is an employee of CBRE	259 (3)	-	CBRE provided surveys, consultancy and development, and property purchase advisory services and rent reviews to the Charity
WSP Group plc (WSP)	A Member is a Consultant at WSP	19 (19)	-	WSP provided consultancy services to the Charity

The Members and Officers noted above did not participate in the discussions or decision making relating to the award of the grants.

Related Party Transactions with the City Fund (the City Fund is held by the City Corporation in respect of its activities as a local authority, police authority and port health authority).

During the year BHE contributed £126k towards Corporate IT projects and £129k towards the 'Secure City' project, relating to CCTV and telecommunications (2020/21: nil). The balance owed to BHE at year end was nil (2020/21: nil).

Related Party Transactions with City's Cash (City's Cash is held by the City Corporation and finances activities mainly for the benefit of London as a whole but also of relevance nationwide):

City's Cash holds a lease with BHE for the rental of a property. Rental income of £24k was received in the year (2020/21: £24k). The balance owed to BHE at year end was nil (2020/21: nil). At the year-end, City's Cash held a cash balance of £303k (2020/21: nil), relating to rental receipts on behalf of the Charity.

27. Subsequent events

In September 2022, the charity sold the freehold of investment properties held at 230, 244, 244a and 232-236 Lewisham High Street for £3.1m.

REFERENCE AND ADMINISTRATION DETAILS

Bridge House Estates

Registered charity number 1035628

The grant-making and other charitable activity of the charity operates under the name City Bridge Trust.

Principal office:

Guildhall, London, EC2P 2EJ

Trustee:

The Mayor and Commonalty & Citizens of the City of London

BHE Board members:

Deputy Dr Giles Shilson (Chair) (from 15/04/2021)

Paul Martinelli (from 15/04/2021, Deputy Chair from 27/04/2022)

Deputy Henry Colthurst (from 15/04/2021)

Colonel Simon Duckworth OBE DL (from 21/04/2022)

Alderman Professor Emma Edhem (from 15/04/2021)

Alderman & Sheriff Alison Gowman (from 15/04/2021, Interim Deputy Chair from 11/01/2022 to 27/04/2022)

Judith Pleasance (from 15/04/2021)

Deputy Henry Pollard (from 15/04/2021)

Deputy Nighat Qureshi (from 21/04/2022)

Deputy James Thomson (from 21/04/2022)

Jamie Ingham Clark (from 15/04/2021 to 24/03/2022)

Dhruv Patel OBE (Deputy Chair) (from 15/04/2021 to 09/12/2021)

John Petrie OBE (from 15/04/2021 to 24/03/2022)

Jeremy Mayhew OBE (from 13/01/2022 to 24/03/2022)

City Corporation - Senior officers:

Chief Executive John Barradell OBE – The Town Clerk and Chief Executive of the City of London Corporation (to 31/12/2022)

Michael Cogher – Acting Town Clerk and Chief Executive of the City of London Corporation (from 01/01/2023)

Chief Financial Officer Peter Kane (to 30/04/2021); Caroline Al-Beyerty (from 01/05/2021) – The Chamberlain of the City of London Corporation

Solicitor Michael Cogher – The Comptroller and City Solicitor of the City of London Corporation

Surveyor Paul Wilkinson – City Surveyor

BHE leadership team:

Managing Director David Farnsworth (from 16/04/2021)

Finance Director Karen Atkinson (from 04/01/2022)

Chief Operating Officer Simon Latham (from 04/01/2022)

CBT Associate Director Dinah Cox OBE (from 04/01/2022)

Philanthropy Director Fiona Rawes MBE (from 04/01/2022)

Director of Communications and Engagement Catherine Mahoney (from 04/01/2022)

Auditors

Crowe U.K.LLP, 55 Ludgate Hill, London, EC4M 7JW

Bankers

Lloyds Bank Plc., P.O. Box 72, Bailey Drive, Gillingham Business Park, Kent ME8 0LS

Financial investment advisors

Mercer, Quatermile One, 15 Lauriston Place, Edinburgh, EH3 9EP

Contact for Bridge House Estates, to request copies of governance documents –

BHE@cityoflondon.gov.uk

A photograph of the Tower Bridge in London at sunset. The bridge's two massive stone towers are illuminated with warm lights, and the suspension cables are a vibrant blue. A red double-decker bus is visible on the bridge deck. In the background, the modern glass dome of the City Hall is visible against the twilight sky.

BRIDGE HOUSE ESTATES

Bridge House Estates
City of London
PO Box 270
Guildhall
London EC2P 2EJ

www.cityoflondon.gov.uk
Telephone: 020 7606 3030
Registered Charity 1035628

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Report – Policy and Resources Committee

Bill for an Act of Common Council – Aldermanic Qualifications (Foreign Convictions)

To be presented on Thursday, 9th March 2023

*To the Right Honourable The Lord Mayor, Aldermen and Commons
of the City of London in Common Council assembled.*

SUMMARY

The accompanying Bill is intended to regularise the position in respect of Aldermanic qualification in respect of certain convictions. It is currently the case that a candidate convicted of certain offences in the UK, Channel Islands or Isle of Man would be disqualified from standing for election; however, due to the existing terms of the relevant Act of Common Council, those convicted of the same offences in the Republic of Ireland would not be disqualified. The Bill presented for your consideration here introduces consistency to the position by extending the disqualification to those convicted in the Republic of Ireland.

In order to effect the proposed change, a Bill for an Act of Common Council is required. In accordance with Standing Order No. 46, the terms of the Bill must be considered by the appropriate Committee(s) and must be submitted to the Recorder of London for settling prior to its submission to the Court of Common Council for its first, second and third reading.

Your Policy and Resources Committee agreed to progress this matter at its meeting in January 2023. The draft Bill at Appendix 1 was finalised by the Comptroller & City Solicitor in accordance with the Committee's direction following the meeting and has since been settled by the Recorder. It is now presented for its first and second readings and, if approved, would be presented for a third and final reading in April, so as to take effect for any Aldermanic elections from then onwards.

RECOMMENDATION(s)

Approval be given to:-

1. Proposals to make consistent the qualification requirements for Aldermen in relation to foreign convictions.
2. The draft Bill for an Act of Common Council to effect these changes, as set out in Appendix 1 to this report.

MAIN REPORT

Background

1. In the context of Aldermanic elections, consideration has been given to the issue of foreign convictions, principally the risk of a scenario arising whereby a candidate is elected who has a foreign conviction which, had it been a UK conviction, would have rendered them unqualified for election.
2. By way of example, a candidate convicted of relevant offences in Derry, in Northern Ireland, would be disqualified; meanwhile, a candidate convicted of precisely the same offences in Kerry, in the Republic of Ireland, would not be disqualified.
3. The General Purposes Committee of Aldermen discussed various options and instructed the City Solicitor to present a report to the Policy and Resources Committee, requesting that it recommend to the Court of Common Council the passing of an Act of Common Council to implement the preferred option, which was to include relevant convictions in the Republic of Ireland. The Policy and Resources Committee endorsed this approach and the approval of the Court of Common Council is now sought.
4. It should be noted that, whilst the City Corporation has the power to alter the qualification requirements for Aldermen by an Act of Common Council, it does not have the power to alter the disqualification rules for incumbents. The potential arrangements discussed below would therefore only provide protection before election/re-election and not during an Alderman's term of office. For matters which arise during a term of office, the position on disqualification would remain subject to the statutory provisions under s.9 of the City of London Municipal Elections Act 1849.

Current Qualifications

5. There are currently two ways in which an Alderman may be qualified. The first is that they are a Justice of the Peace (JP) at the date of nomination and the date of the Poll. Under this ground, any criminal convictions will have been taken into account by the Lord Chancellor. While there is no automatic bar for a conviction, they are taken into account and "the Lord Chancellor will not appoint a person in whom the public would be unlikely to have confidence" (Lord Chancellor's Guidance for Advisory Committees). The issue of criminal convictions is effectively left to the Lord Chancellor to determine and if a person is deemed fit and is appointed to be a JP they are qualified to be an Alderman.
6. The second route, introduced in 2013 is that they have never been convicted of an imprisonable offence in the UK, Channel Islands or the Isle of Man (even if they were not actually imprisoned or the conviction has been spent). This qualification is derived from and is identical to provisions relating to Police and Crime Commissioners. There are also provisions in relation to bankruptcy which are not relevant for present purposes.
7. The Court of Alderman is unique in that, because the qualifications for election as Aldermen are not legislated for, they fall within the Court of Common Council's

powers to legislate to manage its own affairs where it considers a custom is hard or defective.

8. In exercising this power, it has long been the policy of the Court of Aldermen and the Court of Common Council to minimise the risks of perceived subjectivity in relation to Aldermanic elections, at both the qualification and approval stage, by removing the exercise of discretion. A person is either a JP or is not, and they either have no relevant convictions or they have.
9. Furthermore, notwithstanding the extant power of the Court of Aldermen post-election to examine and determine whether or not any person returned as Alderman Elect is a fit and proper person and qualified for the office, reaffirmed by the Court of Appeal in *R v City of London Corporation, ex parte Matson* [1997] subject to a duty to give reasons, the Corporation subsequently decided to go further than was required by this judgment and introduced section 5 of the Act of Common Council of 10 September 1998 which states that:-

“The Court of Lord Mayor and Aldermen is deemed to have approved any person qualified to be elected to the office of Alderman under section 3 and so elected.”
10. Whilst this takes away from the Court of Aldermen any subjective assessment of whether an Alderman Elect is a fit and proper person, it leaves it open to the Court of Aldermen to determine on objective and reasoned grounds that an Alderman Elect is not qualified to be elected to the office.

Proposal

11. The election of a candidate convicted of offences to the Court of Aldermen would clearly represent a reputational risk to the City of London Corporation. Consideration was given to various options to close this loophole, including the option of simply amending the second qualification to include relevant convictions in the Commonwealth or rest of the world, which would have the advantage of simplicity and objectivity. However, it was recognised that a potential and material disadvantage might occur through this route, as judicial systems across the world do not all share the UK's approach to the rule of law. For instance, whilst ensuring that a “Nick Leeson”-type candidate cannot be elected, this change might also result in a “Nazanin Zaghari-Ratcliffe” also being ineligible. Other options, including subjective assessment of the reliability of foreign convictions and their prospective imposition in the UK, or restoring the Court of Aldermen's historic power to determine whether an Alderman is a fit and proper person to hold office, were dismissed as being inappropriate or impracticable to implement.
12. It is, therefore, proposed to add the words “Republic of Ireland” to the existing references in Acts of Common Council (which currently refer only to the UK, Channel Islands and the Isle of Man) in respect of not having been convicted of an imprisonable offence.
13. This would remove the “Kerry/Derry” paradox whereby a candidate with a relevant conviction in Northern Ireland would not be qualified, but one with an equivalent conviction in the Republic of Ireland would. It would avoid the difficult question of Commonwealth convictions which Parliament itself has not chosen to address in relation to General and local government elections. This option is

favoured by the Court of Aldermen and your Policy and Resources Committee, having considered the matter, has determined that it would be desirable to progress a Bill for an Act of Common Council to address this issue. A draft Bill for an Act of Common Council which would give effect to this proposal is included at Appendix 1. The Bill should be read in conjunction with the current Act of Common Council of 10 September 1998, as amended, which is included at Appendix 2.

14. In accordance with Standing Order No. 46, the Bill must be considered and approved by the appropriate Committee(s) and submitted to the Recorder of London for settling before it can be considered by the Court of Common Council.
15. Therefore, the draft Bill has since been settled by the Recorder and is hereby presented to the Court for its first and second reading. Subject to the Court's approval, it will then be presented for a third reading and made an Act of Common Council, if approved, on 27 April 2023. It will then be in force in time for any Aldermanic elections thereafter.

Conclusion

16. Relevant foreign convictions do not apply to Aldermen, Common Councillors, Local authority members, Police and Crime Commissioners and MP's (unless detained in the UK). As explained above such convictions could be included in the second Aldermanic qualification (only) were it to be considered necessary, having balanced the risks. Such a change would need to be effected by an Act of Common Council.
17. Having carefully considered the matters set out above, the General Purposes Committee and the Court of Aldermen considered that the option to include relevant convictions in the Republic of Ireland in the non-Magistracy qualification route would be the most appropriate course of action as it would remove a potential inconsistency whilst retaining the same approach to other relevant foreign convictions adopted in Parliamentary and local government elections.
18. Having concurred with the Court of Aldermen, the accompanying Bill has been drafted at the behest of your Policy and Resources Committee and is presented for its first and second readings.

Appendices

- Appendix 1: Draft Bill for an Act of Common Council
- Appendix 2: Act of Common Council of 10 September 1998 (as amended)

All of which we submit to the judgement of this Honourable Court.

DATED this 19th day of January 2023.

SIGNED on behalf of the Committee.

Deputy Christopher Michael Hayward
Chairman, Policy and Resources Committee

To be considered at the Court of Common Council

2023

A BILL

For an Act of Common Council to –

Make further provision for the qualification of candidates for the office of Alderman.

WHEREAS:-

- (1) From time immemorial there has existed and still exists in the City of London (“the City”) a Common Council consisting of the Lord Mayor, Aldermen and Commons in Common Council assembled and the Common Council have made, passed, ordained and established divers Acts, Ordinances, Rules, Orders and Regulations for the regulation and good government of the City and its Liberties as to them from time to time has been found necessary and expedient;
- (2) Section 3 of the Act of Common Council made and passed on the 10th day of September 1998, as amended by Acts of Common Council made and passed on the 16th day of May 2013 and the 21st day of April 2022, made provision as to candidature for the office of Alderman;
- (3) One of the qualification routes for election to the office of Alderman requires a candidate not to have been convicted of any imprisonable offence in the United Kingdom, the Channel Islands or the Isle of Man and it is desirable to also require such a candidate not to have been convicted of any imprisonable offence in the Republic of Ireland;
- (4) His late Majesty King Edward the Third by his Charter made and granted to the City in the fifteenth year of his reign afterwards confirmed and ratified by Parliament did (amongst other things) grant that if any customs in the City before that time obtained and used were in any part hard or defective or any things in the City newly arising in which no remedy had been ordained should need amendment the Mayor and Aldermen of the City and their successors with the assent of the Commonalty of the City might put and ordain thereto fit remedy as often as it should seem expedient to them so that such ordinance should be profitable to the King and to the citizens and to all other liege subjects resorting to the City and agreeable also to reason and good faith.

BE IT THEREFORE and IT IS HEREBY ENACTED ORDAINED AND ESTABLISHED by the Right Honourable the Lord Mayor, the Right Worshipful the Aldermen and the Commons of the City of London in Common Council assembled and the authority of the same **AS FOLLOWS:**

Interpretation

1. In this Act –

“Act of 1998” means an Act of Common Council made and passed on the 10th day of September 1998;

“Act of 2013” means an Act of Common Council made and passed on the 16th day of May 2013.

Candidature for the Office of Alderman

2. Section 3(3)(b) of the Act of 1998, as substituted by section 2 of the Act of 2013, is omitted and substituted by the following –

“(b) have not been convicted in the United Kingdom, the Channel Islands, the Isle of Man or the Republic of Ireland, of any imprisonable offence (whether or not sentenced to a term of imprisonment in respect of the offence).”

Commencement

3. (1) Subject to subsection (2) below, the provisions of this Act will come into force on the day on which it is made and passed as an Act of Common Council (“the commencement date”).
(2) The provisions of this Act will not apply to any Aldermanic election for which a precept has been issued at the commencement date, but instead any such election will be conducted as if this Act had not been made and passed as an Act of Common Council.

Savings

4. Save as hereby varied the provisions of the Act of 1998 and the Act of 2013 will continue in full force and effect.

NICHOLS



Mayor

A Common Council holden in the Guildhall of the City of London on Thursday, the 10th September, in the year of Our Lord One Thousand Nine hundred and Ninety-eight, and in the 47th year of the reign of Elizabeth the Second, by the Grace of God, of the United Kingdom of Great Britain and Northern Ireland and Her other Realms and Territories, Queen, Head of the Commonwealth, Defender of the Faith, before the Right Honourable Lord Mayor, Sir Richard Nichols, Sir Peter Gadsden, GBE, AC, MA, DSc, FEng, Sir Christopher Leaver, GBE, DMus, Sir David Rowe-Ham, GBE, DLitt, Sir Alexander Graham, GBE, DCL, Sir Paul Newall, TD, DL, MA, DLitt, Sir Christopher Walford, MA, DCL, Sir Roger Cork, Lord Levene of Portsoken, KBE, Gavyn Farr Arther, MA, Clive Haydn Martin, OBE, TD, DL, Robert Gerard Finch, Esq, Peter Anthony Bull, Esq, Richard Devenish Agutter, Esq, Michael Berry Savory, Esq, David William Brewer, Esq, Frederick Michael Everard, Esq, CBE, BA, DSc, John Stephen Hughesdon, Esq, and David Howarth Seymour Howard, Esq, Alderman and one of the Sheriffs of the said City and the greater part of the Commons of the said City in the said Common Council then and there assembled.

An Act of Common Council to make further provision for the qualification of candidates for the office of Alderman of the City of London and amend further for such purpose an Act of Common Council made and passed on the 14th day of July 1960 relating to the election of Aldermen; provide for the approval of persons elected to that office; abolish fines and penalties upon Aldermen and disapply provisions of an Act of Common Council made on the 17th day of April 1812; provide for the governance of precedence or seniority of Aldermen and to amend an Act of Common Council made and passed on the 21st day of July 1932 relating to the nomination and election of Sheriffs of the City of London; and make further provision for vacancies among and the numbers of Common Councilmen.

WHEREAS from time immemorial there has existed and still exists in the City of London a Common Council consisting of the Lord Mayor and Aldermen of the said City and certain Citizens being Freemen of the said City and called the Commons and the said Mayor, Aldermen and Commons in Common Council assembled have made, passed, ordained and established divers Acts, Ordinances, Rules, Orders and Regulations for the regulation and good government of the said City and its Liberties as to them from time to time has been found necessary and expedient;

And Whereas it is desirable to make changes to the Electoral Franchise of the said City by making it a qualification for Election to the office of Alderman that Candidates for that office would be justices of the peace (including Aldermen surrendering their Office who may intend to submit themselves for re-election for their Ward or otherwise for election as Aldermen) or persons suitable for appointment as justices of the peace for the City bench;

And Whereas Members of the Court of Lord Mayor and Aldermen have resolved that individual Aldermen should offer to surrender their Office as such on or before the expiry of a term of six years (or any subsequent such term) albeit as respects any of them with the intention of submitting themselves for re-election or election otherwise as Aldermen as hereinbefore recited;

And Whereas by an Act of Common Council made and passed on the 14th day of July 1960 as amended by Acts of Common Council made and passed on the 9th day of February 1978 and the 17th day of May 1979 further provision was made governing the election of Aldermen of the City of London;

And Whereas it is necessary for the purposes hereinbefore recited to amend further the said Act made and passed on the 14th day of July 1960 and to insert provisions therein;

And Whereas it is consequential upon the said purposes and desirable that provision be made in relation to the approval of persons qualified to be elected to the office of Alderman and so elected;

And Whereas it is desirable to abolish fines and penalties upon Aldermen as having fallen into disuse and accordingly to disapply provisions of an Act of Common Council made on the 17th day of April 1812;

And Whereas it is desirable and in accordance with the purposes hereinbefore recited that provision be made in relation to the precedence or seniority of Aldermen and accordingly to amend an Act of Common Council made and passed on the 21st day of January 1932 relating to the Nomination and Election of Sheriffs of the City of London;

And Whereas it is desirable to make further provision for vacancies among and the numbers of Common Councilmen of the said City;

And Whereas His late Majesty King Edward the Third by his Charter made and granted to the said City in the fifteenth year of his reign afterwards confirmed and ratified by Parliament did (amongst other things) grant that if any customs in the said City before that time obtained and used were in any part hard or defective or any things in the said City newly arising in which no remedy has been ordained should need amendment the Mayor and Aldermen of the said City and their successors with the assent of the Commonalty of the said City might put and ordain thereunto fit remedy as often as it should seem expedient to them so that such ordinance should be profitable to the King and to the Citizens and to all other liege subjects resorting to the said City and agreeable also to reason and good faith;

Be it therefore enacted, and it is hereby enacted ordained and established by the Right Honourable the Lord Mayor, the Right Worshipful the Aldermen and the Commons of the City of London in Common Council assembled and by the authority of the same as follows:-

PART I – INTERPRETATION AND COMMENCEMENT

Interpretation

[1. In this Act –

“bankruptcy restrictions interim order” means a bankruptcy restrictions interim order under paragraph 5 of Schedule 4A to the Insolvency Act 1986 or any re-enactment thereof;

“bankruptcy restrictions order” means a bankruptcy restrictions order under paragraph 1 of Schedule 4A to the Insolvency Act 1986 or any re-enactment thereof;]¹

[“British” means a British citizen, a British overseas territories citizen, a British National (Overseas), a British Overseas citizen or a British subject under the British Nationality Acts 1981 and 1983 or the British Overseas Territories Act 2002;

“Commonwealth country” means any country mentioned in Schedule 3 to the British Nationality Act 1981;]²

[“debt relief restrictions order” means a debt relief restrictions order under paragraph 1 of Schedule 4ZB to the Insolvency Act 1986 or any re-enactment thereof;

“debt relief restrictions undertaking” means a debt relief restrictions undertaking under paragraph 7 of Schedule 4ZB to the Insolvency Act 1986 or any re-enactment thereof;

“imprisonable offence” means an offence –

- (a) for which a person who has attained the age of 18 years may be sentenced to a term of imprisonment, or
- (b) for which, in the case of such a person, the sentence is fixed by law as life imprisonment;

“interim debt relief restrictions order” means an interim debt relief restrictions order under paragraph 5 of Schedule 4ZB to the Insolvency Act 1986 or any re-enactment thereof;]³

[“Irish” means a citizen of the Republic of Ireland;]⁴ [and

“Town Clerk” shall have the meaning set out in section 4 (Amendment to Procedures for the Election of Aldermen, etc.).]⁵

Commencement

2. This Act shall come into force on such date or dates as the Court of Common Council may by resolution determine and the said Court may determine different dates for different provisions of this Act.

PART II – ALDERMEN

Candidature for the Office of Alderman

¹ Substituted by section 4 of the Act of Common Council of 16 May 2013

² Inserted by section 3 of the Act of Common Council of 21 April 2022

³ Substituted by section 4 of the Act of Common Council of 16 May 2013

⁴ Inserted by section 3 of the Act of Common Council of 21 April 2022

⁵ Substituted by section 4 of the Act of Common Council of 16 May 2013

[3. (1) Without prejudice to the provisions of an Act of Common Council made on the fifteenth day of April 1714 (which provide that candidates for the office of Alderman must be of full age, able and sufficient Citizens and Freemen of the City and not already Aldermen but are modified by subsection (6) below), such candidates shall either be British, Irish, or citizens of a Commonwealth country and at the time of their nomination and election shall satisfy the requirements of either subsection (2) or subsection (3) below, or both.]⁶

[(2) Candidates shall satisfy the requirements of this subsection if they are justices of the peace.

(3) Candidates shall satisfy the requirements of this subsection if they –

(a) are not the subject of a debt relief restrictions order, an interim debt relief restrictions order, a bankruptcy restrictions order, a bankruptcy restrictions interim order or a debt relief restrictions undertaking, and

(b) have not been convicted in the United Kingdom, the Channel Islands or the Isle of Man, of any imprisonable offence (whether or not sentenced to a term of imprisonment in respect of the offence).

(4) Candidates shall, on the request of the Town Clerk, produce such evidence as is necessary to establish to his satisfaction that the condition stated in subsection (1) is met.

(5) The Town Clerk may disclose for any purposes related to the nomination or election of a candidate for the office of Alderman whether he has seen evidence of the kind to which subsection (4) relates.

(6) The Act of Common Council made on the fifteenth day of April 1714 referred to in subsection (1) shall apply to Aldermen to whom section 3A(1) of an Act of Common Council made on the 14th day of July 1960 (as amended) relates as if they were not already Aldermen.]⁷

Amendment to Procedures for the Election of Aldermen, etc

4. The Act of Common Council made and passed on the fourteenth day of July 1960 and entitled “An Act of Common Council to Repeal the Acts of Common Council made and passed on the 2nd day of December 1920 and the nineteenth day of September 1957 respectively; to amend the Act of Common Council made on the tenth day of October 1663; and to make further and better provision governing the election of Aldermen, Common Councilmen and Ward Beadles of the City of London” as amended by Acts of Common Council made and passed on the ninth day of February 1978 and the seventeenth day of May 1979 shall have effect subject to the following modifications –

(i) In Section 1 (Interpretation) there shall be inserted –

⁶ Substituted by section 2 of the Act of Common Council of 21 April 2022

⁷ Substituted by section 2 of the Act of Common Council of 16 May 2013

[...] ⁸

“the Town Clerk” means the Town Clerk of the City of London from time to time.

- (ii) After section 3 (Alderman – Report of death, resignation or disqualification) as substituted by [section 1] ⁹ of the Act of Common Council, made and passed on the seventeenth day of May 1979 hereinbefore referred to, there shall be inserted –

“Provision as to Surrender of Office by Aldermen

3A. (1) An Alderman may offer to surrender his Office of Alderman in terms which also specify an intention by him to seek election at the wardmote for which section 4 of this Act provides.

(2) [...] ¹⁰

(3) Subsection (2) shall not be taken into account in relation to the operation of sections 4 and 4A of this Act.”

(iii) [...] ¹¹

(iv) [...] ¹²

[...] ¹³

Approval of Persons elected to the Office of Alderman

- 5. The Court of Lord Mayor and Aldermen is deemed to have approved any person qualified to be elected to the office of Alderman under section 3 and so elected.

Abolition of Fines and Penalties upon Aldermen

- 6. (1) The provisions of an Act of Common Council made on the seventeenth day of April 1812 and entitled “An Act concerning the Election and Discharge of Aldermen of this City, and to prevent Expenses at such Elections” for an Alderman elected but refusing to take office to be liable to a fine unless he is discharged from the said office owing to insufficiency of estate shall cease to have effect.

(2) Without prejudice to subsection (1), no rule, provision or practice shall be made providing for fines or other penalties upon Aldermen, or for their discharge from the office of Aldermen on account of resources at their disposal.

Regulation of Precedence or Seniority of Aldermen

⁸ Omitted by section 3 of the Act of Common Council of 16 May 2013

⁹ This is what the Act says, although it was actually section 2

¹⁰ Disapplied by section 3(3) of the Act of Common Council of 4 June 2001

¹¹ Disapplied by section 4(2) of the Act of Common Council of 4 June 2001

¹² The provision inserting section 4A into the Act of Common Council of 14 July 1960 was disapplied by section 4(3) of the Act of Common Council of 04 June 2001

¹³ The provision inserting section 4B into the Act of Common Council of 14 July 1960 was repealed by section 7 of the Act of Common Council of 16 May 2013

7. (1) It is hereby declared for the avoidance of doubt that the Court of Lord Mayor and Aldermen or any committee thereof duly authorised by that Court shall have power from time to time and at their discretion to determine the precedence or seniority of Aldermen in relation to each other in the said Court.
- (2) The effect of any exercise of power contained in subsection (1) may be published in the form of lists of Aldermen or otherwise.
- (3) All instruments, documents, customs and practices which relate to the precedence or seniority of Aldermen shall be construed and determined so as to be in accordance with the exercise of the power to which this section relates.

PART III – THE SHRIEVALTY

Amendment to Provisions relating to the Nomination and Election of Sheriffs

8. Without prejudice to the generality of section 7, an Act of Common Council made and passed on the twenty-first day of January 1932 entitled “An Act of Common Council to consolidate and amend the Law relating to the Nomination and Election of Sheriffs of the City of London” shall have effect subject to the following modifications--
 - (i) Section 7 is repealed;
 - (ii) In section 10, for the word “two”, the word “fifteen” shall be inserted;
 - (iii) In section 12, the words “an Alderman or” shall be omitted; and,
 - (iv) In section 13, the words “The Alderman or Aldermen of this City in nomination in accordance with the provisions of Clause 7 hereof, and if more than one, according to their seniority in the said Court of Lord Mayor and Aldermen” shall be omitted.

PART IV – COMMON COUNCILMEN

Common Councilmen – Vacancies and Numbers

- [9. (1) ...
- (2) This section shall apply to all Wards and Sides of Wards of the City and the Common Councilmen for those Wards and Sides of Wards except for the Ward of Farringdon Without and the Common Councilmen for that Ward and Sides thereof.
- (3) Where, apart from the provisions of this subsection, a vacancy would arise by reason of the death, resignation or disqualification of a Common Councilman for a Ward or Side of a Ward, either:-
 - (i) during his period of office, or
 - (ii) at any time after his election as a Common Councilman but before the Declaration is subscribed by him,

there shall be deemed not to be a vacancy for a Common Councilman for that Ward or Side and with effect from the next annual election for Common Councilmen in that Ward or Side the number of Common Councilmen representing the said Ward or Side shall (subject to the provisions of subsection (6) below as respects the Ward of Bishopsgate) be reduced by one.

- (4) In this subsection “the Declaration” means the declaration of a person elected to the office of Common Councilman as required by the Promissory Oaths Act 1868 or any declaration substituted therefor from time to time, and for the purpose of this section only a person who has been elected as Common Councilman but has not subscribed the Declaration shall be deemed to be a Common Councilman.
- (5) When a Common Councilman for a Ward or Side does not appear as a candidate for re-election in relation to that Ward or Side at a time when it is not possible under the procedures from time to time applicable to Ward elections, to reduce the number of Common Councilmen in accordance with this section, that reduction shall be effected at the next subsequent annual Ward election.
- (6) In relation to the Ward of Bishopsgate, subsections (3) and (5) of this section shall have effect in relation to a Ward election so as to reduce the number of Common Councilmen representing that Ward by two (once on two successive occasions when either of those subsections has effect) and when such reduction has taken effect neither subsection shall thereafter apply to that Ward or the Common Councilmen representing it.
- (7) Subject to subsection (6) of this section, subsections (3) and (5) shall have effect in relation to a Ward election so as to reduce the number of Common Councilmen representing a Ward or Side by one, and when such reduction has taken effect in relation to a Ward or Side neither subsection shall thereafter apply to that Ward or Side or the Common Councilmen representing it.]¹⁴

¹⁴ Substituted by section 5 of the Act of Common Council of 4 June 2001

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Report – Policy and Resources Committee

Electronic Voting

To be presented on Thursday 9th March 2023

*To the Right Honourable the Lord Mayor, Aldermen and Commons of the
City of London in Common Council assembled.*

SUMMARY

This report presents a recommendation from your Policy and Resources Committee to purchase a portable hardware solution, at a cost of no more than £10,000 (to be met from the 2022/23 Policy Contingency Fund), that will enable an electronic voting system to be adopted by the Court of Common Council for use during Divisions.

Subject to approval, it is proposed that the electronic voting system be tested in training sessions with Members through March and April and a proposal to amend Standing Order 14 be presented at your April meeting. This would allow for e-voting for Divisions to take effect as of the May Court of Common Council meeting.

MAIN REPORT

Background

On the 8th December 2023, this Honourable Court passed a motion instructing the Policy and Resources Committee to investigate the viability of introducing an electronic voting system, capable of recording individual votes, that would replace the current voting procedure as laid out in paragraph 4 of Standing Order No.14 — and to return to Court no later than April 2023 with its recommendations.

Current Position

At its meeting on 23rd February, your Policy and Resources Committee considered a series of options, including fixed units, a software only solution and a portable hardware solution.

Upon review, the Committee agreed to support proposals for a portable hardware solution. These systems are comprised of portable electronic devices (clickers) for making votes, and software that needs installing on one device to collate and display these votes.

This option has low purchase and ongoing support costs. The identified system under this option, produced by Meridia, would cost around £6,020 (\$7,415USD) to purchase with 12-months of support and training; annual support costs, an optional addition, are around £400 (\$495USD). These costs are to be met by the Policy Contingency Fund. The purchase of new display screens is not included in these costs.

The Meridia system uses a radio receiver that connects with portable electronic voting

devices (clickers). The devices' use of radio frequency means that the system does not require an internet connection to be operable. The clickers have a green 'Yes' button, a red 'No' button and a yellow 'Abs' button. Once a button has been clicked, it is immediately communicated to the receiver; Members will have the option to change their vote by clicking another button until voting on an item has closed.

Accessibility has been considered, with some Members having been provided access to the example handsets provided as part of early user testing. Clickers would include braille on the "Yes" "No" and "Abstain" buttons to assist those with any visual impairment.

Meridia's software allows for visual vote confirmation, which will allow Members in the room to review and confirm the votes cast once voting is closed. This will require screens to be present during Court meetings.

While the specific Court instruction was to explore the introduction of e-voting to support Divisions, it would be pragmatic to also consider its broader extension to all voting matters should the technology prove efficient and easy-to-use. It is your Committee's intentions, therefore, to keep the matter under review.

Subject to this Honourable Court's instruction, it is proposed that the electronic voting system be tested in training sessions with Members through March and April and, subject to satisfactory performance, a proposal to amend Standing Order 14 will be presented at your 27 April meeting.

The revised Standing Order proposals will retain the existing non-electronic Divisions mechanism, which can be used in the event that the e-voting system is not functioning. The revised Standing Order will also provide for Members the ability to contest the vote recorded in their name.

Should the Court approve its adoption and Standing Order changes, e-voting for Divisions would take effect as of the May Court

RECOMMENDATION

It is recommended that the Court:-

- consider and agree the purchase of a portable hardware solution to enable the electronic voting at the Court of Common Council;
- note that subject to successful testing in coming months, changes to the Standing Orders will be brought forward in April 2023, with formal adoption of the new procedures to take effect from May 2023.

All of which we submit to the judgement of this Honourable Court.

DATED this 23rd Day of February 2023

SIGNED on behalf of the Committee.

Deputy Christopher Michael Hayward
Chairman, Policy & Resources Committee

Report – Corporate Services Committee

Draft Pay Policy Statement 2023/24

To be presented on Thursday, 9th March 2023

*To the Right Honourable The Lord Mayor, Aldermen and Commons
of the City of London in Common Council assembled.*

SUMMARY

The Localism Act 2011 requires the City of London Corporation to prepare and publish a Pay Policy Statement setting out its approach to pay for the most senior and junior members of staff. This must be agreed each year by the full Court of Common Council.

The Statement has now been updated for 2023/24 and has been considered and approved by your Corporate Services and Policy and Resources Committees. It is now recommended to the Court for approval.

RECOMMENDATION

It is recommended that the Court considers and agrees the draft Pay Policy Statement for 2023/24 as set out in the Appendix to this report to ensure that the City Corporation meets its requirements under the Localism Act 2011.

MAIN REPORT

Background

1. The requirement for local authorities to produce Pay Policy Statements was introduced under section 38(1) of the Localism Act 2011 (the Act). This states that “A *relevant authority must prepare a pay policy statement for the financial year 2012-2013 and each subsequent financial year*”. In the City Corporation’s case, it is a “*relevant authority*” only in its capacity as a local authority. However, and in general, the City has not tried to distinguish in its Pay Policy Statements its local-authority capacities from any of its other undertakings, other than where these are specifically excluded from the remit of the 2011 Act.
2. The aim of the Act is that authorities should be open, transparent and accountable to local taxpayers, and this advice is repeated or expanded upon in various pieces of Government guidance, and a Code of Recommended Practice for Local Authorities on Data Transparency, having statutory effect. The main themes of these are transparency, fairness and accountability. Pay Policy Statements should set out the authority’s approach to issues relating to the pay of its workforce, and in particular to the pay of its “Chief Officers” and the pay of its lowest paid employees.

3. Section 38 of the Act goes on to outline certain features which must be included within Pay Policy Statements.
 - Section 38(2) says that the Statements must set out the authority's policies for the financial year relating to the remuneration of its chief officers, the remuneration of its lowest-paid employees and the relationship between the remuneration of its chief officers and the remuneration of any other employees.
 - Section 38(3) says that the Statements must state the definition of "lowest-paid" employee adopted by the authority and its reasons for adopting that definition.
 - Section 38(4) says that the Statements must include the authority's policies relating to the level and elements of remuneration for each chief officer, remuneration of chief officers on recruitment, increases and additions to remuneration for each chief officer, the use of performance-related pay and bonuses for chief officers, the approach to the payment of chief officers when they cease to be employed and the publication of and access to information relating to chief officers' remuneration.
4. The definition of "Chief Officers" given in the Localism Act (under section 43(2)) is that of the Local Government and Housing Act 1989 and incorporates the latter Act's definitions of both "Chief Officers" and "Deputy Chief Officers". This is a much wider definition than the conventional definition of "Chief Officer" used in the City Corporation (generally denoting a head of department), and also wider than that which governs posts included in our Senior Management Group.
5. Under the Local Government and Housing Act, a "Chief Officer" is:
 - the authority's head of the paid service (the Town Clerk & Chief Executive, in the City Corporation's case),
 - any person who in general answers directly to the head of the paid service, and
 - any person (irrespective of whether they report directly to the head of the paid service) who in general is required to report directly to the authority itself or to any Committee or sub-Committee of the authority.

A "Deputy Chief Officer" under the Act is anyone who reports directly to any person defined as a Chief Officer.

6. The only employees who could be caught by any of these definitions who are excluded from them under the 1989 Act are those employees engaged principally in clerical or secretarial support, or who are responsible for other support services.
7. The 1989 Act applies to the City only in its capacities as a local authority, police authority and port health authority. However, in keeping with the commitment to wider transparency in our Pay Policy Statements, the basic definitions of "Chief Officer" and "Deputy Chief Officer" given in the 1989 Act have been applied in our Pay Policy Statements to all relevant employees of the City Corporation, irrespective of the capacity or capacities they work under, other than where their duties are specifically excluded from the provisions of the Localism Act.

8. The Localism Act makes supplementary provisions relating to Pay Policy Statements in its section 39. This says that the authority's Pay Policy Statement must be approved by a resolution of the authority by the 31 March before the financial year to which it relates, that the Statement may (again by resolution of the authority) be subsequently amended after the beginning of the financial year, and that, as soon as is reasonably practicable after its approval or amendment, the Statement must be published on the authority's website.
9. The general notion of the Act in relation to the Statements is that *"the Act's provisions will ensure that communities have access to the information they need to determine whether remuneration, particularly senior remuneration, is appropriate and commensurate with responsibility. In addition, the provisions will ensure that policies on the pay and reward of the most senior staff are set out clearly within the context of the pay of the wider workforce"*.

Current Position - City of London Pay Policy Statement 2023/24

10. A draft Pay Policy Statement for 2023/24 is attached. This was approved by your Corporate Services and Policy and Resources Committees in January and February 2023 respectively, and is now submitted for your consideration. It follows the format of last year's Statement, in that its main sections (after an introduction covering the legislative requirements in producing Statements) are now divided into a Policy Overview (Paragraphs 7-32), giving the background to policies relevant to the statutory requirements of Pay Policy Statements, and an account of Policy Implementation (Paragraphs 33-55), giving the current position of how such policies are implemented.
11. A version showing tracked changes from the 2022/23 Statement as approved by the Court in March 2022 is also attached, such that Members can see at a glance where changes have been made. These include where figures and other statistical information have been changed within various tables that appear in the Statement.
12. It should be noted that a Pay Policy Statement is not, as such, a "statement on pay policies", giving an account of all matters connected with remuneration in local authorities, but the putting into practice of a narrowly defined legislative requirement. The information presented by this statutory requirement has to be clear and accessible, and it is in keeping with that requirement to ensure that extraneous material is kept to a minimum.
13. In keeping with this, Pay Policy Statements are also meant to be an accurate account of current pay practices. These may change over the course of the year covered by the Statement, but it is not the job of the Statement to make predictions on this. Legislation allows Statements to be changed as policy or practice alters over the year, but until it does the Statement should reflect what is the current situation.

Conclusion

14. To meet the requirements of the Localism Act, the City Corporation must agree and publish a Pay Policy Statement before each financial year. This report introduces for approval the draft Statement for 2023/24.

All of which we submit to the judgement of this Honourable Court.

DATED this 17th day of January 2023.

SIGNED on behalf of the Committee.

Deputy Alastair Moss
Chair, Corporate Services Committee

Appendix 1 – Draft Policy Statement for 2023/24

Appendix 2 – Policy Statement for 2023/24 – with Track Changes indicating changes made for 2023/24 ([please view here](#))

CITY OF LONDON CORPORATION

PAY POLICY STATEMENT 2023-2024

LEGISLATIVE OVERVIEW

1. Section 38(i) of the Localism Act 2011 (the Act) has required local authorities since the financial year 2012-2013 to produce a Pay Policy Statement in advance of each financial year. The Act requires local authorities to set out in their Statements their policies on a range of issues, particularly those relating to remuneration for their most senior and lowest-paid staff. This must include significant information on pay and reward for Chief Officers (as defined in the Local Government and Housing Act 1989). The Statement must be reviewed annually and agreed by “*a resolution of the authority*”, in the City of London Corporation’s case by the Court of Common Council. This document meets the requirements of the Act for the City of London Corporation for the financial year 2023-2024.
2. The provisions of the Act require that authorities are more open about their local policies and how local decisions are made. The Code of Recommended Practice for Local Authorities on Data Transparency enshrines the principles of transparency and asks authorities to follow three principles when publishing data they hold: responding to public demand; releasing data in open formats available for re-use; and releasing data in a timely way. This includes data on senior salaries and the structure of the workforce.
3. The Act applies to the City of London Corporation only in its capacity as a local authority. It should be noted that not all of the pay and employment costs incurred by the City of London Corporation are carried out in this capacity, or even funded from public resources. As well as having statutory local authority functions, the Corporation undertakes other public functions, such as those of a police authority and of a port health authority. It also has private and charitable functions which receive funding through income from endowment and trust funds, and the pay and employment costs of these functions are met from these funds and are outside the scope of the Act.
4. In general, and in keeping with the spirit of openness, this Statement does not distinguish between information which applies to the City Corporation as a local authority and that which applies to it in any of its other capacities. However, insofar as the Act specifically excludes police authorities from its remit, this Statement does not include information about Police Officers.
5. Likewise, paragraph 7 of the Government Guidance for authorities on “*Openness and accountability in local pay*” (which has statutory effect under s40 of the Act for authorities in the preparation of their Pay Policy Statements) advises that “*The provisions in the Act do not apply to the staff of local authority schools and therefore teaching staff need not be brought within the scope of a pay policy statement*”. The City of London Corporation does not directly manage any local authority schools, but it does directly run three independent schools, and while some information about the remuneration of the teaching staff in these schools is provided in the Statement, in

general the Statement follows the Government Guidance and leaves teaching staff outside of its scope.

6. The Act does not require authorities to publish specific numerical data on pay and reward in their Pay Policy Statement. However, information in this Statement should fit with any data on pay and reward which is published separately. The City Corporation operates consistent pay policies which are applied across all of its functions. Further details of the current Grade structures and associated pay scales are provided below in the section on "Policy Overview" (paragraphs 11-18) and "Policy Implementation" (paragraphs 33 and 37-45).

POLICY OVERVIEW

Background and fundamental rationale

7. All pay and terms and conditions of service are locally negotiated with the Corporation's recognised trade unions or staff representatives. In 2006-2007 extensive work was undertaken on a review of pay and grading structures. As a result, the principles set out in the guidance to the Act have already generally been addressed although the Act set out some additional requirements which are covered by this Statement.
8. In 2007, the Corporation implemented a number of core principles, via collective agreement, to form the City Corporation's pay strategy. This now focusses on a balance between incremental progression, individual performance and contribution to the success of the organisation. The main body of City Corporation employees are paid according to a Grade structure of 10 Grades (Grades A-J), with the most senior posts in a separate Senior Management Grade. Both the A-J Grades and the Senior Management Grade retain incremental progression, but this has since 2007 been determined by performance measured through appraisal over the year 1 April - 31 March. In recent years, on account of the operational difficulties arising from the pandemic, this policy has been waived, such that failure to progress incrementally has been by exception rather than through measured performance.
9. The provisions made in the 2007 pay review gave employees in Grades D-J and the Senior Management Grade access to "Contribution Payments" if the employees were at the top of their respective Grades. In years when these payments are in operation, achievement of them is also determined by appraisal over the same 1 April - 31 March time period. The payments are not contractual and are therefore made at the employer's discretion. In 2022, no Contribution Payments were made, but a £200 (FTE) payment was made to employees at the top of any of Grades A-J, as part of the collectively agreed corporate Pay Award for 2022.
10. All incremental progressions are implemented from 1 October following the ending of the appraisal year, and Contribution Payments earned from appraisal are (when made) paid in the same October. In general, a fundamental element of the strategy is that achievement of payments related to performance is more onerous and exacting the more senior the member of staff.

Grading structure

11. All non-teaching staff employed by the City Corporation below the Senior Management Grade are allocated to one of the 10 A-J Grades, other than in a small number of exceptional cases, such as Apprentices. All such posts were reviewed under Job Evaluation, ranked in order and allocated to a Grade following the 2007 Review. The evaluation scheme was independently equalities-impact assessed to ensure that it was inherently fair and unbiased. New posts and any existing posts that change their levels of responsibility etc. continue to be evaluated and ranked under the scheme. The scheme, how it is applied, the scoring mechanism and how scores relate to Grades are published on the Corporation's Intranet, so staff can be assured that the process is fair and transparent. In addition, there is an appeal mechanism agreed with the recognised trade unions and staff representatives.
12. Grades A-C are the lowest Grades in the City of London Corporation. Grade A has, under the 2022 Pay Award, been reduced to a single increment, which is also the bottom increment of Grade B. Grades B and C have 6 increments, and progression through each Grade can be achieved by annual incremental progression, subject to satisfactory performance. There is no Contribution Pay assessment. However, employees at the top of these Grades have the opportunity if they have undertaken exceptional work to be considered for a Recognition Award, up to a maximum level set corporately each year (this has been £500 in each year since 2010).
13. Grades D-J have 4 'core' increments and 2 'contribution' increments. Progression through the 4 'core' increments is subject to satisfactory performance. Progression into and through the 2 'contribution' increments can require performance to be at a higher than satisfactory level. Once at the top of the scale, for those who achieve the highest standards of performance and contribution, it is possible (subject to the employer's discretion in any given year) to earn a one-off non-consolidated Contribution Payment of up to 6% of basic pay depending on the assessed level of contribution over the previous year. The appraisal system recognises four levels of performance - Improvement Required, Good, Very Good and Outstanding, and those employees at the top of Grades D-J who achieve either of the top two ratings can (in years when the system is authorised to operate) receive a Contribution Payment.
14. A separate performance-payment scheme is in place for a small group of employees at the Barbican Centre engaged in commercial activities. These staff may receive payments of up to £4,000 or £6,000 per annum, depending on Grades and their success in meeting certain performance targets. The staff involved are excluded from the Recognition Awards and Contribution Payments schemes applying to other employees on their Grades.
15. The Senior Management Grade comprises the most senior roles in the organisation, as determined by Job Evaluation. Posts on the Senior Management Grade (SMG) are those which are the professional lead for a significant area of City Corporation business, with the nature of the professional responsibility held being that the postholders are not only directing the function for which they are responsible towards meeting corporate strategic goals but are required to determine from their professional point of view how these corporate goals should be constructed. As the SMG posts are distinct roles, they are individually evaluated and assessed independently against

the external market allowing each post to be allocated an individual salary range within the Grade, which incorporates market factors as well as corporate importance. Any increase in salary (whether through incremental progression or a cost-of-living award) is entirely dependent on each individual being subject to a rigorous process of assessment and evaluation, based on the contribution of the individual to the success of the organisation. SMG posts are not necessarily the best-paid in the organisation, as other posts in Grades I and J may be better paid than some SMG posts, depending on the separate market supplements applied to the Graded posts.

16. The Court of Common Council approved a new Target Operating Model and Organisation Design on 1 April 2021, and the Senior Management Grade now comprises the following posts:

- Town Clerk & Chief Executive
- Deputy Town Clerk
- Chief Operating Officer
- Chamberlain & Chief Financial Officer
- Comptroller & City Solicitor & Deputy Chief Executive
- Remembrancer
- City Surveyor
- Executive Director, Community & Children's Services
- Executive Director of Environment
- Director of Economic Development (Innovation & Growth)
- Chief People Officer
- Assistant Town Clerk
- Executive Director, Communications & External Affairs
- Chief Strategy Officer
- Executive Director, Private Secretary to the Lord Mayor
- Executive Director, Private Secretary to the Chair of the Policy and Resources Committee
- Chief Executive Officer, Barbican Centre
- Managing Director of Bridge House Estates
- Principal, Guildhall School of Music & Drama

17. The Head Teachers of the City of London School, City of London School for Girls and City of London Freeman's School are not part of the Senior Management Grade for the purposes of pay (their pay is governed by a separate senior teaching pay scale, as outlined in paragraph 33). The pay of the post of Remembrancer is aligned to that of Deputy Parliamentary Counsel within the Civil Service.

18. Following the principles outlined above, the pay ranges for the Senior Management Grade are set with reference to both job evaluation and an independent external market assessment. The principles of this were agreed by the Court of Common Council in 2007 and, subsequently, the specific unique range for each senior management post was initially agreed by the Establishment Committee (now called

Corporate Services Committee) in October 2007. These have been subject thereafter to alteration when new SMG posts have been created or the duties or responsibilities of posts or other external factors relevant to their pay and reward have changed.

Other contractual payments

19. In addition to basic salary, all Graded staff are paid a London Weighting allowance which varies depending on where they are based and whether they are supplied by the employer with residential accommodation necessary for the purposes of fulfilling the duties of their job. This is to assist staff with the higher cost of living and working in London. The 2022 corporate Pay Award introduced a further "London Weighting Supplement" to employees in spine points 1038 (fourth point of Grade E) upwards, including SMG employees.
20. As most of the work of the organisation is undertaken in the City of London, there are some types of posts which are difficult to recruit to (e.g. lawyers, IT staff etc.). Accordingly, there is often the need to use market supplements to attract, recruit and retain highly sought-after skills. These, where used, can be applied to employees in Grades A-J. Any request for a market supplement must be supported by independent market data and, where appropriate depending on the amount proposed to be paid and the Grade of the post, by the Corporate Services Committee. All market supplement payments are kept under regular review, and regular reports on payments made are produced for the Corporate Services Committee.
21. The London Living Wage (LLW) has been applied as a minimum rate for all directly employed staff, including Apprentices, since April 2017. Casual staff and agency workers have also been paid the London Living Wage since 2014. Until 2018, LLW increases were applied from 1 April each year in line with the most recently announced LLW increase. However, in October 2018, the City Corporation's Policy & Resources Committee agreed that LLW increases should be applied in this and future years to affected employees and other staff from the date of the increase's announcement, which in 2022 was on 22 September (an increase of 8.14%).
22. The Corporate Services Committee (formerly Establishment Committee) has specific authority to deal with or make recommendations to the Court of Common Council where appropriate on all matters relating to the employment of City of London Corporation employees where such matters are not specifically delegated to another Committee. These matters include the remuneration of senior officers. The Corporate Services Committee has delegated this to its Senior Remuneration Sub-Committee.

Transparency

23. The Government guidance to the Act (which has statutory effect) requires the Pay Policy Statement to make reference to policies in relation to staff leaving the authority, senior staff moving posts within the public sector, senior staff recruitment, and re-employment of senior postholders who have left the authority, particularly in relation to arrangements which might be made in such an event that would appear to have the intention of minimising tax payments made by the re-engaged former employee.

Recruitment

24. New staff, including those in the Senior Management Grade, are normally appointed to the bottom of the particular pay scale applicable for the post. If the existing salary falls within the pay scale for the post, the new employee is normally appointed to the lowest point on the scale which is higher than their existing salary provided this gives them a pay increase commensurate with the additional higher-level duties. In cases where the existing salary is higher than all points on the pay scale for the new role, the member of staff is normally appointed to the top of the pay scale for the role.

For posts where the salary is £100,000 or more, the following approvals will be required:

- (i) in respect of all new posts, the Court of Common Council;
- (ii) in respect of all existing posts, the Corporate Services Committee.

Payments on Ceasing Office

25. Staff who leave the City Corporation, including the Town Clerk & Chief Executive and staff on the Senior Management Grade, are not entitled to receive any payments from the authority, except in the cases outlined below in paragraphs 26 to 32. . .

Retirement

26. Staff who contribute to the Local Government Pension Scheme who retire from age 55 onwards are able to elect to receive immediate payment of their pension benefits on a reduced basis in accordance with the Scheme.
27. Unreduced benefits are payable if retirement is from Normal Pension Age, with normal pension age linked to the State Pension Age from 1 April 2014, unless protections in the Pension Scheme allow for an earlier date. Early retirement, with immediate payment of pension benefits, is also possible under the Pension Scheme following dismissal on redundancy or business efficiency grounds from age 55 onwards and on grounds of permanent ill-health at any age.
28. Whilst the Local Government Pension Scheme allows applications for flexible retirement from staff aged 55 or over, where staff reduce their hours or Grade, it has in general been the City Corporation's policy to agree to these only where there are clear financial or operational advantages to the organisation. Benefits are payable in accordance with Regulation 27 of the Local Government Pension Scheme Regulations 2013.

Redundancy

29. Staff who are made redundant are entitled to receive statutory redundancy pay as set out in legislation calculated on a week's pay (currently a maximum of £571 per week). The City Corporation currently bases the calculation on 1.5 x actual salary. This scheme may be amended from time to time subject to Member approval, and has most recently been so amended for staff made redundant on or after 25 October 2017. The authority's policy on discretionary compensation for relevant staff under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006 is published on the Corporation's website.

Settlement of potential claims

30. Where a member of staff leaves the City Corporation's service in circumstances which would, or would be likely to, give rise to an action seeking redress through the courts from the organisation about the nature of the member of staff's departure from the Corporation's employment, such claims may be settled by way of a settlement agreement paying due regard to the Special Severance Guidance issued by the Department for Levelling Up, Housing and Communities, and where it is in the City Corporation's interests to do so based on advice from the Comptroller & City Solicitor and Chamberlain & Chief Financial Officer. The amount to be paid in any such instance may include an amount of compensation, which is appropriate in all the circumstances of the individual case. Should such a matter involve the departure of a member of staff in the Senior Management Grade or the Town Clerk & Chief Executive, any such compensation payment will only be made following consultation with the Chairs of Policy & Resources and Corporate Services Committees and legal advice that it would be lawful, proper and reasonable to pay it.

Payment in lieu of notice

31. In exceptional circumstances, where it suits service needs, payments in lieu of notice are made to staff on the termination of their contracts.

Re-employment

32. Applications for employment from staff who have retired or been made redundant from the City Corporation or another authority will be considered in accordance with the Corporation's normal recruitment policy. The City Corporation does not engage former employees on contracts designed to avoid tax.

POLICY IMPLEMENTATION AND CURRENT POSITION

Salary scales effective from 1 July 2022

33. A corporate Pay Award effective from 1 July 2022 gave all Graded employees whichever was the larger of a £1,300 pay increase or 3% on their combined contractual Base and London Weighting pay. The current salary scales resulting from this Award are given below.

Grade	Min Salary (£)	Max Salary (£)	No. of employees
Grade A	£19,470	£19,470	112
Grade B	£19,470	£22,410	545
Grade C	£25,030	£28,830	770
Grade D	£30,650	£35,340	696
Grade E	£35,340	£40,620	551
Grade F	£44,390	£51,480	411
Grade G	£53,000	£61,480	193
Grade H	£61,480	£71,250	99
Grade I	£71,250	£82,580	29
Grade J	£85,070	£98,630	19
Senior Management Grade (SMG)	£86,770	£266,740	17

The figures given are for Base pay only. Employee numbers are those at the time of the December 2022 pay roll. Any employee on Grades A-J who manages or supervises another employee on the same Grade has a separate pay scale paying up to 6.1% greater than the salary on the substantive Grade. Any employee on Grades A-J who is in a residential post has a separate pay scale paying 12.5% less than the salary on the substantive Grade. The figures for employees in each Grade in the table above include those on the relevant supervisory and residential scales. All employees on Grades A-J and in the SMG also receive a London Weighting allowance. The allowance does not differ between Grades of staff, but employees from spine point 1038 upwards (fourth point of Grade E) on the Corporation pay scales receive a small additional allowance to ensure that they received an increase of 3% on their combined contractual Base and London Weighting pay under the 2022 Pay Award.

Teacher Grades	£29,490	£60,250
Senior Teacher Grades	£64,640	£147,490

Figures for Teacher Grades exclude any additional responsibility allowances payable. Figures for Senior Teacher Grades include all payments.

This information is reviewed, updated and published on a regular basis in accordance with the guidance on data transparency and by the Accounts and Audit (England) Regulations 2011. It should be noted that all Police Officer pay scales are nationally determined and as such do not form part of the City Corporation's Pay Policy.

34. Current levels of London Weighting for non-residential staff in Grades A-J and the SMG are £6,710 for those based in inner London and £4,020 for those based in outer London. Separate rates (approximately 10% lower) are applied to residential staff. The construction of the 2022 Pay Award required the introduction of a "London Weighting Supplement" for employees on all spine points upwards from and including spine point 1038 (the fourth point of Grade E), to ensure that they received the minimum 3% increase on their combined contractual Base and London Weighting pay. This amounts to £200 per annum for non-residential employees based in inner London and £120 per annum for employees based in Outer London. Again, separate rates of approximately 10% lower are applied to these figures for residential staff.
35. The City Corporation subscribes to Croner's salary benchmarking. While this provides information on both public- and private-sector comparator jobs, general practice is to use the median level of comparator public-sector jobs in central London for organisations which employ between 1001 and 4000 staff, with a turnover of £50m-£100m as basis for establishing appropriate market rates.
36. The Act's provisions do not supersede the City Corporation's autonomy to make decisions on pay which are appropriate to local circumstances and deliver value for money for local taxpayers. The Corporation seeks to be a fair employer and an

employer of choice - recognising and rewarding the contributions of staff in an appropriate way. The Corporation sets pay fairly within published scales and, in doing so, has regard to changing conditions in differing occupational and geographic labour markets.

Employees below the Senior Management Grade

37. The lowest Graded employees are in Grade A as determined by the outcomes of the Job Evaluation process. That Grade has been restructured in recent years such that its bottom and top points have risen higher up the pay scale, and under the 2022 Pay Award it became a single-point Grade, that point being equivalent to the lowest point on Grade B. All Grade A employees are therefore now paid £26,180 (FTE), including a London Weighting allowance for working in Inner London. The current pay range for Grades A - J is £26,180 to £105,540 inclusive of Inner London Weighting of £6,710 (plus an additional £200 for all employees from the fourth point of Grade E upwards on the scales) for non-residential employees.
38. Under normal circumstances, in each October following the March end of the appraisal year, generally around two thirds of eligible employees have been allowed to move into the two higher contribution increments or to receive a one-off non-consolidated contribution payment. As stated earlier, since 2020, normal practice has been waived as a result of the difficulties caused by the pandemic, and increments for all eligible staff have been allowed to be the default position.

Senior Management Grade

39. Current Senior Management salary scales are from £86,770 to £266,740, excluding London Weighting.
40. Each Senior Management Grade post is allocated a range around a datum point. There is a maximum and minimum (datum plus 9% and datum minus 6% respectively) above and below which no individual salary can fall. Where a pay increase for a member of staff would take them above the maximum in a given year, the excess amount above the maximum may be paid as a non-consolidated payment in such years as the organisation has authorised performance-based Contribution Payments to be made. These, as with other Contribution Payments, would not be consolidated into basic salary, and therefore would not form part of contractual pay for subsequent years.
41. Each year the datum point advances by a percentage equivalent to any 'cost of living' pay award. Individual salaries would move according to the table below:

Contribution Level	Salary Change
A Outstanding	Datum % change + up to 6%
B Very Good	Datum % change + up to 4%
C Good	Datum % change
D Improvement Required	0.0%

42. As with staff in Grades D-J, normal practice on progression through Grades or Contribution Payments for eligible staff has been waived since 2020. In 2022, SMG staff not on the top of their Grades received a 3% "incremental" progression through

their individual pay scales, but no Contribution Payments were made to those at the top of their scales.

43. The Senior Remuneration Sub-Committee sets the initial salary on appointment, together with the individual salary band, for staff with posts in the Senior Management Grade. Thereafter, the Town Clerk & Chief Executive may recommend salary progression within the individual salary band (and up to the maximum) which will be considered by the Senior Remuneration Sub-Committee. Any changes to individual salary bands including starting salary will be approved by the Senior Remuneration Sub-Committee.
44. In respect of the Town Clerk & Chief Executive, the post's salary and any Contribution Payments that may be due to its holder are determined by the Senior Remuneration Sub-Committee. A new Town Clerk and Chief Executive commenced employment in the post in February 2023. The Sub-Committee is advised by an Appraisal Panel comprising the Chairs of the Policy & Resources Committee (as the Town Clerk's line manager), Corporate Services Committee, Finance Committee and General Purposes Committee of Aldermen. The Appraisal Panel set the Town Clerk's annual objectives and review performance against those objectives, receiving a report from the Chair of the Policy & Resources Committee who conducts the annual appraisal meeting with the Town Clerk. The Sub-Committee and Appraisal Panel are supported by the Chief People Officer, together with any appropriate external advisers.
45. Set out below are the broad pay ranges for the Senior Management Grade in 2022-2023, with the numbers in each band, excluding London Weighting. Each member of staff will have an individual salary scale within these broad ranges. (It should be noted that there are a further two additional SMG posts which are currently vacant as at December 2022.)

£86,770 - £123,670	(4)
£127,410 - £161,370	(5)
£171,240 - £199,090	(7)
£230,070 - £266,740	(1)

Chief Officers and Deputy Chief Officers

46. The Act specifies that information should be given in Pay Policy Statements about the determination of remuneration for Chief Officers and Deputy Chief Officers as defined under the Local Government & Housing Act 1989, including approaches to the award of other elements of remuneration including bonuses and performance-related pay as well as severance payments. This should include any policy to award additional fees paid to Chief Officers or Deputy Chief Officers for their local election duties. The 1989 Act applies to the City Corporation only in its capacities as a local authority, police authority and port health authority, but as with other parts of this Statement, details are given for all employees who would satisfy the basic definitions of Chief Officers and Deputy Chief Officers given in the 1989 Act, other than schoolteachers and those who work in general for the City Corporation in its capacity as a police authority.

47. According to the definitions given in the 1989 Act (but widened in their interpretation as described in the paragraph above), as of 19 November 2021, the City Corporation had 29 filled Chief Officer posts and 122 filled Deputy Chief Officer posts. The 30 Chief Officer posts comprised the 17 posts within the Senior Management Grade plus the following numbers of posts within the A-J Grades:

- Grade J 9
- Grade I 3

plus one post paid at a spot salary owing to the nature of its employment.

The 121 Deputy Chief Officer posts were made up of posts at the following Grades:

- Grade J 9
- Grade I 20
- Grade H 50
- Grade G 23
- Grade F 15

plus four posts paid at spot salaries owing to the nature of their employment and/or funding.

48. The distinctions between SMG pay and payments made to employees on other Grades are outlined in the relevant sections of this Statement above. The most significant element of pay able to be received by employees in Grades A-J that is not available to SMG posts is Market Forces Supplements. 8 Chief Officers in Grades I-J receive these payments as do 54 Deputy Chief Officers in Grades F-J. 5 of the Deputy Chief Officers in Grade F receive additional payments for working contractual hours in addition to the standard 35 per week on most City Corporation contracts. One Deputy Chief Officer on Grade F receives occasional additional payments for participating in electoral activities. One Deputy Chief Officer (Grade J) receives additional payments for undertaking standby duties.

49. In cash terms, the payments per annum made to Chief Officers (including those in the SMG) and Deputy Chief Officers fall into the following broad pay bands:

<u>£ per annum</u>	<u>Chief Officers</u>	<u>Deputy Chief Officers</u>
40,000 – 50,000	-	7
51,000 – 60,000	-	22
61,000 – 70,000	1	21
71,000 – 80,000	1	32
81,000 – 90,000	2	13
91,000 – 100,000	2	14
101,000 – 110,000	3	4
111,000 – 120,000	3	5
121,000 – 140,000	5	1

141,000 – 160,000	3	1
161,000 – 199,000	8	-
200,000 – 267,000	1	1
Total employees	29	121

All payments outlined in the table above exclude London Weighting payments.

50. The schemes for incremental pay increases and Contribution Payments for employees in Grades D-J and the Senior Management Grade are set out in the relevant sections of this Statement above. These apply to Chief Officers and Deputy Chief Officers, depending on whether they are in one of the D-J Grades or the SMG. No Chief Officer or Deputy Chief Officer has an element of their basic pay “at risk” to be earned back each year. Progression through Grades is, however, subject to successful performance, assessed through the application of the performance-appraisal scheme. Contribution Payments for any Chief Officer or Deputy Chief Officer are only available (when authorised) to those at the top of their Grades. These must also be earned through performance appraisal, and all such payments are non-consolidated, meaning that any recurrence of the payment has again to be earned through performance in future years.

51. The Act requires authorities to set out their policies on remuneration for their highest-paid staff alongside their policies towards their lowest-paid staff, and to explain what they think the relationship should be between the remuneration of their highest-paid staff and other staff. The City Corporation’s pay multiple - the ratio between the highest paid and lowest paid permanent staff - is approximately 1:11. The ratio between the pay of the highest paid member of staff and the median earnings figure for all staff in the authority is approximately 1:7.

Publication of information relating to remuneration

52. The City Corporation will publish details of positions with remuneration of £50,000 or above in accordance with the Accounts and Audit Regulations 2015 and the Local Government Transparency Code issued by the Secretary of State for Communities and Local Government.

53. This Pay Policy Statement will be published on the Corporation’s public website. It may be amended at any time during 2021-2022 by resolution of the Court of Common Council. Any amendments will also be published on the Corporation’s public website.

54. This statement meets the requirements of the: Localism Act 2011; the Department for Communities and Local Government (DCLG) guidance on “Openness and accountability in local pay: Guidance under section 40 of the Localism Act” (including any supplementary Guidance issued); “The Local Government Transparency Code 2015”; and the Accounts and Audit Regulations 2015.

55. From 2018, the City of London Corporation is required under the Equality Act 2010 to publish information every year showing the pay gap between male and female employees. The organisation’s most recent such report was published in March 2022.

A. Moss
Chair, Corporate Services Committee

F. Keelson-Anfu
Deputy Chair, Corporate Services Committee

January 2023

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Report – Civic Affairs Sub-Committee of the Policy and Resources Committee

Applications for Hospitality

To be presented on Thursday 9th March 2023

To the Right Honourable the Lord Mayor, Aldermen and Commons of the City of London in Common Council assembled.

(a) **Early Evening Reception for the Central London Bench**

It is proposed that the City Corporation hosts an early evening reception for the Central London Bench in the Grand Hall at the Central Criminal Court on Wednesday 4th October 2023.

The City Corporation has hosted an annual reception for the Central London Bench at the Old Bailey since 2018. The reception aims to further relations between the City of London Corporation and the Central London Bench.

The event would support the following Corporate Plan outcomes: to tackle terrorism, violent and acquisitive crime, fraud, cyber-crime and anti-social behaviour and facilitate justice (outcome 1a); to advocate and facilitate greater levels of giving of time, skills, knowledge, advice and money (outcome 5d); and to promote regulatory confidence founded on the rule of law (outcome 6a).

It is **recommended** that hospitality be granted and that arrangements are made under the auspices of the Civic Affairs Sub-Committee; the costs to be met from City's Cash within approved parameters.

(b) **Evening Reception to celebrate Diwali**

It is proposed that the City Corporation hosts an early evening reception in November 2023 to celebrate Diwali.

Diwali is the five-day Hindu, Sikh and Jain festival of lights celebrated every autumn. It is the festival of new beginnings and symbolises the victory of good over evil and knowledge over ignorance. During the festival, homes, temples and workspaces are illuminated with lamps and candles. Families and communities come together for meals, gifts are exchanged, and community parades take place with music and dance performances. In 2023, Diwali is likely to begin on Sunday 12th November.

The event would support the following Corporate Plan outcomes: to promote and champion diversity, inclusion and the removal of institutional barriers and structural inequalities (outcome 3a); to provide access to world-class heritage, culture and learning to people of all ages, abilities, and backgrounds (outcome 3b); and to bring individuals and communities together to share experiences and promote wellbeing, mutual respect, and tolerance (outcome 4a).

It is **recommended** that hospitality be granted and that arrangements are made under the auspices of the Civic Affairs Sub-Committee; the costs to be met from City's Cash within approved parameters.

This would be a full Court event.

(c) Early evening reception following the UK commemorative ceremony to mark Holocaust Memorial Day

It is proposed that the City Corporation hosts an evening reception in the Old Library following the holding in Great Hall of the UK Commemorative Ceremony to mark Holocaust Memorial Day in January 2024

The event would support the following Corporate Plan outcomes: to promote and champion diversity, inclusion and the removal of institutional barriers and structural inequalities (outcome 2a); and to bring individuals and communities together to share experiences and promote wellbeing, mutual respect and tolerance (outcome 4a).

It is **recommended** that hospitality be granted and that arrangements are made under the auspices of the Civic Affairs Sub-Committee; the costs to be met from City's Cash within approved parameters.

This would be a full Court event.

(d) Finale of the Lord Mayor's Cadet Music Competition

It is proposed that the City Corporation hosts the finale of the Lord Mayor's Cadet Music Competition in Guildhall Yard followed by a buffet lunch in the Crypts on Saturday 23rd September 2023.

The Lord Mayor's Cadet Music Competition is an annual event that began in 2017. It consists of a series of heats between all cadet units in London and culminates with a finale between the top four cadet units in Guildhall Yard.

The event would support the following Corporate Plan outcomes: to promote effective progression through fulfilling education and employment (outcome 3c); to bring individuals and communities together to share experiences and promote wellbeing, mutual respect and tolerance (outcome 4a); and to advocate and facilitate greater levels of giving of time, skills, knowledge, advice and money (outcome 5d).

It is **recommended** that hospitality be granted and that arrangements are made under the auspices of the Civic Affairs Sub-Committee; the costs to be met from City's Cash within approved parameters.

This would be a full Court event.

(e) Naz Legacy Foundation 10th Anniversary Panel Discussion and Eid Dinner

It is proposed that the City Corporation hosts an interfaith panel discussion followed by an Eid dinner to celebrate the 10th anniversary of the Naz Legacy Foundation on Wednesday 12th July 2023.

Founded in 2012, the Naz Legacy Foundation is a UK-based charity established to continue the legacy of the late Naz Bokhari OBE, the first Muslim head teacher at a secondary school in the UK. Its aim is to help young people from minority communities and disadvantaged backgrounds by supporting education in UK democracy and civil society, providing advice and assistance in developing skills and abilities, and promoting interfaith relations. The Foundation has received repeated public support from The King and senior political figures.

The event would support the following Corporate Plan outcomes: to promote and champion diversity, inclusion and the removal of institutional barriers and structural inequalities (outcome 3a); to provide access to world-class heritage, culture and learning to people of all ages, abilities and backgrounds (outcome 3b); and to bring individuals and communities together to share experiences and promote wellbeing, mutual respect and tolerance (outcome 4a).

It is **recommended** that hospitality be granted and that arrangements are made under the auspices of the Civic Affairs Sub-Committee; the costs to be met from City's Cash within approved parameters.

All of which we submit to the judgement of this Honourable Court.

DATED this 7th Day of February 2023

SIGNED on behalf of the Sub-Committee.

Deputy Edward Lord, OBE JP
Chair, Civic Affairs Sub-Committee

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Report – Bridge House Estates Board

Bridge House Estates (BHE) – Conflict of Interest Policy

To be presented on Thursday, 9th March 2023

*To the Right Honourable The Lord Mayor, Aldermen and Commons
of the City of London in Common Council assembled.*

SUMMARY

This report seeks the Court's approval of a Bridge House Estates (BHE) Conflicts of Interest Policy which will support the Trustee (and Members individually) in managing conflicts of interest and loyalty in discharging the City Corporation's functions as trustee of BHE and when acting in the City Corporation's other capacities. The proposed Policy reflects the requirements of the charity's new Supplemental Royal Charter (the grant of which was approved by His Majesty on 15 February, with sealing awaited at the time of writing this report) and has been drafted with reference to the City Corporation's Members Code of Conduct (and current consideration of its revision) in a way which complies with charity good governance standards, and will allow the Trustee to demonstrate that decisions have been properly and impartially taken for Bridge House Estates' benefit within the City Corporation's own governance framework.

Your BHE Board has considered and endorsed the proposed policy, which is now recommended to the Court of Common Council for approval.

Recommendations

It is recommended that the Members of the Court of Common Council, in discharge of functions for the City Corporation as Trustee of Bridge House Estates and solely in the charity's best interests:

- i) Subject to the grant of the new Supplemental Royal Charter for Bridge House Estates, agree that the proposed Bridge House Estates Conflicts of Interests Policy at Appendix A be adopted as being in the best interests of the charity, with effect from the date on which the Supplemental Royal Charter is granted.

Main Report

Background

1. The City Corporation (acting by the Court of Common Council) (the City Corporation) is the corporate charity trustee of Bridge House Estates (BHE or the Charity). The City Corporation also has many other functions and duties (including as a local authority) and also acts in its general corporate capacity. The City Corporation, consistent with its duties as charity trustee of BHE, has undertaken a review of the Charity's governance and administration. As a consequence of this review, a Petition was submitted to Her Late Majesty in 2022 for the grant of a new Supplemental Royal

Charter *inter alia* for the express grant of new and modern powers to the Trustee for the administration of the Charity.

2. Recognising the unique and historic role of the City Corporation in the administration and management of BHE, which has existed for centuries, the Supplemental Charter also includes provisions to expressly deal with the management of conflicts of interest or loyalty for the City Corporation in administering the Charity alongside its other functions, which conflicts have historically been principally managed in accordance with the Trustee's implied duties and powers, and custom and practice.

Current Position & Decisions Sought

3. Charity trustees owe a duty of "single-minded loyalty" to further their charity's purposes, except to the extent that the charity's governing documents permit them, expressly or by implication, to consider other factors. The mechanism (set out in the 2023 Supplemental Charter which will regulate BHE, once the grant is made) expressly allows the City Corporation to manage conflicts of interest and duty, in a way which complies with good governance standards, demonstrates that decisions taken in its capacity as corporate trustee of BHE have been properly and impartially taken for BHE's benefit and is consistent with the established workings and governance of the City Corporation. This includes a requirement to maintain a policy setting out appropriate steps to manage conflicts situations.
4. The grant of the new Supplemental Charter was approved by His Majesty on 15 February, with sealing awaited at the date of writing this report. In anticipation, the Court's approval is sought for the Bridge House Estates Conflicts of Interest Policy at Appendix A, in the Court's capacity as BHE's Trustee in the Charity's best interests. It is proposed that the Policy take effect from the date of the sealing of the Supplemental Royal Charter.
5. The Policy has been prepared with reference to the City Corporation's Members' Code of Conduct to ensure that the Policy and the Code are appropriately aligned (including in the current review of the Code) and are consistent with the Charity's governing documents of which the Supplemental Charter is one.

Conclusion

6. It is recommended as being in BHE's best interests that a Conflicts of Interest Policy drafted specifically for the Charity and operating within the City Corporation's corporate governance framework be adopted, and this report presents that Policy for this Honourable Court's consideration and approval.

All of which we submit to the judgement of this Honourable Court.

DATED this 22nd day of February 2023.

SIGNED on behalf of the Board.

Deputy Dr Giles Shilson
Chair, Bridge House Estates Board

Appendices

Appendix A - Bridge House Estates Conflicts of Interest Policy

City of London Corporation – Bridge House Estates

CONFLICTS OF INTEREST POLICY

BACKGROUND

Charity trustees owe a duty of “single-minded loyalty” to further their charity’s purposes, except to the extent that the charity’s governing documents permit them, expressly or by implication, to consider other factors.

The City Corporation (acting by the Court of Common Council) (**the City Corporation**) is the corporate charity trustee of Bridge House Estates (**BHE** or the **Charity**).

It also has many other functions and duties (including as a local authority) and also acts in its general corporate capacity. There is therefore a mechanism (set out in the 2023 Supplemental Charter regulating BHE) which expressly allows the City Corporation to manage conflicts of interest and duty, in a way which complies with good governance standards, demonstrates that decisions taken in its capacity as corporate trustee of BHE have been properly and impartially taken for BHE’s benefit and is consistent with the established workings of the City Corporation. The mechanism requires that:

- Where the City Corporation has an actual or potential conflict of interest or loyalty, it takes steps to ensure that any such decision taken in its capacity as corporate trustee of BHE is taken in the interests of BHE; and
- The City Corporation must maintain a policy in place setting out appropriate steps to manage particular conflict situations. This is that policy.

In line with the governing documents, and to carry out day-to-day management of the Charity (with appropriate oversight), the Court of Common Council (the **Court**) has constituted a Committee (the **BHE Board**). The BHE Board is charged with single-mindedly considering the interests of BHE. Certain BHE matters are reserved (or may otherwise be referred) to the Court, which retains oversight of BHE functions on behalf of City Corporation in its capacity as Trustee.

For more information about the unique history and structure of BHE, please see the Bridge House Estates Handbook.

1. Introduction

1.1 This Policy explains how actual and potential conflicts of interest and loyalty should be managed when decisions are taken by the City Corporation as trustee of BHE in discharging its fiduciary duty to further the Charity's purposes.

1.2 Specifically, it applies to:

- (a) Conflicts of interest or loyalty for the City Corporation, which in practice are characterised as conflicts between its duty to BHE and its duty to the City Corporation acting in a different capacity ("**City Corporation Conflicts**"); and
- (b) Conflicts between an individual's duty to BHE and a personal interest, or loyalty to another organisation when participating in decision-making ("**Individual Conflicts**").

1.3 The overriding principle is that decisions made on behalf of the City Corporation as trustee of BHE must be taken in the best interests of BHE. This means that any conflicts should be properly identified and managed in order to ensure that they do not affect the ability to make decisions in the best interests of the Charity. Decision-makers should actively consider what steps can be taken to ensure that decisions comply with this principle.

1.4 This policy is supplemental to, and complements, the City Corporation's existing corporate governance framework, including:

- (a) The Members' Code of Conduct;
- (b) The Employee Conflicts of Interest Policy (and appendices);
- (c) Standing Orders, Financial Regulations, Procurement Code and Regulations, and project procedures.

2. City Corporation Conflicts

General position

2.1 This section applies where decision-makers are:

- (a) Considering a matter in which the City Corporation itself has an actual or potential **conflict of interest**. This means a direct or indirect financial interest (of money or monetary value which is more than de minimis)¹ in

¹ This would include a situation where a payment by BHE relieves the City Corporation of a financial liability that it would otherwise have (for example, a statutory or on-going contractual obligation to provide funding to another body).

relation to a proposed arrangement or transaction between the City Corporation as trustee, and the City Corporation in its corporate capacity.²

- (b) Considering a matter in which the City Corporation itself has an actual or potential **conflict of loyalty**. This includes a situation in which the City Corporation has conflicting legal duties, and for the purposes of this policy may also include similar circumstances where furthering its objectives in its corporate capacity may conflict with its ability to single-mindedly promote the purposes of BHE.³

2.2 In the case of a conflict of interest (as set out in paragraph 2.1(a) above) the City Corporation can only take the relevant action (in its capacity as trustee of BHE) if any benefit to be received by the City Corporation (in its corporate capacity) is authorised by BHE's governing documents or the law.⁴

2.3 In relation to a conflict of interest (as set out in paragraph 2.1(a) above) which is authorised by BHE's governing documents or the law, or in relation to a conflict of loyalty (as set out in paragraph 2.2(b) above):

- (a) The matter can proceed but decision-makers should ensure that the decision taken in the City Corporation's capacity as trustee of BHE is taken in the best interests of BHE; and
- (b) In relation to who should take the decision, the matter should be discretely considered by the BHE Board (or a Committee of the BHE Board), acting only in the interests of BHE.
 - (i) If it is within the remit of the BHE Board (as set out in its Terms of Reference) a decision may be made about the relevant matter notwithstanding the potential conflict between BHE and the City Corporation in its corporate capacity, as the BHE Board has been constituted to take decisions independently for the Charity (under the oversight of the Court as set out above).

² References to the City Corporation in its corporate capacity, are for the purposes of this policy and the 2023 Supplemental Charter, references to the City Corporation acting in all capacities other than as trustee of BHE.

³ This could include a situation where the City Corporation makes a payment on a discretionary basis (i.e. without any legal obligation to do so, including a contractual or statutory obligation) and the arrangements are changed so this payment begins to be met out of BHE's funds instead of e.g. City's Cash. This would not *generally* be a conflict of interest (under paragraph 2.1(a)) but you should consider whether it constitutes a conflict of loyalty (under paragraph 2.1(b)). While this is a general rule, the matter should be considered on a case-by-case basis. There are some cases where e.g. relief of a *moral* obligation on a person has been held to be a benefit. Alternatively, where a payment has been made by the City Corporation for a period as a matter of custom and practice, consideration should be given to whether the City Corporation has assumed an obligation to make those payments and consequently would be being relieved of a financial liability if the payment was routed through BHE (meaning the matter would be a conflict of interest issue under paragraph 2.1(a)).

⁴ See the Appendix for a summary.

- (ii) If it is a matter reserved to the Court, the BHE Board will make a recommendation to the Court, which will then be able to decide about the relevant matter notwithstanding the potential conflict, with that decision still being required to be taken in the best interests of BHE.

2.4 In general terms, Members of the Court may serve on multiple committees (or sub-committees) of the Court. This approach is considered to give rise to significant benefits for BHE (including efficiencies for BHE deriving from a consistency of approach across the City Corporation, and the promotion of efficient sharing of information, knowledge, skills and experience). However:

- (a) When a Member is called upon to consider business (on behalf of the BHE Board) which is also relevant to / subject to consideration by another committee, in the interests of transparency they should declare the position before the commencement of the relevant business (see also paragraph 3);
- (b) Any relevant requirements imposed by the City Corporation's corporate governance framework in relation to participation in the other committee must be adhered to;⁵ and
- (c) The Member should consider whether, in exceptional circumstances, it would be appropriate to recuse themselves from the quorum and voting in relation to the relevant business in the BHE Board and/or the other committee, having regard to:
 - (i) The duty for the City Corporation to ensure discrete consideration of a matter in BHE's best interests;
 - (ii) The size / risk of the proposed action; and
 - (iii) Potential reputational considerations for BHE.
- (d) In the event that a Member does not so recuse themselves, the other members of the BHE Board may by majority decision require that Member

⁵ For instance, and at the date of the adoption of this Policy this remains the only identified exception, where a person sits on both the BHE Board and the Planning & Transportation Committee, and the Planning & Transportation Committee for the City Corporation as local planning authority is considering whether to grant planning permission to a proposal promoted by the BHE Board, a person must recuse themselves from all decision-making about that BHE-related matter in the Planning & Transportation committee. "Promotion" of a proposal relates to decision-making regarding the planning application, and does not extend to decision of wider policy or land portfolio management matters, nor to decisions regarding funding allocation for projects. The restriction does not apply to applications for Listed Building Consent promoted by the BHE Board which are subject to separate external scrutiny. Further details are provided for Planning & Transportation Committee members in the Planning Protocol.

to absent themselves from decision-making and voting on the relevant item at the BHE Board.⁶

Specific transactions

2.5 The governing documents of BHE authorise the City Corporation to enter into specific transactions⁷ in which it (acting in its corporate capacity) has an interest. The guidance under “general transactions” should still be followed, and the following additional safeguards are in place to manage conflicts of interest in relation to each of them, are set out below.

(a) Transfers of property and leases etc.

The City Corporation may (directly or indirectly e.g. through a nominee):

- (i) transfer land or other property; or
- (ii) grant a lease, licence or other interest

between it (in its capacity as trustee of BHE) and it (acting in its corporate capacity), if:

- (iii) an independent valuer is appointed jointly by the two sides (which share the cost of the valuation evenly); and
- (iv) the valuer confirms that the proposed transfer or grant is on the best terms that can reasonably be obtained for BHE.

(b) Acquisition of property jointly / in common and borrowing

- (i) The City Corporation may acquire (i) land; or (ii) investments; in both its capacity as trustee of BHE and its corporate capacity (either jointly or with each capacity having a different interest), as long as the City Corporation is reasonably satisfied that the proposed action is in the best interests of BHE.
- (ii) Where, following the process above, property and/or funds are invested in cash deposits jointly (between the City Corporation as

⁶ For the avoidance of doubt, abstention would not be required in most cases where an individual was a member of more than one City Corporation committee (or sub-committee) : for example where it is proposed for BHE to award grant funding to another charity for which the City Corporation is trustee (unless the grant is particularly high-value and/or controversial and/or likely to warrant scrutiny which might make abstention appropriate), or where decisions are to be taken in pursuit of strategies which are intended to be common to the City Corporation for itself and as trustee of BHE, or in taking decisions affecting the City Corporation's corporate or employee resources which might be made available to BHE (and those costs recovered from the Charity), etc.

⁷ I.e. certain situations where benefits are to be received which may constitute a conflict of interests (see paragraph 2.1(a)).

trustee and it in its corporate capacity), each side can borrow from the other, as long as:

- (A) all borrowed funds are reconciled to the “lending” side by the end of the financial year in which the funds are borrowed, together with any interest that would have accrued on those funds had they not been borrowed; and
- (B) the City Corporation is reasonably satisfied that the proposed action is in the best interests of BHE.

2.6 In respect of other benefits⁸ listed in the Schedule, there may be additional steps that need to be taken to ensure that the decision is in the best interests of BHE. For instance, the payment of expenses is only permitted where those expenses are “properly incurred”; indemnity insurance must comply with the requirements in clause 12.25 of the Supplemental Charter; and the powers in sections 9 and 13 of the City of London (Various Powers) Act 1949 must be exercised in accordance with the limitations / processes in those sections.

3. Individual Conflicts

3.1 Any actual or potential conflicts of interest or loyalty of individual Members arising in relation to a proposed arrangement or transaction for BHE must be dealt with in accordance with the Code of Conduct for Members, which includes requirements:

- (a) To notify the City Corporation of certain pecuniary and non-pecuniary interests (e.g. trusteeships, membership of professional associations and so on), and then keep the register up-to-date on an ongoing basis⁹.
- (b) If an interest has not been entered onto the City Corporation’s Register of Interests, disclose the interest at a BHE Board meeting, where the Member has a disclosable interest in any matter being considered and where the matter is not a ‘sensitive interest’ (as defined in the Members’ Code of Conduct). (We would recommend, as a matter of good practice, that whenever a Member has a personal interest in a matter to be discussed at a meeting, and whenever a Member has an interest in another organisation whose interests are reasonably likely to conflict with those of BHE in relation to a matter to be discussed at a meeting, that they should declare

⁸ This includes a direct financial benefit and also indirect benefits such as the relief of a financial liability – see footnote 1.

⁹ See Tables 1 and 2 in Appendix B to the Members’ Code of Conduct.

an interest before discussion on the matter begins, regardless of whether or not the interest has been disclosed on the Register.)

- (c) Not participate in any discussion of, vote on, or discharge any function related to any matter in which they have a pecuniary interest (as defined in the Code of Conduct¹⁰).
 - (d) In relation to other interests, which will be considered on a case-by-case basis, Members should exclude themselves from speaking or voting in exceptional circumstances, where there is a real danger of bias.
- 3.2 Additionally, the Members¹¹ (and in some cases people connected to them) cannot receive any benefits except for those authorised (or listed) in clause 15 of the 2022 Supplemental Charter as set out in the **Appendix**.
- 3.3 In summary, if a involved in a decision has an individual conflict in relation to a matter being discussed by the Court, BHE Board or sub-committee taking decisions on behalf of the City Corporation as trustee of BHE, they should consult the Code of Conduct and follow the notification and disclosure rules; consider whether any benefit to be received is authorised, including as set out in this Policy; and consider whether they need to recuse themselves from decision-making on that matter.
- 3.4 While this policy does not directly apply to the activities of officers / employees of City Corporation (rather it applies to the City Corporation itself and (in sections 2.4 and 3) the Members individually), the BHE Board has responsibility for the oversight of activities carried out by officers and employees for BHE and should ensure decisions are taken in best interests of BHE. In accordance with this, the BHE Board must identify whether there are potential conflicts at officer / employee level and how to address this in setting the City Corporation's corporate governance framework which will require engaging with the City Corporation in its corporate capacity.

4. **Record keeping**

All discussions and decisions about a conflict of interest or loyalty must be recorded and reported in the minutes of the meeting of the Court, BHE Board or its Committees. The report and associated minute should record:

¹⁰ Id. See Table 1 – unless a dispensation has been granted by the City Corporation in circumstances where it is considered that the grant of the dispensation would not prevent the City Corporation from discharging its duty to ensure that any decision as charity trustee is taken in the best interests of BHE and is consistent with any statutory requirements (e.g. per para. 2.6 of the Policy).

¹¹ Lord Mayor, Alderman or Commoner of the City of London, as defined in that Supplemental Charter. However, as a matter of policy all co-opted members appointed to the BHE Board or its Committees are subject to these requirements too as provided in the BHE Board Co-option Protocol, and the Members' Code of Conduct.

- 4.1 any relevant interests of the Member;
- 4.2 any conflicts of interest and/or loyalty, including any decisions made as to whether the individual did or did not have a conflict of interest and/or loyalty;
- 4.3 the actions taken to manage the conflict in accordance with the Charity's governing documents;
- 4.4 why the decision is considered to be in the best interests of BHE;
- 4.5 the names of persons present for discussion; and
- 4.6 any other relevant information.

5. **Policy Review**

This Policy shall be reviewed as and when the Trustee determines.

Adopted by the Court of Common Council on this █ █ day of █ █ 20█ █

All members of the Court or the BHE Board (or its sub-committees) shall receive a copy of this Policy and shall be deemed to have accepted it.

Appendix – Permitted Benefits¹²

1. Expenses

The City Corporation and its Members (including co-opted members appointed to the Board or one of its committees) may receive reasonable expenses, which have been properly incurred by them acting on behalf of BHE;¹³

2. Payment for goods and services

The City Corporation may receive reasonable and proper remuneration for any goods or services supplied to BHE;

3. Interest

The City Corporation may receive interest at a reasonable and proper rate on money lent to BHE;

4. Rent / similar payment

The City Corporation may receive reasonable and proper rent (or an equivalent payment) for premises let or lent to BHE;

5. Benefit as a beneficiary

A Member or connected person¹⁴ may receive a benefit from BHE as its beneficiary if that benefit is also shared with the public, or a section of the public;

6. Benefit receivable by entities linked to Members / connected persons

A company, partnership or firm in which a Member or connected person is a paid director, member, partner or employee, or a shareholder with a stake of more than 1%, may receive:

- (a) reasonable and proper remuneration for any goods or services supplied to BHE;
- (b) interest at a reasonable and proper rate on money lent to BHE; and/or

¹² Refer paragraph 2.2 and 3.2 of the Policy.

¹³ For the avoidance of doubt, this provision does not permit Members to be remunerated for services (or goods) rendered to the City Corporation in its capacity as trustee of BHE. More generally, City Corporation Members may not be remunerated from Bridge House Estates' funds unless expressly authorised in the Charity's governing documents as set out in paragraph 3.2 of this Policy.

¹⁴ Any spouse, civil partner, parent, child, sibling, grandparent or grandchild of a Member or the spouse or person in an equivalent relationship to any such person.

- (c) reasonable and proper rent (or equivalent payment) for premises let or lent to BHE

7. Benefits authorised by governing documents or the law

The City Corporation and its Members may receive any other benefits expressly or impliedly authorised by the governing documents applying to BHE, or the law. This includes:

- (a) Benefit received in connection with the specific transactions listed in paragraph 2.5 of this policy;¹⁵
- (b) Benefit received under Section 9 of the City of London (Various Powers) Act 1962 (which expressly permits the City Corporation to transfer the beneficial interest in any property owned by it to BHE for fair value (and the mechanism for ensuring fair value is enshrined in that section)).
- (c) Benefit received under section 13 of the City of London (Various Powers) Act 1949 (which permits transfers from BHE to the City Corporation for fair value).

8. Trustee indemnity insurance

The City Corporation may pay reasonable and proper premiums in respect of indemnity insurance effected in accordance with the power in the 2023 Supplemental Charter.

9. Charity Commission authority

The City Corporation and its Members can receive remuneration / other financial benefit if this is authorised in writing by the Charity Commission.

¹⁵ Refer Clause 16 of the 2023 Supplemental Charter.



List of Applications for the Freedom

To be presented on Thursday, 9th March, 2023

*To the Right Honourable The Lord Mayor, Aldermen and
Commons of the City of London in Common Council assembled.*

Set out below is the Chamberlain's list of applicants for the Freedom of the City together with the names, etc. of those nominating them.

His Excellency Mansoor Abdullah Khalfan Juma Abulhoul <i>The Rt. Hon The Lord Mayor Deputy Christopher Michael Hayward</i>	a Diplomat <i>Citizen and Merchant Taylor Citizen and Pattenmaker</i>	Knightsbridge, London
Richard Stewart Austin <i>Malcolm Alastair Craig Robert Clive Booth</i>	an Insurance Company Director <i>Citizen and Gold & Silver Wyre Drawer Citizen and Gold & Silver Wyre Drawer</i>	Kelvedon Hatch, Essex
Dean John Barnes <i>Vincent Dignam John Paul Tobin</i>	a Ductwork Ventilation System Company Director <i>Citizen and Carman Citizen and Carman</i>	Dartford, Kent
Matthew Winthrop Barzun <i>The Rt. Hon The Lord Mayor Deputy Christopher Michael Hayward</i>	a Diplomat <i>Citizen and Merchant Taylor Citizen and Pattenmaker</i>	Louisville, Kentucky, United States of America
David Bird <i>Timothy Matthew Wright The Revd James Edward Power</i>	a Forensic Polygraph Examiner, retired <i>Citizen and Glazier Citizen and Haberdasher</i>	Enfield, Middlesex
Christopher Ashley Wilson Blackmore <i>Michael Steele Keith Grant David Anthony Bickmore</i>	a Reinsurance Broker, retired <i>Citizen and Information Technologist Citizen and Wax Chandler</i>	Malmesbury, Wiltshire
Simon Harvey Bond <i>Deputy James Henry George Pollard Ald. Robert Charles Hughes- Penney</i>	an Investment Portfolio Management Director <i>Citizen and Skinner Citizen and Haberdasher</i>	Roydon, Essex

Sir Graham Stuart Brady <i>Deputy Christopher Michael Hayward</i> <i>Robert Charles Michael Wigley</i>	a Member of Parliament <i>Citizen and Pattenmaker</i> <i>Citizen and International Banker</i>	Altrincham, Cheshire
Nicolas Noël André Bréteau <i>The Rt. Hon The Lord Mayor</i> <i>Ald. Vincent Keaveny</i>	a Financial Services Company Chief Executive <i>Citizen and Merchant Taylor</i> <i>Citizen and Solicitor</i>	Kensington, London
David Brigden <i>Michael Steele Keith Grant</i> <i>David Anthony Bickmore</i>	a Chartered Surveyor <i>Citizen and Information Technologist</i> <i>Citizen and Wax Chandler</i>	Muswell Hill, London
Oliver Daniel Bullman <i>Richard Gary Stephen Miller</i> <i>Hilary Miller</i>	a Shipping Container Company Director <i>Citizen and Glover</i> <i>Citizen and Glover</i>	Ongar, Essex
Austin Grenville Burn <i>Michael John Singleton</i> <i>Robert Paul Selwyn</i>	a Page of the Presence, retired <i>Citizen and Fletcher</i> <i>Citizen and Fletcher</i>	Old Windsor, Berkshire
Caroline Burton <i>Susanne Margaret Janet Wooltorton</i> <i>Brendan Paul Tobin</i>	a Global Data Protection Officer <i>Citizen and Poulter</i> <i>Citizen and Poulter</i>	Norwich, Norfolk
Eamon Patrick Campbell <i>Calogero Alu</i> <i>Russell Chweidan</i>	a Technology Company Director <i>Citizen and Baker</i> <i>Citizen and Baker</i>	Winchmore Hill, London
Dr Claudia Carraro D'amore <i>Ronald Peter Murray</i> <i>Alan William Mabbutt</i>	a Local Authority Press Office Manager <i>Citizen and Firefighter</i> <i>Citizen and Firefighter</i>	Padua, Italy
Simon Philip Cattle <i>Michael Steele Keith Grant</i> <i>David Anthony Bickmore</i>	a Gas Company Senior Adviser <i>Citizen and Information Technologist</i> <i>Citizen and Wax Chandler</i>	Berkhamsted, Hertfordshire
James Blake Chapman <i>Ald. Alison Jane Gowman</i> <i>Deputy Marianne Bernadette Fredericks</i>	a Firefighter <i>Citizen and Glover</i> <i>Citizen and Baker</i>	Brentwood, Essex
Robert Michael Cullen <i>Vincent Dignam</i> <i>John Paul Tobin</i>	a Rail Infrastructure Company Managing Director <i>Citizen and Carman</i> <i>Citizen and Carman</i>	Toddington, Bedfordshire
Philip Francis Cusack <i>Vincent Dignam</i> <i>John Paul Tobin</i>	a Tool Supplies Company Managing Director <i>Citizen and Carman</i> <i>Citizen and Carman</i>	Potters Bar, Hertfordshire
Lewis William Dance <i>Vincent Dignam</i> <i>Ald. Ian David Luder</i>	a Chamberlain's Court Apprentice <i>Citizen and Carman</i> <i>Citizen and Cooper</i>	Hoddesdon, Hertfordshire

Mark Andrew Devenport <i>Allan Stewart Anderson</i> <i>Daniel Flowers</i>	a Joiner, retired <i>Citizen and Plumber</i> <i>Citizen and Plumber</i>	Wandsworth, London
Thomas Leslie Duffin <i>Keith Richard Stevens</i> <i>Dmytro Tupchiienko</i>	a National Charity Partnerships Director, retired <i>Citizen and Management Consultant</i> <i>Citizen and Stationer & Newspaper Maker</i>	Colwich, Staffordshire
Austin Andrew Sindelka Erwin <i>David Robert Attwood</i> <i>Alan Victor George Croucher</i>	a Debt Restructuring Consultant <i>Citizen and Plumber</i> <i>Citizen and Tyler & Bricklayer</i>	Balham, London
Joshua George Fincher <i>Deputy Keith David Forbes</i> <i>Bottomley</i> <i>Ald. & Sheriff Alastair John</i> <i>Naisbitt King, DL</i>	a Blacksmith <i>Citizen and Wheelwright</i> <i>Citizen and Blacksmith</i>	Wellington, Herefordshire
James Paul Flint <i>Deputy Henry Llewellyn Michael</i> <i>Jones</i> <i>Deputy Marianne Bernadette</i> <i>Fredericks</i>	an Actor <i>Citizen and Common Councillor</i> <i>Citizen and Baker</i>	Poplar, London
Dr Alberto Franceschi <i>Ronald Peter Murray</i> <i>Alan William Mabbutt</i>	an Honorary Consul of Lithuania <i>Citizen and Firefighter</i> <i>Citizen and Firefighter</i>	Padua, Italy
Farshid Gazeranchi <i>Robert Brian Linton</i> <i>Abdul Latif</i>	an Oil and Gas Supply Company Director <i>Citizen and Blacksmith</i> <i>Citizen and Poulter</i>	Paddington, London
Jacqueline Lesley Gilbert <i>Lord Mountevans</i> <i>Ald. Sir David Hugh Wootton</i>	an Administrator <i>Citizen and Shipwright</i> <i>Citizen and Fletcher</i>	Whyteleafe, Surrey
Richard Duane Grant <i>Judy Senta Tayler-Smith</i> <i>Simon Jonathan Tayler-Smith</i>	a Chartered Building Engineer, retired <i>Citizen and Upholder</i> <i>Citizen and Basketmaker</i>	Wigston, Leicestershire
Laura Michelle Reyes Groutides <i>The Rt. Hon The Lord Mayor</i> <i>John Dominic Reid, OBE</i>	an Executive Assistant To The Pageantmaster <i>Citizen and Merchant Taylor</i> <i>Citizen and Grocer</i>	Coulsdon, Croydon
Edward Andrew Harding <i>Ann-Marie Jefferys</i> <i>Anne Elizabeth Holden</i>	a Chartered Accountant and Management Consultant <i>Citizen and Glover</i> <i>Citizen and Basketmaker</i>	Hove, East Sussex
Rebecca Louise Hardman <i>The Rt. Hon The Lord Mayor</i> <i>Ald. Vincent Keaveny</i>	a Professional Services Senior Operations Manager <i>Citizen and Merchant Taylor</i> <i>Citizen and Solicitor</i>	Haringey, London
Peter James Harris <i>Simon Phillip Bannister</i> <i>Roy Raymond Cullen</i>	a Fire Alarm Engineer, retired <i>Citizen and Blacksmith</i> <i>Citizen and Wheelwright</i>	Bromley, Kent

Ashley Hine <i>Peter Christopher Brockbank</i> <i>Peter John Lambert</i>	an Information Technology Company Director <i>Citizen and Pavior</i> <i>Citizen and Pavior</i>	Twickenham, Middlesex
Brigadier Neville Robert Holmes, MBE <i>Lord Robert George Alexander Lingfield, Kt, DL</i> <i>Mark Watson-Gandy</i>	an Army Officer <i>Citizen and Goldsmith</i> <i>Citizen and Scrivener</i>	Cheddar, Somerset
Mohammed Ahabab Hossain <i>Munsur Ali, CC</i> <i>Deputy Rehana Banu Ameer</i>	a Community Activist <i>Citizen and Common Councillor</i> <i>Citizen and Common Councillor</i>	Bethnal Green, London
Christopher James Hurren <i>Paul Holmes</i> <i>Mark Robert Jason Eyles-Thomas</i>	a Chauffeur, retired <i>Citizen and Security Professional</i> <i>Citizen and Security Professional</i>	Orpington, Kent
Elizabeth James <i>Ann-Marie Jefferys</i> <i>Anne Elizabeth Holden</i>	a Residential Property Manager <i>Citizen and Glover</i> <i>Citizen and Basketmaker</i>	Chichester, West Sussex
Josephine Amanda Jones <i>Michael Steele Keith Grant</i> <i>Carolyn Jane Hutchings</i>	a Bank of England Official, retired <i>Citizen and Information Technologist</i> <i>Citizen and Fan Maker</i>	Putney, London, Wandsworth
Peter Francis Junker <i>Ann-Marie Jefferys</i> <i>Anne Elizabeth Holden</i>	an Information Technology Company Manager, retired <i>Citizen and Glover</i> <i>Citizen and Basketmaker</i>	Sunbury-on-Thames, Surrey
Sumit Kanwar <i>Trevor James Brignall</i> <i>Simon Jonathan Mark Burrows</i>	an Automotive Industry Head of Business <i>Citizen and Marketor</i> <i>Citizen and Framework Knitter</i>	Langley, Berkshire
Suraiya Kassamally <i>Ian Sidney Balcombe</i> <i>Timothy John Macandrews JP</i>	a Primary School Teacher, retired <i>Citizen and Pattenmaker</i> <i>Citizen and Gold & Silver Wyre Drawer</i>	Ilford, Essex
Trevor John Koschalka <i>Donald Henry McGarr</i> <i>Omaid Hiwaizi</i>	a Police Inspector, retired <i>Citizen and Basketmaker</i> <i>Citizen and Marketor</i>	Walton On Thames, Surrey
Afua Serwah Kyei <i>Ald. Professor Michael Raymond Mainelli</i> <i>Andrew Frederick Seaforth Cox</i>	The Bank of England Chief Financial Officer <i>Citizen and World Trader</i> <i>Citizen and Grocer</i>	Chelsea, London
Dr Tatyana Rekrut Lapa-Enright <i>Graham George Cooke</i> <i>Ann-Marie Jefferys</i>	a Medical Doctor <i>Citizen and Painter Stainer</i> <i>Citizen and Glover</i>	Cambridge, Cambridgeshire
Kelly Lesurf <i>Ald. Sir David Hugh Wootton</i> <i>Dr Iain Reid</i>	a Membership & Outreach Manager <i>Citizen and Fletcher</i> <i>Citizen and Ironmonger</i>	Leytonstone, London

Jane Riddick Heron Macdonald <i>Stephen David Willis</i> <i>Dr Millan Sachania</i>	a Dentist, retired <i>Citizen and Musician</i> <i>Citizen and Musician</i>	Putney, London
Geoffrey Hugh Maitland-Jones <i>Michael Steele Keith Grant</i> <i>David Anthony Bickmore</i>	a Data Analyst <i>Citizen and Information Technologist</i> <i>Citizen and Wax Chandler</i>	Herstmonceux, East Sussex
Anne-Marie Maningas <i>Donald Henry McGarr</i> <i>Dhruv Patel</i>	a Transport For London Instructor Operator <i>Citizen and Basketmaker</i> <i>Citizen and Clothworker</i>	Brentford, Middlesex
Lesley Fiona Barbara McAlpine <i>Stephen David Willis</i> <i>Dr Millan Sachania</i>	a City of London Guide <i>Citizen and Musician</i> <i>Citizen and Musician</i>	Charlton, London
Timothy Gerald McCarthy <i>Vincent Dignam</i> <i>John Paul Tobin</i>	a Labour Supply Company Managing Director <i>Citizen and Carman</i> <i>Citizen and Carman</i>	Edgware, Middlesex
Ralph Edward Stanley Miller <i>Colin Anthony Cox</i> <i>David Harry</i>	a Government Official, Retired <i>Citizen and Air Pilot</i> <i>Citizen and Stationer & Newspaper Maker</i>	Lanner, Cornwall
Robert William Newcombe <i>Ald. Alexander Robertson</i> <i>Martin Barr</i> <i>Lucinda Mary Elisabeth Newcombe</i>	a Barrister <i>Citizen and Ironmonger</i> <i>Citizen and Skinner</i>	Rothbury, Northumberland
Lauren Jayne Osborne-Patterson <i>Deputy Philip Woodhouse</i> <i>Jamel Banda, CC</i>	a Trainee Legal Executive <i>Citizen and Grocer</i> <i>Citizen and Poulter</i>	Newdigate, Surrey
James David Miles Owens <i>Richard Gary Stephen Miller</i> <i>Norman Edward Chapman</i>	a Regional Data Centre Operations Manager <i>Citizen and Glover</i> <i>Citizen and Glover</i>	Hampton, Middlesex
David Peter Burrett Reid <i>Richard George Turk</i> <i>Dr Iain Reid</i>	a Charity Executive Director <i>Citizen and Shipwright</i> <i>Citizen and Ironmonger</i>	Shipton Under Wychwood, Oxfordshire
Howard Jeffery Rind <i>Peter Hubert William Ruddy</i> <i>Melvyn Stuart Davis</i>	a Solicitor <i>Citizen and Bowyer</i> <i>Citizen and Bowyer</i>	Sanderstead, South Croydon
William Damian Stuart Rouse <i>Lex Agathangelou</i> <i>Major General William O'Leary</i>	a Recruitment Services Company Director <i>Citizen and Turner</i> <i>Citizen and Turner</i>	Basingstoke, Hampshire

Andrew Mark Russell <i>Ruby Sayed, CC</i> <i>Helen Lesley Fentimen, OBE, JP, CC</i>	a Head of School <i>Citizen and Common Councillor</i> <i>Citizen and Common Councillor</i>	Bournemouth, Dorset
Peter Francis Sheridan <i>The Rt. Hon The Lord Mayor</i> <i>Deputy Christopher Michael Hayward</i>	Chief Executive of Cooperation Ireland <i>Citizen and Merchant Taylor</i> <i>Citizen and Pattenmaker</i>	Portrush, Northern Ireland
John Edward Sinclair <i>David O'Reilly</i> <i>Richard Logue</i>	a Procurement Consultant <i>Citizen and Educator</i> <i>Citizen and Educator</i>	Colchester, Essex
Oscar Stewart Talbot Smith <i>Nicholas John Trillwood</i> <i>Sarah Catherine Trillwood</i>	a Chartered Surveyor <i>Citizen and Goldsmith</i> <i>Citizen and Goldsmith</i>	Blackheath, London
Victoria Ann Smurfit <i>Ald. Vincent Keaveny</i> <i>Vincent Dignam</i>	an Actress <i>Citizen and Solicitor</i> <i>Citizen and Carman</i>	Notting Hill, London
Caroline Theresa Speight <i>Anthony William Parker</i> <i>Richard George Turk</i>	a Rowing Coach and Safety Boat Officer <i>Citizen and Glass Seller</i> <i>Citizen and Shipwright</i>	Upper Norwood, London
Glenn Springett <i>Brian Thomas Porter</i> <i>Elliott Thomas Porter</i>	a Construction Group Managing Director <i>Citizen and Fruiterer</i> <i>Citizen and Fruiterer</i>	Maidstone, Kent
Mitchell Loney Leslie Ben Walker <i>Henry Llewellyn Michael Jones, CC</i> <i>Vincent Dignam</i>	a Procurement and Contracts Officer <i>Citizen and Common Councillor</i> <i>Citizen and Carman</i>	Hornchurch, Essex
Glyn Douglas Wallis-Jones <i>Graham John Peacock</i> <i>Richard Eaglesfield Floyd</i>	a Civil Servant <i>Citizen and Loriner</i> <i>Citizen and Basketmaker</i>	East Sheen, London
Martin William Ward <i>Gregory James Kirby</i> <i>Peter John Lambert</i>	a Senior Technical Support Engineer <i>Citizen and Glover</i> <i>Citizen and Pavior</i>	South Ruislip, Middlesex
Christopher Warden <i>Deputy James Michael Douglas Thomson</i> <i>His Honour Simon Stewart Coltart</i>	a City Livery Company House Steward <i>Citizen and Grocer</i> <i>Citizen and Grocer</i>	High Wycombe, Buckinghamshire
Andrew Timothy Whitehead <i>Michael Steele Keith Grant</i> <i>David Anthony Bickmore</i>	an Operations and Facilities Manager <i>Citizen and Information Technologist</i> <i>Citizen and Wax Chandler</i>	Pulborough, West Sussex

Dr John Arthur Robert Williams	an Academic	Solihull, West Midlands
<i>Colin Norman Newsome</i>	<i>Citizen and Engineer</i>	
<i>Malcolm Ronald Vincent</i>	<i>Citizen and Engineer</i>	
Debra Jill Witt	a Consultant	Holborn, London
<i>Deputy Graham David Packham</i>	<i>Citizen and Upholder</i>	
<i>Catherine Sidony McGuinness, CBE, CC</i>	<i>Citizen and Solicitor</i>	
James Malcolm Woolley	a Publican	Leighton Buzzard, Bedfordshire
<i>Richard Gary Stephen Miller</i>	<i>Citizen and Glover</i>	
<i>John Charles Jordan</i>	<i>Citizen and Glover</i>	

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Report – Policy and Resources Committee

Report of Urgent Action Taken: London Councils Grants Scheme 2023/24 Levy

To be presented on Thursday, 9th March 2023

*To the Right Honourable The Lord Mayor, Aldermen and Commons
of the City of London in Common Council.*

SUMMARY

The City of London Corporation is responsible for issuing the annual levies for subscriptions to all the constituent councils of the London Councils Grants Scheme (LCGS). The Court of Common Council can only consider the levies for the ensuing year if at least two-thirds of the constituent councils (i.e. 22 out of 33 of the London local authorities) have approved the total expenditure to be incurred under the Grants Scheme. If the requisite approvals are not received by 1 February, under the Grants to Voluntary Organisations (Specified Date) Order 1992 made under the LGA 1985, the total expenditure will be deemed to be the same as that approved in the previous year.

Having received confirmation from London Councils that the budget had been agreed by two thirds of the Constituent Councils, the approval of the Court was then sought under the urgency procedures to issue the levies before the statutory deadline of 15 February 2023.

We therefore report that, on x February 2023, approval was given in accordance with Standing Order No. 19 to issue the levies as set out in the appendix to this report.

MAIN REPORT

1. The budget for the London Councils Grants Scheme and the City of London Corporation's contribution to the Scheme is considered on an annual basis by your Policy and Resources Committee. At its meeting on 19 January 2023 the Committee considered and approved the total amount of expenditure to be incurred in 2023/24 (£6.686m, to come from the constituent councils of the Scheme) as well as the City Corporation's subscription to it (£8,102).
2. The City Corporation is also responsible for issuing levies for subscriptions to all the constituent councils of the Scheme. This element of the Grants Scheme can only be approved by the Court of Common Council. The London Councils' Grants Scheme operates under section 48 of the Local Government Act 1985 which requires at least two-thirds of the constituent councils (i.e. 22 out of 33 of the London local authorities) to have approved the total expenditure to be incurred for the ensuing year. Constituent councils have until 1 February to do this and a decision to issue the levies cannot be taken until such time as this has happened. The Court is therefore required to make its decision as levying

body between 1 and 15 February each year as, in accordance with regulations, levies have to be issued before 15 February 2023.

3. Following the receipt of confirmation from London Councils that over two-thirds of constituent councils had agreed the expenditure to be incurred for 2023/24 ahead of the 1 February deadline, approval to issue the levies before the statutory 15 February deadline was sought under urgency procedures pursuant to Standing Order No.19 (as the Court of Common Council was not due to meet ahead of 15 February).
4. Approval was subsequently given to a levy of £6.686m being applied to constituent councils for 2023/24, as set out in the appendix to this report.

APPENDIX – Borough Subscriptions for 2023/24.

All of which we submit to the judgment of this Honourable Court.

DATED this xth day of February 2023.

SIGNED on behalf of the Committee.

Deputy Christopher Hayward
Chair, Policy and Resources Committee

Report – Policy and Resources Committee and Finance Committee

Report of Urgent Action Taken: Eight Authority Pool

To be presented on Thursday, 9th March 2023

*To the Right Honourable The Lord Mayor, Aldermen and Commons
of the City of London in Common Council assembled.*

SUMMARY OF ACTION TAKEN

1. As part of the business rates regime, the Government has allowed Local Authorities with a geographic link to form a business rate pool. In forming a pool, the group of authorities are seen as a single entity from a business rate perspective and in doing this, should retain more of the business rate income generated locally.
2. From 2018/19 the 32 London Boroughs, Greater London Authority (GLA) and the City of London Corporation were part of the London Business Rates Pool. Significant financial benefits (£609m) were gained from this arrangement, until the pandemic.
3. A business rate pool works by lowering the amount paid to Government on business rate growth above the baseline level set by Government. At its highest, 50% of growth is paid to Government. By forming a pool, this rate can be lowered to 0%, and funds which were earmarked to Government would be retained locally.
4. The pandemic had a significant impact on the collection of business rate, which led to an estimated £14.2m loss to be shared by pool participants in 2020/21. Further modelling for 2021/22 and 2022/23 showed a mix of risks across London, which, matched with the comparatively low level of financial return (the 2020/21 pool was only forecast to make a total gain of £36m due to the levy rate only reducing to 19.4%), meant that it was agreed that the London Pool would not continue for 2021/22 and 2022/23.
5. Following the collective decision not to form a London wide business rates pool for 2022/23, the opportunity was still available for authorities to form their own pool groupings. Having considered the experience from the London Pool, which whilst challenging in 2020/21, did produce significant financial gains in previous years, the City of London alongside Brent, Barnet, Enfield, Hackney, Haringey, Tower Hamlets and Waltham Forest, formed a tactical pool in 2022/23– the “Eight Authority Pool”.
6. The pool was formed with the aim of keeping the levy payments the City of London and Tower Hamlets make to Government (potentially £24m), in London, which would otherwise leave London. The arrangement supports the Government's

levelling up agenda given four of the partner local authorities are ranked among the six most deprived boroughs in London.

7. In 2022, London Councils confirmed that a London wide Pool will not be operated in 2023/24; and Leaders were given the opportunity to form their own pools if they wished. The participating authorities agreed in principle to extend the 'tactical pool' into 2023/24; with the continued intention to restore a pan-London pool as soon as risks are tolerable. There was no detrimental impact to the rest of London and the arrangement did not preclude boroughs from forming their own pooling arrangements.
8. Arrangements would mimic those operating for the 2022/23 Pool of Eight with the City of London acting as lead authority. It was estimated the Eight Authority Pool could potentially yield £8m for City Fund. The distribution formula remained as previously agreed with the other boroughs: 40% to COL and 60% split equally between the remaining seven boroughs.
9. The principles behind the Eight Authority Pool are the same as the London Business Rate Pool. The participating authorities are Brent, Barnet, Enfield, Hackney, Haringey, Tower Hamlets, Waltham Forest and the City Corporation
10. The financial benefit is generated by levy paying authorities reducing their levy rate from 50% to 0% on the business rate growth they generate. Monitoring of 2022/23 collection rates have remained stable as has the overall amount of collectable business rate. This provides some comfort that business rate growth will remain for the foreseeing future.
11. All the other participating authorities (Brent, Barnet, Enfield, Hackney, Haringey, Tower Hamlets and Waltham Forest) are top up authorities i.e. authorities which do not generate enough income from business rates to meet their funding requirement, and therefore receive additional funding from Government to top them up. Their inclusion lowers the levy rate from 50% to 0%. Due to their top up status, this group would have to lose more than 100% of their business rate base in order pull the pool into a loss.
12. The business rate system has a floor funding level, which the pool will become responsible for should participating authorities fall below this level. These payments would be triggered with significant reductions in business rate income. The make-up of the selected authorities make this circumstance remote. It would take a 20% reduction across all the participating authorities to create a pooling loss - at £400m this is considered highly unlikely. We only experienced a c3% loss during the pandemic when a number of businesses were unable to pay and we are recouping to almost pre-pandemic levels now. Retail, leisure and hospitality are the biggest threat, but as these sectors only constituent a small proportion of our rates base, they are a low risk to the Pool. We estimate the Eight Authority Pool could potentially yield £8m for City Fund in 2023/24.
13. The biggest risk for 2023/24 was the Valuation Office's revaluation on rateable value (RV) - a reduction could potentially have made the Pool unviable. Instead, the RV went up slightly for the City.

Why this group?

14. In order to create a benefit and lower the risk of a loss, the group needed to fulfil the requirement that:
 - The authorities are geographic neighbours.
 - There would be a financial benefit from Pooling. This benefit is delivered by the levy payment saving. For 2023/24, the City of London is forecast to make a levy payment and current projections would indicate that this would be around £20m-25m.
 - The benefit can be maximised. The participation of Brent, Barnet, Enfield Haringey, Hackney, Tower Hamlets and Waltham Forest, who are all top-up authorities, reduces the levy rate to 0%.
 - The risk is minimised.
 - The group is already established due to the 2022/23 arrangements and can therefore simply roll forward these arrangements, which all participants are agreed to do.
 - In forming a pool, there is no detrimental impact to the rest of London and all other boroughs are free to form their own pool should they choose to.
15. The S151 Officers of each of the participating authorities met to discuss the continuation of the pool and agreed to roll forward the 2022/23 arrangement.
16. London Leaders approved the application, on the understanding that the arrangement would revert to a pan-London pool as soon as risks are tolerable.
17. The Department for Levelling Up, Housing and Communities (DLUHC) approved the intention to pool for the eight partner authorities as part of the Provisional Local Government Settlement.
18. Final due diligence work was undertaken to ensure all participating authorities were comfortable in continuing with the pool.
19. All authorities had until 15th January 2023 (28 days after the Local Government Settlement) to pull out of the pooling arrangement, although it should be noted that if one authority pulled out, the whole pool would have fallen.
20. After approval (under urgency) was secured from your Policy & Resources Committee and Finance Committee, approval was sought from the Court of Common Council under urgency procedures given the tight timeframes involved.
21. On the consultation period being over the Christmas and New Year period - London Councils and the Society of London Treasurers have continually fed back to DLUHC the need to get the Provisional Settlement out in early December. Generally speaking, whilst timeframes have been moving positively in that direction, due to significant challenges that resulted from the mini-Budget in autumn, the Settlement was pushed back, which in turn meant a quick turnaround when it came to approvals for the establishment of the Pool; it is anticipated that a more stable and timely approach will be applied in 2023.

22. The decision approved the establishment of the Eight Authority Pool for 2023/24, with the City of London Corporation again hosting and authorised the Chamberlain and Town Clerk to put the necessary administrative arrangements in place.

RECOMMENDATION

23. We **recommend** that the action taken be noted.

All of which we submit to the judgement of this Honourable Court.

DATED this 15th day of January 2023.

SIGNED on behalf of the Committees.

Deputy Christopher Hayward
Chairman, Policy & Resources Committee

Deputy Henry Colthurst
Chairman, Finance Committee

Report – City Remembrancer

Measures introduced into Parliament which may have an effect on the work and services provided by the City Corporation

To be presented on 9th March 2023

*To the Right Honourable The Lord Mayor, Aldermen and Commons
of the City of London in Common Council assembled.*

Statutory Instruments

Date in force

The Council Tax and Non-Domestic Rating (Demand Notices) (England) (Amendment) Regulations 2023 No. 13 6th February 2023

These Regulations amend Regulations from 2003 in relation to non-domestic rating demand notices. Under the 2003 Regulations, a rate demand notice served by the Common Council in its capacity as a billing authority must contain certain specified information. These Regulations amend the existing Regulations to update the information that must be provided in the demand notice concerning the non-domestic rating system and rate reliefs.

The School and Early Years Finance (England) Regulations 2023 No. 59 14th February 2023

These Regulations make provision for local authorities' financial arrangements in relation to the funding of maintained schools for the financial year 2023-2024. They set out the appropriate formulae in accordance with which local authorities must determine budget shares for schools maintained by them. The Regulations apply to the Common Council's funding of its maintained schools.

The Town and Country Planning (Development Management Procedure) (England) (Amendment) Order 2023 No. 142 1st June 2023

This Order amends an existing Order from 2015, which makes provision for local planning authorities and the Secretary of State to consult certain authorities or persons within certain categories, before issuing a grant of planning permission. This Order adds Active Travel England to the list of statutory consultees and sets out the categories of development for which this new Government agency must be consulted.

The Education (School Day and School Year) (England) (Amendment) Regulations 2023 No. 174 15th March 2023

These Regulations amend existing Regulations from 1999, which set out the minimum number of school sessions that must be held during a school year at every school maintained by a local authority. These Regulations amend the existing Regulations to reduce the minimum number of sessions specified for the school year 2022-23. This will allow for schools' closure for the coronation of His Majesty King Charles III.

The Road Traffic Act 1988 (Police Driving: Prescribed Training) Regulations 2023 No. 185 20th March 2023

These Regulations revoke and replace Regulations from 1998, to make technical changes to provision for training for the purposes of the Road Traffic Act 1988. This follows amendments to the 1988 Act made by the Police, Crime, Sentencing and Courts Act 2022, to make provision as to the meaning of dangerous driving and careless driving in respect of police driving. Those standards for police driving refer to the driver having undertaken "prescribed training", and these Regulations set out when a training course will be prescribed training.

The text of the measures and the explanatory notes may be obtained from the Remembrancer's Office.

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

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of the Local Government Act 1972.

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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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