



## Finance Committee

**Date:** TUESDAY, 24 JANUARY 2023

**Time:** 12.45 pm

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

**Members:**

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

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

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<https://www.youtube.com/@CityofLondonCorporation/streams>

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**Michael Cogher**  
**Acting Town Clerk and Chief Executive**

# AGENDA

## Part 1 - Public Agenda

1. **APOLOGIES**

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

3. **MINUTES OF THE PREVIOUS MEETING**

To agree the public minutes of the meeting held on 14<sup>th</sup> December 2022.

**For Decision**  
(Pages 5 - 12)

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

Report of the Chamberlain.

**For Information**  
(Pages 13 - 14)

5. **ANNUAL REVIEW OF THE COMMITTEE'S TERMS OF REFERENCE**

Report of the Town Clerk.

**For Decision**  
(Pages 15 - 18)

6. **2021-22 CITY'S CASH FINANCIAL STATEMENTS**

Report of the Chamberlain.

*Please note: there are a number of lengthy and detailed appendices in respect of this report, which have been circulated in a supplementary pack.*

**For Decision**  
(Pages 19 - 26)

7. **SUNDRY TRUSTS ANNUAL REPORT AND FINANCIAL STATEMENTS 2021/22**

Report of the BHE & Charities Finance Director (representing the Chamberlain).

*Please note: there are a number of lengthy and detailed appendices in respect of this report, which have been circulated in a supplementary pack.*

**For Decision**  
(Pages 27 - 30)

8. **CHAMBERLAIN'S DEPARTMENTAL RISK MANAGEMENT UPDATE**

Report of the Chamberlain.

**For Information**  
(Pages 31 - 42)

9. **CHAMBERLAIN'S BUSINESS PLAN - QUARTER 3 UPDATE**

Report of the Chamberlain.

**For Information**  
(Pages 43 - 50)

10. **REVENUE BUDGET MONITORING TO NOVEMBER 2022**

Report of the Chamberlain.

**For Information**  
(Pages 51 - 54)

11. **CENTRAL CONTINGENCIES 2022/23**

Report of the Chamberlain.

*Members are asked to note a non-public appendix at agenda item 20.*

**For Information**  
(Pages 55 - 56)

12. **REPORT OF PUBLIC ACTION TAKEN UNDER URGENCY OR DELEGATED AUTHORITY PROCEDURES SINCE THE LAST MEETING**

Report of the Town Clerk.

**For Information**  
(Pages 57 - 58)

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

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

15. **EXCLUSION OF THE PUBLIC**

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

**For Decision**

**Part 2 - Non-Public Agenda**

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

To agree the non-public minutes of the meeting held on 14<sup>th</sup> December 2022.

**For Decision**  
(Pages 59 - 62)

17. **SALISBURY SQUARE DEVELOPMENT - CONTRACTOR ADVANCE PAYMENTS**  
Report of the City Surveyor.  
**For Decision**  
(Pages 63 - 66)
18. **CITY'S ESTATE: DISPOSAL OF 50 GRESHAM STREET, LONDON EC2V 7AY**  
Report of the City Surveyor.  
**For Decision**  
(Pages 67 - 78)
19. **KEY INCOME COLLECTION UPDATE**  
Report of the Chamberlain.  
**For Information**  
(Pages 79 - 84)
20. **CENTRAL CONTINGENCIES 2022/23 (NON-PUBLIC APPENDIX)**  
*Members are asked to note a non-public appendix in respect of agenda item 11.*  
**For Information**  
(Pages 85 - 86)
21. **REPORT OF NON-PUBLIC ACTION TAKEN UNDER URGENCY OR DELEGATED AUTHORITY PROCEDURES SINCE THE LAST MEETING**  
Report of the Town Clerk.  
**For Information**  
(Pages 87 - 92)
22. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
23. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**

## FINANCE COMMITTEE

**Wednesday, 14 December 2022**

Minutes of the meeting of the Finance Committee held at Guildhall, EC2 on  
Wednesday, 14 December 2022 at 1.45 pm

### **Present**

#### **Members:**

Deputy Henry Colthurst (Chairman)  
Deputy Randall Anderson (Deputy  
Chairman)  
Emily Benn  
Steve Goodman  
Deputy Ann Holmes  
Wendy Hyde  
Elizabeth Anne King

Catherine McGuinness  
Eamonn Mullally  
Paul Singh  
Deputy Sir Michael Snyder  
Deputy James Thomson  
Deputy Philip Woodhouse

#### **Officers:**

John Cater	- Committee Clerk
Caroline Al-Beyerty	- Chamberlain's Department
Emma Moore	- Chief Operating Officer
Michael Cogher	- Comptroller and City Solicitor
Paul Wilkinson	- City Surveyor
Polly Dunn	- Town Clerk's Department
Jack Joslin	- The City Bridge Trust
Fiona Rawes	- The City Bridge Trust
David Farnsworth	- Town Clerk's
Sonia Virdee	- Chamberlain's Department
Dionne Corradine	- Town Clerk's Department
Kate Limna	- Chamberlain's Department
Sanjay Odedra	- Communications Team
Julia Pridham	- The City Bridge Trust

### **1. APOLOGIES**

Apologies for absence were received from Rehana Ameer, Shahnan Bakth Nick Bensted-Smith, James Bromiley-Davis, Alderman Emma Edhem, Alderman Sir Peter Estlin, Martha Grekos, Madush Gupta, Alderman Robert Hughes-Penney, Alderwoman Susan Langley, Gregory Lawrence, Alderman Tim Levene, Paul Martinelli, Andrien Meyers, Brian Mooney, Nighat Qureishi, Tom Sleigh, James Tumbridge, Mark Wheatley, Christopher Hayward, and Keith Bottomley.

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

There were no declarations of interest.

3. **MINUTES OF THE PREVIOUS MEETING**

**RESOLVED** – That the public minutes and non-public summary of the meeting held on 15<sup>th</sup> November be approved as an accurate record.

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

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

The Chamberlain informed Members that the 2020/21 City Fund accounts were expected to be signed off by mid-January, with the handover to the new auditors Grant Thornton (GT) targeted for the end of January. The Chairman expressed his deep frustration at the situation, particularly as the point of contention concerned an infrastructure item which was, in his view, not material. The result of the delay would mean that GT would be completing two audits for City Fund over the course of 2023, namely, the 2021/22 and 2022/23 sets of accounts.

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

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

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

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

6. **RISK MANAGEMENT - TOP RISKS**

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

In response to a query, the Chamberlain confirmed that the inflation figure and assumptions outlined in the Report were sourced from the Office for Budget Responsibility (OBR) and from the Corporation's Medium-Term-Financial-Plan (MTFP). Given the volatility and uncertainty in the wider economy over the past 12 months, the rating would remain red going in 2023 and the assumptions would be reviewed as a key part of the budget setting process for the 2023/24 financial year.

In response to a query, the Chairman informed Members that he was eager for capital monitoring to be reported on a monthly basis; traditionally, this update had taken place quarterly, however, given the progress of the major projects and the resulting impact on the City Corporation's finances it was important that Members of this Committee (as well as the Policy & Resources Committee) were kept more frequently updated.

Separately, the Chamberlain informed Members that, whilst recent recruitment rounds had been slower than hoped for, the department was performing well in ensuring inductions and knowledge transfers were effectively carried out. The result had a really helpful impact on giving new members of staff the best opportunity to hit the ground running.

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

**7. AUTUMN STATEMENT 2022 BRIEFING**

The Committee received a Report of the Chamberlain concerning the Autumn Statement.

In response to a query concerning the London Living Wage (LLW), the Chamberlain expected that the LLW would increase, advised that there were no staff members paid below the current LLW, but any increase would be factored into budget planning and the MTFP.

Separately, the Chamberlain confirmed that the government's Business Rates Re-set was still expected reflecting a figure of £27m relevant to the Corporation. The recent income from the growth in Business Rates has been directed to the major projects in City Fund as opposed to business-as-usual items.

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

**8. FINANCE COMMITTEE OPERATIONAL BUDGET ESTIMATE 2023/24**

The Committee considered a Report of the Chamberlain concerning revenue budgets in relation to the operational services directly overseen by the Finance Committee.

Noting the circa £2m increase in insurance premiums this year, officers confirmed that this increase was, largely, due to an increase in the potential cost of rebuilding.

In response to a query, officers confirmed that, concerning the Old Bailey, the City Corporation's arrangement with HM Courts and Tribunals Service (HMCTS) was not evidenced on as a formalised a footing as was the case with the new courts complex.

The Chamberlain confirmed that a Report would be going to the Operational Property and Projects Sub-Committee and the Resource Allocation Sub-Committee in March concerning the Cyclical Works Programme (CWP). Whilst the current focus was on ensuring works with health and safety requirements and those with a statutory need were prioritised, consideration would begin to turn to the general backlog of works (circa £80m).

The Chamberlain informed Members that officers were currently working through the forecasting for energy prices and the consequent impact on the Corporation's finances in 2023/24. It was noted that, given the significant

increases in energy costs over 2022, the Power Purchase Agreement had been helpful in mitigating some of these pressures.

The Chairman asked the Chamberlain to review wording of Reports going forward. He was keen to avoid the terminology of “Latest Budget” as the budget set at the beginning of the financial year should be the final budget. Whilst in-year changes were inevitable, it was unhelpful, in his view, to go through multiple iterations of the Budget. The Chairman also clarified that whilst Members were being asked to approve the estimate this did not include, at this stage, the figures for the CWP and energy costs.

Separately, the Chamberlain informed Members that low-income residents would be assisted by the Council Tax Reduction Scheme.

It was also confirmed that discussions concerning the 2023/24 Pay Award would begin in earnest in early 2023. In addition, a Pay Reward Refresh project would be undertaken next year with a Report coming back to Committee towards the end of the year.

**RESOLVED** – that the Committee:

- Noted the latest revenue budget for 2022/23;
- Reviewed and approved the estimate for 2023/24;
- Authorised the Chamberlain to revise these budgets to allow for any further implications arising from changes to the resource envelope, Corporate Projects, other reviews and changes to the Cyclical Works Programme during budget setting be delegated to the Chamberlain;
- Note the approved capital and supplementary revenue budgets; and
- Noted that the draft budget does not include the estimated increases in energy costs principally for the Guildhall, Central Criminal Court and Mansion House, pending final agreement on energy forecasts.

9. **DRAFT CHAMBERLAIN'S BUSINESS PLAN FOR 2023/24**

The Committee considered a Report of the Chamberlain concerning the draft Departmental Business Plan for 2023/24.

The Chamberlain confirmed the department would be focusing its attentions in 2023/24 on ways in which a more empowered, less risk averse working culture could be developed, whilst maintaining appropriate financial controls. It had also become apparent that written communication between colleagues could be improved by trying to avoid overly jargonistic terms and encouraging “plain English”.

In response to a query, the Chamberlain commented that hybrid or remote working was now embedded across the local government sector. Finance roles in the private and charitable sectors, employers, in the main, were choosing to



operate with a hybrid model producing both positive and negative features. In terms of challenges, the Department, and the organisation as a whole, would need to focus on improving the skillsets of managers when it came to supervising their direct reports remotely, and give more consideration how to team build under a hybrid model, in light of less frequency of all individuals being in the same place at the same time.

Additionally, the Chamberlain remarked that the detail around the “current performance” under the KPIs on page 61 of the agenda pack would be updated as more work was carried out. Members would be kept abreast of these areas of performance over the coming year.

**RESOLVED** – that the Committee:

- Noted the factors taken into consideration in compiling the Chamberlain’s Department Business Plan; and
- Approved, subject to the incorporation of any changes sought by this Committee, the departmental Business Plan for Chamberlain’s for 2023/24.

**10. CENTRAL CONTINGENCIES**

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

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

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

Questions were raised as follows -

In response to a query around whether, in line with several local authorities in London, the City Corporation should consider becoming a member of the Fair Tax Foundation, the Chairman suggested that it would be more appropriate to discuss such a matter of policy at an upcoming meeting of the Policy & Resources Committee.

In response to several Members asking about the City Corporation’s utilisation of external consultants, namely, whether the data around the use of consultants was sufficient and whether this ultimately offered value-for-money, officers stressed that this was a multifaceted area. Whilst quality centrally held data was, unfortunately, unavailable, the definition of consultants covered a wide gamut and included administrative support staff on short-term temporary contracts to leading industry specialists contracted to work on complex projects, where the alternative option of drawing on internal resources, would not be practicable. It was also clear that the quality of the consultants varied significantly, and important to ensure that those individuals and firms which did perform well were re-engaged when new requirements emerged.

It was anticipated that as the new ERP system came on stream next year, in addition to the outcomes of the Project Governance Review in mid-2023, the data around the City's use of consultants would be significantly improved. With regards the ERP system, the Deputy Chairman urged patience and stressed that significant data cleansing would be required as part of a successful roll out, alongside the clear and comprehensive coding of all consultants engaged by the Corporation on the system.

Members were keen to understand current data around the number and usage of consultants, analysis of performance and value-for-money and the criteria used when appointments are made. Acknowledging that the data in this area was dispersed around the organisation, the Chairman was keen to ensure that any additional burden in putting a paper together was minimised and did not distract officers from the core day job, particularly when the current focus was on the 2023/24 Budget and other significant issues. With that in mind, the Chairman asked that, in the first instance and in order that this issue did not drop off the agenda, a brief oral update be made at an upcoming meeting of the Committee which could provide additional data, update Members on progress of the ERP, and provide some further thinking on whether criteria can be improved. This would then be followed by a more comprehensive deep dive paper on the use of consultants in the first half of 2023; it was proposed that this paper could also be submitted to the Corporate Services Committee and the Efficiency & Performance Working Party for wider input.

In response to a concern raised by a Member about the Chairman and Deputy Chairman not being sighted on a recent Report concerning the financing of the new Museum, the Chairman reiterated his earlier request for the Committee to be given more frequent monthly updates around the major capital projects and their impact on cash-flow.

Finally, reflecting on whether nine was an appropriate quorum figure for the Committee, the Chairman encouraged Members to provide feedback to the recent call to submit proposals and comments to the Town Clerk's Light Touch Governance Review over the Christmas Recess.

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

There were no urgent items.

**13. EXCLUSION OF THE PUBLIC**

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

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

**RESOLVED** – That the non-public minutes of the meeting held on 15th November be approved as an accurate record.

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

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

**16. RESOURCING ADDITIONAL TIME-LIMITED SUPPORT TO COMPLETE THE CORPORATE CHARITIES REVIEW & SUPPORT THE SCOPING OF THE NATURAL ENVIRONMENT CHARITIES REVIEW**

The Committee considered a joint Report of the Managing Director of Bridge House Estates & Chief Charities Officer & the Chamberlain concerning the Corporate Charities Review and the Natural Environment Charities Review.

**17. INITIAL FEEDBACK ON BILATERAL MEETINGS WITH SELECTED COMMITTEE CHAIRMEN/CHAIRS**

The Committee received an oral update of the Chamberlain concerning feedback from the bilateral meetings with selected Committee Chairmen/Chairs.

**18. COVID-19 ADDITIONAL RELIEF FUND (CARF) SCHEME - UPDATE**

The Committee received a Report of the Chamberlain concerning the CARF Scheme.

**19. PENSION FUND - INITIAL 2022 ACTUARIAL VALUATION RESULTS**

The Committee received a Report of the Chamberlain concerning the Pension Fund initial actuarial valuation results for 2022.

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

The Committee considered a report of the Town Clerk which provided information of the non-public action taken by the Town Clerk since the last meeting of the Committee, in consultation with the Chairman and Deputy Chairman, in accordance with Standing Orders 41(a) and 41(b).

**21. NON-PUBLIC APPENDIX TO ITEM 11 (CONTINGENCIES)**

The Committee noted the non-public appendix to ITEM 11 (Contingencies).

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

Members considered a non-public question relating to the work of the Committee.

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

There were no items of urgent business.

**The meeting ended at 3.10 pm**

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Chairman

**Contact Officer: John Cater**  
**tel. no.: 020 7332 1407**  
**[john.cater@cityoflondon.gov.uk](mailto:john.cater@cityoflondon.gov.uk)**

FINANCE COMMITTEE – WORK PROGRAMME 2022-23

	Jan-23	Feb-23	March-23	April - 23
Budget Setting Process & Medium-Term Financial Planning		City Fund Budget Report and Medium-Term Financial Strategy  City Cash Budget report and Medium-Term Financial Strategy  2023/24 Annual Capital Bids		
Effective Financial Management Arrangements for The City Corporation	Q3 Budget monitoring  Income and Business Rates update	Annual on-street parking Accounts 2021/22 and related funding of Highway Improvements and Schemes  Housing Review Account  Capital Projects – Forecasting and Outturn Q1		Update of Finance Regulations
Financial Statements	City's Cash trust funds and sundry trust funds annual reports and financial statements  City's cash financial statements			

Finance Committee as a Service Committee	Central Contingencies	Central Contingencies	Central Contingencies	Central Contingencies
	Risk Management Update Report  Chamberlain's Business plan Q report	Risk Management Update Report	Risk Management Update Report	Risk Management Update Report  Chamberlain's Business plan Q report

<b>Committee(s):</b> Finance Committee	<b>Dated:</b> 24 <sup>th</sup> January 2023
<b>Subject:</b> Annual Review of Terms of Reference	<b>Public</b>
<b>Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?</b>	3, 8, 10
<b>Does this proposal require extra revenue and/or capital spending?</b>	N/A
<b>If so, how much?</b>	
<b>What is the source of Funding?</b>	
<b>Has this Funding Source been agreed with the Chamberlain's Department?</b>	
<b>Report of:</b> Town Clerk  Report author: John Cater – Members and Governance Services Manager	<b>For Decision</b>

## Summary

The Annual Review of the Committee's Terms of Reference enables any proposed changes to be considered in time for the annual reappointment of Committees by the Court of Common Council. The Terms of Reference for the Finance Committee are attached at Appendix 1.

## Recommendations:

1. The terms of reference of the Finance Committee (**set out at Appendix 1**) be approved, subject to any comments, for submission to the Court in April 2023; and,
2. Members consider whether any change is required to the frequency of the Board's meetings.

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

### Terms of Reference – Finance Committee

#### **Constitution**

A Ward Committee consisting of,

- four Aldermen nominated by the Court of Aldermen
- up to 31 Commoners representing each Ward (two representatives for the Wards with six or more Members regardless of whether the Ward has sides) or Side of Ward
- the Chairman and Deputy Chairman of the Policy & Resources Committee (ex-officio)

#### **Quorum**

The quorum consists of any nine Members.

#### **Terms of Reference**

To be responsible for:-

##### **Finance**

- (a) Ensuring effective arrangements are made for the proper administration of the City Corporation's financial affairs;
- (b) making recommendations to the Court of Common Council in respect of:-
  - (i) the audited accounts, the Annual Budget and to recommend the non-domestic rate and Council Tax to be levied and to present the capital programme and make recommendations as to its financing;
  - (ii) the appointment of the Chamberlain;
- (c) considering the annual budget of several committees, to ascertain that they are within the resources allocated, are applied to the policies for which those resources were allocated and represent value for money in the achievement of those policies;
- (d) determining annually with the Resource Allocation Sub-Committee, the appropriate performance return bench marks for the City's Estates;
- (e) obtaining value for money in all of the City of London Corporation's activities, contracts, and in the City of London Police;
- (f) monitoring performance against individual Departmental Business Plans and bringing about improvements in performance;
- (g) the effective and sustainable management of the City of London's operational assets, to help deliver strategic priorities and service needs;
- (h) overseeing the City of London Corporation's approved list of contractors and consultants;
- (i) dealing with requests for allowances, expenses, insurance, business travel, treasure trove and Trophy Tax;



- (j) providing strategic oversight and performance management of all grant giving activity by the Corporation, other than for the Bridge House Estates.

(k) responsibility for the administration and management of the Charities Pool which falls within the purview of this Committee.

- (l) strategies and initiatives in relation to energy;

**Sub-Committees**

- (m) appointing such Sub-Committees and Working Party as are considered necessary for the better performance of its duties including the following areas:-

**Financial Investment Board (joint with Policy & Resources Committee)**

**Operational Property and Projects (joint with Policy & Resources Committee)**

**Property Investment Board (joint with Policy & Resources Committee)**

**Efficiency & Performance Working Party**

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<b>Committee(s):</b>  Audit and Risk Management Committee – For decision Finance Committee – For decision	<b>Dated:</b>  16/01/2023 24/01/2023
<b>Subject: 2021-22 City's Cash Financial Statements</b>	<b>Public</b>
<b>Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?</b>	6/7
<b>Does this proposal require extra revenue and/or capital spending?</b>	<b>N</b>
<b>If so, how much?</b>	<b>N/A</b>
<b>What is the source of Funding?</b>	<b>N/A</b>
<b>Has this Funding Source been agreed with the Chamberlain's Department?</b>	<b>N/A</b>
<b>Report of: The Chamberlain</b>	<b>For Decision</b>
<b>Report author: Neilesh Kakad, Chief Accountant</b>	

## Summary

The Annual Report and Consolidated Financial Statements for City's Cash for the year ended 31 March 2022 are attached at Annex 2 for approval.

In addition, the 10 Annual Reports and Financial Statements of the Open Spaces and sundry trusts charities which are consolidated within the City's Cash accounts (listed at paragraph 2 below) are attached at Annex 3 for approval.

The external auditor, Crowe UK LLP is intending to issue an unqualified audit opinion for both City's Cash and the 10 Charities Annual Report and Financial Statements subject to finalisation of a small number of outstanding queries.

The key points in the consolidated financial statements are:

- a net surplus of £106.1m which includes gains in fair value on non-property investments of £69.0m and property investments of £101.8m. *(these figures can be seen in the Consolidated Statement of Comprehensive Income on page 19);*
- total net assets of £2,811.4m, an increase £183.3m (7%) since last year. This increase is largely due to the fair value gains noted above. The net asset position is taken after deducting the total pensions liability of £383.0m and the outstanding long term loan liabilities of £449m. *(the £183.3m is shown in the Consolidated Statement of Changes in Equity on page 21);*
- financial commitments relating to City's Cash are disclosed in the notes to the financial statements and are summarised as follows:
  1. the potential contribution of £50m from City's Cash towards the Crossrail Project *(page 50, point c);* and

2. £16.6m relating to a works contract for the refurbishment of an investment property and £3.5m for tunnel lids at Smithfield Market (*page 51, point a*); and

No significant matters are noted in the individual financial statements of the 10 consolidated charities. As in previous years the majority of the charities' income was from City's Cash grants, although income from other sources increased in the year.

## **Recommendations**

The Audit and Risk Management Committee is requested to:

- Note that the external auditor Crowe UK LLP intends to give an unqualified audit opinion for both City's Cash and the 10 consolidated charities' individual financial statements;
- Consider the contents of the Audit Management Report issued by Crowe UK LLP (late item); and
- Recommend approval of the 2021/22 City's Cash Financial Statements, and the financial statements of each of the 10 consolidated charities, for the year ended 31 March 2022 to Finance Committee.

The Finance Committee is requested to:

- Consider the contents of the Audit Management Report issued by Crowe UK LLP; and
- Consider the resolution from the Audit and Risk Management Committee and, if appropriate, approve the 2021/22 City's Cash Financial Statements, and the financial statements of each of the 10 consolidated charities, for the year ended 31 March 2022;
- Authorise the Chamberlain, in consultation with the Chairman and Deputy Chairman of Finance Committee, to approve any material changes to the statement of accounts and annual reports and financial statements required before the signing of the audit opinion by Crowe UK LLP – which is expected by the end of January for City's Cash consolidated financial statements, and for the consolidated charities.
- Authorise the Chairman and Deputy Chairman of the Finance Committee to approve and sign the City's Cash Financial Statements, and those of each of the 10 consolidated charities, on behalf of the Court of Common Council.

## **Main Report**

### **Current Position**

1. The 2021-22 Annual Report and Consolidated Financial Statements for City's Cash are attached at Annex 2 for approval.
2. The Annual Reports and Financial Statements for each of the consolidated charities for the same period are attached at Annex 3 for approval. The 10 charity financial statements are listed below with their charity numbers, and are made up of the Open Spaces and other consolidated sundry trusts:
  - a. Ashtead Common (registered charity no. 1051510)
  - b. Highgate Wood and Queen's Park Kilburn (registered charity no. 232986)
  - c. West Ham Park (registered charity no. 206948)
  - d. Hampstead Heath Charity (consolidated with the Trust Fund below) (registered charity no. 803392)
  - e. Hampstead Heath Trust Fund (registered charity no. 803392-1)
  - f. Sir Thomas Gresham Charity (registered charity no. 221982)
  - g. Keats House (registered charity no. 1053381)
  - h. Burnham Beeches and Stoke Common (registered charity no. 232987)
  - i. Epping Forest (registered charity no. 232990)
  - j. West Wickham Common and Spring Park Wood (registered charity no. 232988) & Coulsdon and Other Commons (registered charity no. 232989)
3. Our auditors have provided an audit management report reflecting progress and outstanding items as at the time of writing, which largely revolves around completing their internal review processes. An update will be provided at the Audit and Risk Management Committee further progress made, highlighting any further issues identified outside those included in the audit finding report. Representatives from Crowe UK LLP will attend the Audit and Risk Management Committee to present their report and to clarify any points or issues.
4. It should be noted that the Chamberlain's and Bridgemasters' Accounts are no longer subject to the Audit Panel Review process following a change in these governance arrangements. The City's Cash accounts will therefore be certified by the incumbent auditor only.
5. Members will be aware that in order to comply with the covenants in the private placement Note Purchase Agreement, the audited City's Cash consolidated financial statements along with an opinion that states that such financial statements give a true and fair view of the financial position of City's Cash, must be submitted to the private placement lenders as soon as they become available but in any event within 270 days after the end of each financial year (i.e. by 26 December). Due to the delays in completing the audit it was not possible to comply with this requirement, however a letter supported by the audit Partner was submitted along with the draft accounts.

6. The 10 sets of charity financial statements must be submitted to the Charity Commission within 10 months of their financial year end, i.e. by 31 January 2023.

**Other significant items in City's Cash disclosure notes (pages 31 to 58)**

**Loans**

7. In August 2019, the City issued debt totally £450m via private placement of which £250m was received in September 2019 with the remaining £200m being received in July 2021 (*page 44*).

**Teacher's Pension Scheme (TPS) Liability**

8. Following discussions with the previous audit panel and auditor, a review of the accounting arrangements for the Teacher's Pension Scheme has been carried out during the year reflecting on comments made regarding the recognition of the liability for this scheme. Whilst the TPS is a defined benefit scheme, which would ordinarily generate a pension liability, due to large number of participants in the scheme and therefore the difficulty in establishing a share of the liability for each participant, accounting guidance allows for this scheme to be treated as a defined contribution scheme in which only the in-year contributions to the scheme need to be recognised. We have been unable to identify any scheme member that doesn't adopt this approach, which includes how this is managed within City Fund, and therefore have adopted this approach moving forward. Because this is a change in accounting policy, prior period adjustment have been action to remove this liability, which was last valued at £19.1m. (*page 44*).

**Financial Commitments (page 50)**

9. Contribution to Crossrail - the potential contribution of £50m from City's Cash towards the Crossrail Project has been disclosed as a financial commitment in both the annual report and the notes to the financial statements.
10. Contract commitments – there are contract commitments of £5.9m relating to a works for the refurbishment of an investment property and £4.2m for works at Smithfield Market.

## Highlights from the Consolidated Statement of Comprehensive Income

### Comparison with Previous Year

11. A summary of the Consolidated Statement of Comprehensive Income for the year ending 31 March 2022 is shown below. A surplus of £106.1m was achieved for the year, a positive movement of £75.1m from the £31.0m surplus in the previous year. Details of the movements from the previous year are described below.

	<b>31/03/2022</b> <b>£m</b>	<b>31/03/2021</b> <b>£m</b>	<b>Variance</b> <b>£m</b>
Operating deficit before gains in fair value of investments	(98.0)	(88.7)	(9.3)
(Loss)/Gain in fair value of property investments	101.8	(98.1)	199.9
Gain/(Loss) in fair value of non-property investments	69.0	227.0	(158.0)
<b>Operating surplus/(deficit)</b>	<b>72.8</b>	<b>40.2</b>	<b>32.6</b>
(Loss)/Profit on sale of fixed assets	58.3	(0.3)	(2.9)
Loan financing costs	(9.2)	(6.0)	(2.3)
<b>Surplus/(Deficit) for the year</b>	<b>121.9</b>	<b>33.9</b>	<b>88.0</b>

12. The unfavourable movement in the operating deficit (before gains in fair value of investments) for the year of £9.3m (from £88.7m in the prior year to £98.0m) is largely due to:

- An increase in net expenditure against grants and other activities of £22.0m, from £7.5m in 2020/21 to £29.5m in 2021/22. This is largely due to the City's Covid-19 recovery grant scheme for Square Mile SMEs and an increase in grant funding for major projects.
- An increase in net expenditure against City Representation of £1.1m from £12.8m in 2020/21 to £13.9m in 2021/22. There was an increase in activities due to the relaxation of travel and hospitality restrictions that followed from the continuing recovery from the pandemic.
- Net pension scheme costs increasing by £1.8m, from £34.0m in 2020/21 to £35.8m in 2021/22.

These cost increases were offset by:

- Net expenditure on education decreasing by £9.4m from £24.9m in 2020/21 to £15.5m in 2021/2, this is largely due to increased income as discounts were no longer being offered to pupils at the City's three independent schools and at Junior Guildhall as the schools returned from virtual tuition to being back in the classroom.
- Net expenditure on Markets reducing by £2.1m from £8.0m in 2020/21 to £5.9m in 2021/22, due to operational savings.

- Net income relating to investments increasing by £1.7m, from £34.1m in 2020/21 to £35.8m in 2021/22, mainly due to a £9.8m movement in the bad debt provision adjustment from 2020/21 to 2021/22, which reflect the decrease in debt on investment properties compared to the previous year.
- Net expenditure on Open Spaces reducing by £1.2m from £18.6m in 2020/21 to £17.4m in 2021/22, largely due to increased income following the continued recovery from the pandemic.

#### Movements in fair value of investments

13. As shown in the table, the fair value from property investments has increased £101.8m in 2021/22 following a loss in value on £98.1m in the previous year. This reflects the recovery of property value post pandemic.
14. The table also shows a gain in the fair value of non-property investments of £69.0m, compared to the gain of £227.0m recorded in 2020/21. Last year saw significant gains linked to the recovery from pandemic.
15. After the operating surplus of £72.8m (2020/21: surplus of £32.6m) it can be seen in the table that there was a gain on disposal of fixed assets of £58.3m (2020/21: loss of £0.3m) and loan financing costs of £9.2m (2020/21: £6.0m). This increase is due to loan interest from private placement including the release of the final tranche of funds (£200m) in July 2021.

#### **Comparison with Budget**

16. The financial statements and the budget are not directly comparable due to differences in the way in which the two documents are constructed\*. However, compared to a budgeted net deficit of £56.7m as detailed in Annex 1: City's Cash consolidated - Comparison with Budget on a Committee Basis, the outturn on a like for like basis is a net deficit of £43.4m, favourable movement of £13.3m. This position is slightly altered to the provisional outturn presented to Finance Committee in July 2022 due to an audit adjustment related to recognition of a rent free agreement completed shortly after the year end, resulting in £1.2m of additional expenditure.
17. The net £13.3m better than budget position is largely due to slippage of supplementary revenue projects (SRP) of £5.1m, unspent contingencies of £2.1m and additional dividend income of £2m.

#### **Consolidated Charities Summary**

18. The consolidated charities' total income across all charities for 2021/22 was £23.6m (2020/21: £23.0m), of which £14.9m (2020/21: £17.1m) came from grants from City's Cash, with the remainder from investments (£2.0m, mainly the Hampstead Heath Trust Fund), charitable activities (£5.5m) and a small amount from donations and other grants (£1.1m). The main reason for the overall increase



in income and reduction in the City's Cash Grant was an increase in income from charitable activities as restrictions eased following covid-19 lockdowns. The net assets of the 10 charities at 31 March 2022 was £63.6m, of which £54.7m related to Hampstead Heath and the Hampstead Heath Trust Fund.

19. Of the 10 annual reports and financial statements, 7 were subject to a full audit and 3 (Keats House, Sir Thomas Gresham Charity, and Ashted Common) were independently examined for the first time in 2021/22. These arrangements were in place for the first time this year, following a review of the audit and examination requirements of each charity, carried out in the best interests of each charity and implemented with regard to the threshold for audits and independent examinations, as required under Charity Law.

### Consolidated Statement of Financial Position

20. City's Cash net assets total £2,811.4m as at 31 March 2022 compared to £2,628.1m a year earlier reflecting the £183.3m gain recognised for the year as set out in the following table:

Changes in Equity	31/03/2022 £m	31/03/2021 £m	Variance £m
Surplus/(Deficit) for the financial year	121.9	33.9	88.0
<b>Unrealised gains/(losses):</b>			
Deferred taxation	(15.8)	(2.9)	(12.9)
Actuarial (loss)/gain on defined benefit pension schemes	77.2	(97.1)	174.3
<b>Net (decrease)/increase in funds</b>	<b>183.3</b>	<b>(66.1)</b>	<b>249.4</b>

21. The deferred tax position relates to Barking Power Station Limited, which is consolidated into the City's Cash accounts as a subsidiary.

22. The actuarial gain on defined benefit pension schemes is mainly due to change in assumptions underlying the present value of the pension liabilities. The change in assumptions relates to increase in discount rate, from 2.0% to 2.6%, which has reduced the value of liabilities.

### Approval of the Financial Statements

23. It is recommended that the Finance Committee approve delegated authority for the Chairman and Deputy Chairman of the Finance Committee to approve and sign the financial statements on behalf of the Court of Common Council, taking account of any observations from the Audit and Risk Management Committee on 16 January.

**Annexes**

- Annex 1 – City's Cash consolidated - Comparison with Budget on a Committee Basis
- Annex 2 – Annual Report and Financial Statements of City's Cash
- Annex 3 – Annual Report and Financial Statements of the 10 consolidated charities

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<b>Committees:</b> Audit and Risk Management	<b>Date:</b> 16 January 2023
<b>Subject:</b> Sundry Trusts Annual Report and Financial Statements 2021/22	<b>Public</b>
<b>Report of:</b> BHE & Charities Finance Director (representing the Chamberlain)	<b>For decision</b>
<b>Report author:</b> Julia Megone, Charities Technical and Strategic Finance Manager, BHE & Charities Finance Team	

## Summary

This report seeks approval of the annual reports and financial statements for 12 of the 15 Sundry Trust charities listed at **Appendix 1** for the year ended 31 March 2022.

Of the 15 charities, 4 annual reports and financial statements are audited by Crowe LLP, 7 are subject to an independent examination by Crowe LLP, and 4 are below the threshold for either an audit or an independent examination. These arrangements were in place for the first time this year, following a review in the best interests of each charity, implemented with regard to the threshold for audits and independent examinations, as required under Charity Law.

Where the Corporation is Trustee, the Finance Committee approves the annual reports; if charities have individual trustees, or the Trustee is acting through the Court of Aldermen (as indicated in **Appendix 1**), the reports are approved by the respective trustees or the Aldermen following recommendation by this Committee.

The draft annual report and financial statements for each charity for the year ended 31 March 2022 are attached at **Appendix 2** for approval. The draft annual reports for 3 of the charities<sup>1</sup> are not included in Appendix 2 to this report due to staff shortages resulting in delays to their preparation and as a consequence also to the auditors' work. They will therefore not be submitted to the Charity Commission by the required deadline. The Charity Commission have been notified in advance.

The work for the other charities is in progress at the date this report was submitted (4 January 2023). To date no major issues have been identified and on this basis we understand that Crowe currently intend to issue an unqualified opinion (audit) or unmodified report (independent examination) for each annual report.

## Recommendations

The Audit and Risk Management Committee are asked to:

- (i) Consider the contents of the audit management report issued by Crowe LLP (comments related to these charities are included within the paper covering City's Cash);
- (ii) Note that the external auditor Crowe LLP is anticipating giving an unqualified audit opinion on 2 sets of audited charity annual reports, and

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<sup>1</sup> (CLS Bursary and Awards Fund, CLSG Bursary Fund (incorporating the CLSG Scholarships & Prizes Fund) and Charities administered in connection with the City of London Freemen's School "ICW charities")

- that work has not yet commenced on 2 others which will be brought for approval separately;
- (iii) Note that the independent examiner Crowe LLP is anticipating giving an unmodified report for the 7 sets of independently examined charity annual reports;
  - (iv) Note for information the 3 of the 4 sets of annual reports which are no longer subject to audit and independent examination, with the fourth set being brought separately for approval due to delays in preparation; and
  - (v) Recommend approval of the annual reports of the 12 charities presented for the year ended 31 March 2022, to the Finance Committee for those charities where the Corporation is Trustee; to the Aldermen for the Emmanuel Hospital charity where the Corporation is acting by the Court of Aldermen as the named corporate trustee; and to the individual trustees of the Sir William Coxen Trust Fund and the Samuel Wilson Loan Charity (see **Appendix 1** for charity registration numbers).

### **Main Report**

1. The 2021/22 Annual Report and Financial Statements for 12 Sundry Trust charities for the year ended 31 March 2022 are presented for review.
2. The annual reports of the Sundry Trusts have been prepared in accordance with the 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.
3. The Charity Commission requires charities to submit their annual report within 10 months of their financial year-end, that is by 31 January 2023. A failure to meet deadlines is recorded on the charity's entry on the Charity Commission website. There are no financial penalties incurred.
4. There are 15 annual reports and financial statements relating to the Sundry Trusts of which the City Corporation is Trustee, or otherwise has rights of nomination or appointment of the majority of trustees. Of these, 4 annual reports and financial statements are audited by Crowe LLP, 7 are subject to an independent examination by Crowe, and 4 do not require any external review. These arrangements were in place for the first time this year, following a review of what was in the best interests of each charity, implemented with regard to the threshold for audits and independent examinations, as required under Charity Law. A summary table is included below:

<b>Type of review</b>	<b>Number of sundry trust charities</b>
Audit	4 (2 of which are included in this report)
Independent examination	7 (all of which are included in this report)
No review required	4 (3 of which are included in this report)

5. As set out in more detail in paragraphs 11 and 12 below, 3 sets of charity annual reports are not yet completed. These will be presented separately once the audit work has been completed.

## **Audit Opinion / Independent Examiner's Report**

6. The external auditor (Crowe LLP) is expected to give an unqualified opinion on the annual reports and financial statements of each of the 2 of the 4 Sundry Trust charities subject to an audit, with work on the further 2 charities yet to commence.
7. For the 7 sets of annual reports and financial statements which are subject to an independent examination, the independent examiner (Crowe LLP) is not expected to modify their report. An independent examination offers negative assurance, that no evidence has been found that the accounts have not been prepared properly, as opposed to an audit opinion that confirms that the accounts show a "true and fair" view.
8. With work still in progress, we are not aware of any significant accounting adjustments, changes to the financial statements, or deficiencies in internal control that have been identified in relation to these charities.

## **Summary of the financial statements**

9. The Sundry Trust charities are listed at **Appendix 1**. Notable activities in the year included:
  - a. A wide-ranging distribution of grants and charitable funds: the Emanuel Hospital charity commenced a significant new strategic grant making programme, committing over £440k in grants for the benefit of the elderly in London, whilst the Combined Relief of Poverty charity made a £60k grant to support local response to the Covid-19 pandemic in the City of London. The Sir William Coxen Trust Fund made 4 grants totalling over £160k for the benefit of hospitals or charitable institutions supporting those with orthopaedic conditions, especially children. The Samuel Wilson's Loan Charity issued 4 new loans totalling £100k to support young entrepreneurs in London and surrounding counties to further their businesses.
  - b. For the first time the charities bore the costs of their own administration, including their audit or independent examination fees (where relevant) and the costs of staff time spent in administering and reporting on the charities' activities. The financial statements now include a support costs note to reflect these changes, following the guidance of the Charities Statement of Recommended Practice (SORP).
  - c. The charities' investments continued to grow, although at a slower rate compared to 2020/21 when previous growth was offset by losses arising from market turbulence at the start of the global Covid-19 pandemic
  - d. Investment income rose slightly compared to 2020/21 across the charities, leading to an increase in funds held in most charities.

## **Progress and Submission of Signed Annual Reports and Financial Statements**

10. Crowe's work remains in progress, with review of the annual reports and some areas of audit work ongoing. It is anticipated that the audits will be concluded satisfactorily to enable Crowe to issue unqualified opinions/unmodified reports as stated within paragraph 3 of this report.

11. This expectation does not cover the draft annual reports for two of the charities (CLS Bursary and Awards Fund, CLSG Bursary Fund (incorporating the CLSG Scholarships & Prizes Fund)) because staff shortages in the Chamberlain's Department resulted in the preparation of these reports being delayed. The audit work has therefore not yet commenced on these and the draft reports for these charities are not included in Appendix 2. The audit work will be undertaken once annual reports are provided to the auditors and therefore these will be submitted late to the Charity Commission (after the deadline of 31 January 2023). The Charity Commission have been notified in advance. The impact of this delay has been stated in paragraph 2.
12. In addition, the Charities administered in connection with the City of London Freeman's School "ICW charities"), which are below the threshold for external review, are not included in Appendix 2 to this report, as these have also not been prepared for the same reason as noted above.
13. Crowe LLP representatives will attend the Audit and Risk Management Committee to present their completion report, update on the status of the audits and to clarify any points or issues raised.
14. Each set of signed annual reports will be submitted to the Charity Commission and will be available to download from its website. The final management report from Crowe on its audit will be presented to the Court of Common Council for information.

### **Conclusion**

The draft annual reports and financial statements of 12 of the 15 Sundry Trust charities are presented for approval. No modifications to audit or independent examiner reports are expected, with Crowe still needing to complete work on all charities subject to audit or independent examination. Three of the 12 annual reports do not require independent review due to their size and are presented for information. A further 3 annual reports and financial statements (2 subject to audit, one below the threshold for external review) will be presented at a future meeting due to delays in their preparation as a result of staff shortages in the Chamberlain's Department.

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**Appendix 1:** List of the Sundry Trust charities, including charity registration numbers and a note of those charities with individual trustees

**Appendix 2:** Annual Reports and Financial Statements of the Sundry Trust charities

<b>Committee(s)</b>	<b>Dated:</b>
Finance Committee	24 January 2023
<b>Subject:</b> Chamberlain's Departmental Risk Management Update	<b>Public</b>
<b>Does this proposal require extra revenue and/or capital spending?</b>	<b>No</b>
<b>If so, how much?</b>	<b>N/A</b>
<b>What is the source of Funding?</b>	<b>N/A</b>
<b>Has this Funding Source been agreed with the Chamberlain's Department?</b>	<b>N/A</b>
<b>Report of:</b> The Chamberlain	<b>For Information</b>
<b>Report author:</b> Hayley Puhlhofer, Chamberlain's Department	

## Summary

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

There are currently two RED risks on the Corporate Risk Register within the responsibility of the Chamberlain and one RED risk on the Chamberlain's departmental risk register. **CHB 001 Chamberlain's department transformation and knowledge transfer** has now been escalated to a RED risk. The recent resignation of an Assistant Director position has placed a considerable amount of pressure on existing staff and increased further, the risk of not meeting key deadlines on the Chamberlain's Transformation. Progress is being made in the recruitment campaign to reduce vacancies within Financial Services, as a result of staff progression to roles in other teams within the Corporation, but this does not outweigh the impact of losing a key appointment within the team.

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

## Recommendation(s)

Members are asked to note the report.

## Main Report

### Background

1. The Risk Management Framework of the City of London Corporation requires each Chief Officer to report regularly to Committee the key risks faced in their department. Finance Committee has determined that it will receive the Chamberlain's risk register at each committee meeting.

## Current Position

2. This report provides an update on the current risks that exist in relation to the operations of the Chamberlain's Department.
3. **CHB 001 Chamberlain's department transformation and knowledge transfer** has now been escalated to a RED risk. This is a result of the recent resignation of an Assistant Director position within Financial Services. Placing a considerable amount of pressure on existing staff and increased further, the risk of not meeting key deadlines on the Chamberlain's Transformation. Progress is being made in the recruitment campaign to reduce vacancies within Financial Services, as a result of staff progression to roles in other teams within the Corporation, but this does not outweigh the impact of losing a key appointment within the team. Focus for the team will move to prioritisation of core financial work while recruitment for a new Assistant Director is undertaken.
4. The risk to Medium Term Finances both within **CR35 Unsustainable Medium Term Finances - City Fund** and **CR38 Unsustainable Medium Term Finances - City's Cash**, continues to score 24. This is due to trigger points, agreed by this committee, having been reached on the capital programme as well as a rising risk impact due to higher predicted inflation rates. Monthly monitoring on all trigger levels remains in place for both risks. Details of both CR35 and CR38 can be found in appendix 1. Whilst the risk is reducing, the score remains RED.

## Conclusion

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

## Appendices

- Appendix 1 - Departmental Risk Register

## Background Papers

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

## Hayley Puhlhofer

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## Appendix 1 - CHB Corporate and departmental risks



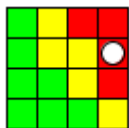


Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
<b>CR35</b> <b>Unsustainable Medium Term Finances - City Fund</b>  <b>Page 33</b>	<p><b>Causes:</b> High inflation – Office for Budget Responsibility forecasting peak reached Autumn 2022 and although predicted to fall over the next two years, embedded increases. Construction inflation running at 20%. Contraction in key income streams and increase in bad debts following post pandemic change in working practices. Police Transform programme fails to realise the budget mitigations anticipated within the MTFP. Anticipated decline in public sector funding (local government and Police), increasing demands (revenue and capital) and an ambitious programme of major project delivery threaten our ability to continue to deliver a vibrant and thriving Square Mile.</p> <p><b>Event:</b> Inability to contain financial pressures within year (2022/23) and compensatory savings and/or income generation to meet the Corporation's forecast medium term financial deficit will not be realised. Inability to contain construction inflation or inability to rescope capital schemes within budgets.</p> <p><b>Effects:</b> Additional savings over and above those identified to meet this challenge are required, reserves are utilised and/or services stopped. The City Corporation's reputation is damaged due to failure to meet financial objectives or the need to reduce services / service levels to business and community.</p>	 Likelihood Impact	24	<p>Retail Price Index rose by 14% and Consumer Price Index rose by 10.7% in 12 months to November 2022. Inflation is predicted to fall to 8% in 2023, however increases are feared to be embedded creating pressures on service/departmental 2022/23 budgets and on the Housing Revenue Account.</p> <p>Construction inflation has risen to c20%.</p> <p>Pinch points have been identified by finance business partners and discussed with senior members and Committee Chairmen as part of the bilateral process supporting budget setting. Mitigations currently include inflation contingencies and tight financial disciplines.</p> <p>Income from investment property and from business rates holding up well. The £30m ringfenced reserve for income loss has not been utilised. During the last quarter, the trigger point was reached on the capital programme. This led to a review on</p>	 Likelihood Impact	8	31-Mar-2023	

<p>Being unable to set a balanced budget which is a statutory requirement for City Fund.</p> <p>Inability to deliver capital programme and major projects within affordability parameters.</p> <p>Spend is not aligned to Corporate Plan outcomes resulting in suboptimal use of resources and/or poor performance.</p> <p>Stakeholders experiencing reduced services and service closures.</p>		<p>major projects programme and BAU capital programme.</p> <p>Policy and Resources Committee increased the budget on Salisbury Square by £60m, however £57m of that is allocated to City's Cash as relates to the Courts element reducing the impact.</p> <p>Resource Allocation Sub Committee has reprioritised the City Fund BAU capital programme to remain within the contingency held 2022/23.</p> <p>The CWP programme is being considered under the Operational Property review with recommendations to Operational Property and Projects Sub Committee. For now, the CWP programme will pause on new requests to carry out a deep dive review alongside the Operational Property review, with recommendations made through the medium-term financial plan.</p> <p>Quarter 3 reporting confirms identified inflationary pressures are well within the contingencies held, in addition, interest rates are giving a welcome boost to City Fund finances. The Bank of England base rate is expected to peak at 4.5% in May 2023, with an expectation at a three year horizon falling to 3%.</p> <p>The risk is decreasing, but until the medium term financial planning is finalised for 2023/24, the score remains at red.</p> <p><b>11 Jan 2023</b></p>				
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Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CR35a	Impact of inflation <ul style="list-style-type: none"> <li>Rising inflationary pressures on energy costs</li> <li>Rising inflationary pressures on construction and labour costs</li> </ul>	<p>1) Inflation contingency held: 3% 22/23 additional sums allocated from 21/22 underspends 23/24 includes 4% inflation increase within departments and 2% efficiency saving;</p> <p>2) CF - £3m contingency ringfenced for construction inflation under Major Projects reserve. Reprioritisation of BAU capital programme sits within contingency held.</p> <p>The MTFP assumptions are being reviewed as part of 2023/24 budget setting. Some mitigations provided with increased income from cash balances.</p>	Sonia Virdee	11-Jan-2023	31-Mar-2023
CR35b	<ul style="list-style-type: none"> <li>Capital schemes are forecast to exceed budget. Reprioritisation of the schemes within envelope is needed and latest position will be reported to Resource Allocation Sub Committee for approval in November 2022 following discussion with Chairmen.</li> <li>Review of HRA commissioned and due to report at the end of November 2022.</li> <li>Alternative sources of funding for Fire Safety Works element of Major Works Programme to enable HRA to remain in surplus.</li> <li>Need to monitor identified expenditure risks around recovery of leaseholder contributions following the decision not to allow the Appeal of the Great Arthur Cladding case.</li> <li>Housing 30 year financial projects have been completed.</li> </ul>	<p>Reprioritisation of the schemes to sit within current budget envelope has been reported to and agreed by Resource Allocation Sub Committee.</p> <p>Review of HRA commissioned from Savills and Interim Report received at the end of November 2022, following member review and comments final version expected January. Housing 30 year financial projects have been completed.</p> <p>Alternative sources of funding for Fire Safety Works have been agreed.</p> <p>Need to continue to monitor identified expenditure risks around recovery of leaseholder contributions following the decision not to allow the Appeal of the Great Arthur Cladding case.</p>	Mark Jarvis; Paul Murtagh	11-Jan-2023	31-Mar-2023
CR35c	£400m cost pressure identified for the major projects across City Fund and City's Cash. Reprioritisation required and periodic monitoring.	<p>Policy and Resources reprioritised ambitions at its October meeting to remain within the affordability envelope.</p> <p>Resource Allocation Sub Committee has considered and approved actions on the capex programme, this remains within the overall budget with mitigations now identified.</p> <p>For Major Projects - Capital Buildings Committee monitoring delivery within the revised budget envelopes. Furthermore, work is underway to enable regular updates on the cash flow requirements on the major projects to understand the investment/asset disposal strategy that will be reported to this committee in due course.</p>	Sonia Virdee	11-Jan-2023	31-Mar-2023




		Regular reporting on the capital position is being worked on and will be presented to the Finance Committee – due to current workload pressures and vacancies this is being considered under the FSD transformation programme, including relevant training to ensure accurate forecasting.			
CR35d	Reduction in business rates, E.g. through reduction in occupancy or ability to pay.	<ul style="list-style-type: none"> <li>• Monthly monitoring in place. The 2022/23 collection rate figure for Q3 is 90.62% which is up on the same point last year which was at 88.96%%. Improved collection has been assisted by the award of the CARF scheme.</li> <li>• The COVID Additional Restriction Relief scheme (CARF) has been provided to 11,500 businesses. This resulted in a 20% reduction to business rates bills for 21/22 and represents a total of £58m in relief.</li> <li>• Collection fund deficit to be factored into the MTFP.</li> <li>• There has been an increase in the amount of empty property since March 2020 resulting in more relief being claimed but the level has now stabilised.</li> <li>• Impacts will continue to be monitored.</li> </ul>	Phil Black	11-Jan-2023	31-Mar-2023
CR35e	A reduction in key income streams and increase in bad Debt <i>Triggers:</i> <i>Increase in loss of property investment portfolio income over £5m p.a.</i>	<p>This is being monitored monthly, with action being taken to reduce spend where possible.</p> <p>Budget forecast for 22/23 includes reduced income, with recovery profiled across the medium term. In addition, Chief Officers continue to work with tenants on a payment plan to mitigate potential issues. The moratorium against legal action for recovery has now lifted</p> <p>Sums to mitigate risk are being held in Reserves - £30m in City Fund. To date these have not been required.</p> <p>Outstanding sums are reducing across all Income Streams with significant improvement in Investment Property, Business Rates and Council Tax. Council Tax income is now above pre-pandemic levels and Investment Property.</p>	Phil Black; Sonia Virdee	11-Jan-2023	31-Mar-2023
CR35f	Achievement of current Savings Programme – includes flight path savings (Fundamental Review) and securing permanent year on year savings (12%).	<p>Biggest risk relates to Police - £13m p.a. cumulative sustainable savings included in MTFP. There is a risk to delivering elements of these savings plan and sustaining the savings. To monitor and manage residual risks to the Police MTFP post-BRP increase (including increased inflation, mitigation delivery risks and new areas of pressure or grant reduction) Update on the MTFP assumptions is being considered as part of the 2023/24 budget setting.</p> <p>Star chamber's led by the Chamberlain and Town Clerk have taken place during the Autumn, to ensure departments are achieving savings. This is further supported by Member led bilateral meetings with service committee chairmen for departments that have not achieved year on year permanent savings - all bilateral meetings have now been concluded and with an overview reported to Finance Committee in December 2022.</p>	Alistair Cook; Sonia Virdee	11-Jan-2023	31-Mar-2023

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
CR38 Unsustainable Medium Term Finances - City's Cash	<p><b>Causes:</b> High inflation –Office for Budget Responsibility forecasting peak in Autumn 2022. Construction inflation running at 20%. Contraction in key income streams and increase in bad debts following post pandemic change in working practices.</p> <p><b>Event:</b> Inability to contain financial pressures within year (2022/23) and compensatory savings and/or income generation not realised requiring further draw down on Reserves. Inability to contain construction inflation or inability to rescope capital schemes within budgets.</p> <p><b>Effects:</b> Additional savings over and above those identified to meet this challenge are required, reserves are utilised and/or services stopped. The City Corporation's reputation is damaged due to failure to meet financial objectives or the need to reduce services / service levels to business and community. Inability to deliver capital programme and major projects within affordability parameters. Spend is not aligned to Corporate Plan outcomes resulting in suboptimal use of resources and/or poor performance. Stakeholders experiencing reduced services and service closures.</p>	 <p>Likelihood</p> <p>Impact</p>	24	<p>Retail Price Index rose by 14.0% and Consumer Price Index rose by 10.7% in 12 months to November 2022. Inflation is predicted to fall to 8% in 2023, however increases are feared to be embedded creating pressures on service/departmental 2022/23 budgets.</p> <p>Construction inflation has risen to c20%.</p> <p>Pinch points have been identified by finance business partners and discussed with senior members and Committee Chairmen as part of the bilateral process supporting budget setting. Mitigations currently include inflation contingencies and tight financial disciplines.</p> <p>Income from investment property has slightly fallen however plans are in place to bring this back to budget.</p> <p>During the last quarter, the trigger point was reached on capital programme. This led to a review on major projects programme and BAU capital programmes.</p> <p>Policy and Resources Committee has reprioritised the major projects; and rescope the Markets project – keeping within the original envelope.</p>	 <p>Likelihood</p> <p>Impact</p>	8	31-Mar-2023	

Page 38 31-Oct-2022 Caroline Al-Beyerty				<p>Resource Allocation Sub Committee has reprioritised the BAU capital programme to remain within the contingency held.</p> <p>The CWP programme is being considered under the Operational Property review with recommendations to Operational Property and Projects Sub Committee. For now, the CWP programme will pause on new requests to carry out a deep dive review alongside the Operational Property review, with recommendations made through the medium-term financial plan.</p> <p>Quarter 3 reporting confirms identified inflationary pressures are well within the contingencies held.</p> <p>The risk remains at red.</p> <p><b>11 Jan 2023</b></p>				
							Reduce	Constant

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CR38a	Impact of inflation <ul style="list-style-type: none"> <li>• Rising inflationary pressures on energy costs</li> <li>• Rising inflationary pressures on construction and labour costs</li> </ul>	The five year financial plan is currently being reworked for 2023/24 budget cycle: 1) Inflation contingency held: 3% 22/23 additional sums allocated from 21/22 underspends 23/24 includes 4% inflation increase within departments and 2% efficiency saving; 2) £1m contingency ringfenced for construction inflation under capital programme. Reprioritisation of BAU capital programme sits within contingency held.	Sonia Virdee	11-Jan-2023	31-Mar-2023
CR38b	Impact of construction inflation on capital programme: <ul style="list-style-type: none"> <li>• Major projects</li> <li>• Business as usual capital programme</li> </ul>	£400m cost pressure identified for the major projects across City Fund and City's Cash. Policy and Resources reprioritised ambitions at its October meeting to remain within the affordability envelope.	Sonia Virdee	11-Jan-2023	31-Mar-2023

		<p>Resource Allocation Sub Committee has considered and approved actions on the capex programme, this remains within the overall budget with mitigations now identified.</p> <p>Resource Allocation Sub Committee has considering and approved actions on the capex programme, this remains within the overall budget.</p> <p>For Major Projects - Capital Buildings Committee monitoring delivery within the revised budget envelopes. Furthermore, work is underway to enable regular updates on the cash flow requirements on the major projects to understand the investment/asset disposal strategy that will be reported to this committee in due course.</p> <p>Regular reporting on the capital position is being worked on and will be presented to the Finance Committee – due to current workload pressures and vacancies this is being considered under the FSD transformation programme, including relevant training to ensure accurate forecasting.</p>			
CR38e	<p>A reduction in key income streams and increase in bad Debt</p> <p><i>Triggers:</i></p> <p><i>Increase in loss of property investment portfolio income over £5m p.a.</i></p>	<p>This is being monitored monthly, with action being taken to reduce spend where possible.</p> <p>Budget forecast for 22/23 includes reduced income, with recovery profiled across the medium term. In addition, Chief Officers continue to work with tenants on a payment plan to mitigate potential issues. The moratorium against legal action for recovery has now lifted.</p> <p>Outstanding sums are reducing across all Income Streams with significant improvement in Investment Property.</p>	Phil Black; Sonia Virdee	11-Jan-2023	31-Mar-2023
CR38f	Achievement of current Savings Programme – includes flight path savings (Fundamental Review) and securing permanent year on year savings (12%).	Star chambers led by the Chamberlain and Town Clerk have taken place during the Autumn to ensure departments are achieving savings. This is further supported by Member led bilateral meetings with service committee chairmen for departments, that have not achieved year on year permanent savings, have now been concluded and with an overview reported to Finance Committee in December 2022.	Sonia Virdee	11-Jan-2023	31-Mar-2023

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
<b>CHB 001</b> <b>Chamberlain's department transformation and knowledge transfer</b>  <div>Page 40</div>	<p><b>Cause:</b> The TOM changes are insufficient or implementation of radical change fails. The flexible retirement scheme has been taken up by many long term colleagues who will all be leaving the corporation by March 2022. The TOM is also creating anxiety which in turn could cause colleagues to find roles elsewhere.</p> <p><b>Event:</b> Culture change is insufficient. Corporate memory is lost. The Chamberlain's Department is not fit for the future.</p> <p><b>Effect:</b> Chamberlain's Department fails to deliver its objectives.</p>	 <p>Likelihood</p> <p>Impact</p>	<b>16</b>	<p>Recruitment is now underway where vacancies have been held, with key roles being prioritised. Management is deploying temps and external expertise where there are significant gaps to support the current team until permanent positions are filled.</p> <p>Recent resignation of an Assistant Director position has moved the risk rating to red, placing a considerable amount of pressure on existing staff and adding further risk of not meeting key deadlines on transformation.</p> <p>The CIO function has now been procured and commences in January.</p> <p>Following a series of workshops teams are now working on implementation of transformation action plans.</p> <p><b>11 Jan 2023</b></p>	 <p>Likelihood</p> <p>Impact</p>	<b>4</b>	31-Mar-2023	
							Reduce	Increasing
12-Nov-2021 Caroline Al-Beyerty								

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB001a	Teams are working to ensure they have effective knowledge sharing plans in place particularly where there are members of the team preparing for retirement.	Most areas have now successfully transitioned through this period successfully with only 2 roles left where a continued handover has been required to ensure business continuity.	Sonia Virdee	11-Jan-2023	31-Mar-2023
CHB001b	Colleagues are provided with the training they need to fulfil their role.	Learning champions have been assigned to identified learning areas required. Learning plans are being developed by Learning Champions for review and sign off by the Learning Board.	Mark Jarvis	11-Jan-2023	31-Mar-2023



CHB001c	Chamberlain's TOM structure design and culture is fit for purpose.	A culture and values workshop was held in November for all staff to allow colleagues across Chamberlain's the opportunity to shape the departmental culture for the future. An action plan is being drawn together, with quick wins being prioritised.	Hayley Hajduczek	11-Jan-2023	31-Mar-2023
CHB001d	The corporate recruitment moratorium has lead to a significant number of vacancies being held across the department leaving gaps in capacity.	<p>Many vacancies across Chamberlain's have now been filled with some still remaining mostly within the Financial Services team. Increased vacancies in Financial Services as staff progress to roles in other teams. A group recruitment campaign to fill these vacancies is currently underway - It is an employee's market and inducements are being offered by other employers with higher rates and working from home flexibility.</p> <p>Recent resignation of Assistant Director position has moved the risk rating to red, placing a considerable amount of pressure on existing staff and adding further risk of not meeting key deadlines on transformation.</p> <p>A renewed focus is taking place on 'training our own' through a wider apprenticeship programme and graduate trainee recruitment.</p>	Sonia Virdee	11-Jan-2023	31-Mar-2023
CHB001e	Prioritisation of the core financial work within FS	Following the resignation of the Assistant Director the team are now required to reprioritise to focus on core financial work including statutory deadlines, due to the capacity gap that this vacancy creates along with those already existing within the team. A plan is being drawn up by the team to ensure most pressing work is covered, which will lead to some work being deprioritised in the interim and a possible shift in target completion dates.	Sonia Virdee	11-Jan-2023	31-Mar-2023

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<b>Committee(s):</b> Finance Committee	<b>Dated:</b> 24 January 2023
<b>Subject:</b> Chamberlain's Business Plan – Quarter 3 update	<b>Public</b>
<b>Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?</b>	3, 5, 8 & 10
<b>Does this proposal require extra revenue and/or capital spending?</b>	N
<b>If so, how much?</b>	N/A
<b>What is the source of Funding?</b>	N/A
<b>Has this Funding Source been agreed with the Chamberlain's Department?</b>	N/A
<b>Report of:</b> The Chamberlain	<b>For information</b>
<b>Report author:</b> Caroline Al-Beyerty – Chamberlain & CFO	

## Summary

Overall, the Chamberlain's department has made good progress on its Business Plan approved by this committee at the meeting on 9 November 2021. This report outlines key progress against Chamberlain's departmental objectives. Progress has been against a backdrop of a high number of vacancies and outcomes delivered with enormous effort and commitment from people within the department, at a level which is not sustainable going forwards.

On staffing, recruitment has now been completed in most teams, although staff progression has resulted in a greater number of vacancies in Financial Services. The recruitment campaign for these vacancies is underway. However, more recently the resignation of the Assistant Director now puts Financial Services under additional pressure. This requires careful management, prioritisation of workloads and deliverables.

## Recommendation

Members are asked to note the report.

## Main Report

### Current Position

1. Highlights from the last three months include:

2. **Financial Services:**

- The star chambers and Member bilateral meetings are now complete for departments and service committees currently overspending – providing 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.
- Budget estimates 2023/24 for service committees are largely complete.
- Overview of the five-year medium term financial plan for City Fund and City's Cash continues to progress.

- A recruitment campaign is underway, focusing on bringing in new talent as well as providing internal opportunities through lateral development and progression.
- Progress has been made on Enterprise Resource Planning – bringing Member Steering group up to speed and progressing with next steps.

#### **Financial Shared Services:**

- The City has received the draft Valuation List for the 2023 Re-valuation. Based on the draft list, the City will see an increase of around 1.7% in rateable values, with office space and the retail sector seeing increases of just under 2.5%. The final published list is expected by the end of January.
- The 8 Authority Pool with the aim of keeping the levy payments the City of London make to Government, in London is likely to continue into 2023/24, following modelling works and assessment of risks with our partners.
- Council Tax Team have completed all payments of the £150 Energy Rebate Grants on behalf of Central Government. The Team have administered 1392 grants totalling £208,800.
- Housing Benefit Team have administered the second tranche of the Household Support Fund. The City received £63K in funding and has spent £56.6K providing much needed support to vulnerable residents and those experiencing financial hardship. Consideration is now underway on how to utilise the third tranche of funding.
- An agreement has been reached with a company called Pagero to increase the automation of invoices. It is expected that this will greatly reduce the amount of manual intervention currently required to process invoices for payment.

#### **3. Corporate Treasury:**

- All the vacancies in the Treasury and Investments Team have now been filled and on boarding of the new starters has commenced.
- The December 2022 Insurance renewals (which includes property) have been completed.
- Work on the implementation of the new Income Manager system continues.

#### **4. Internal Audit and Counter Fraud:**

- Successful appointment of two Audit Apprentices.
- Completion of 7 Internal Audit reviews, 26 follow-up Audits.
- Update reports made to 5 Audit Committees during the past 3 months.

#### **5. Chamberlain's Office:**

- A Chamberlain's all-staff event on Culture and Values was held in November gaining insight from the whole team, to jointly build our culture which will underpin the Chamberlain's Transformation Programme.
- All roles across the department have been categorised per the new Workplace Attendance Policy. Most of the team have been deemed to be hybrid workers with a few specific roles including those in the Chamberlain's Court, having been categorised as "Workplace Plus".

## **Corporate & Strategic Implications**

6. Strategic implications – Strategic priorities and commitments are expressed in **Appendix 1**.
7. Financial implications – The 2022/23 Business Plan was drawn up on the basis of a 12% reduction in the departmental budget compared to 2021/22.
8. Resource implications – Any changes to resources have been identified and will be delivered through the implementation of the Target Operating Model.
9. Legal implications – None.
10. Risk implications – Key risks managed by the department are included in the Risk Update Report also received by this committee.
11. Equalities implications – The department has a separate Equalities and Inclusion Plan which aims to improve the department's Equalities position for employees. Where appropriate the department will complete Equality Impact Assessment for upcoming changes.
12. Climate Implications – Under the Climate action strategy the departments Corporate Treasury function is responsible for delivering Scope 3 emission actions related to our financial investments.
13. Security implications – None.

## **Appendices**

- Appendix 1 – Chamberlain's Business Plan update

### **Caroline Al-Beyerty**

Chamberlain

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## Key updates from this quarter

- Star Chambers and Member bilateral meetings complete.
- Recruitment campaign tranche 1 completed. Four positions filled with start dates confirmed for February/March 2023.
- Capital review of existing projects completed.
- Budget estimates largely complete.
- Pause continues on the FSD TOM implementation, providing an opportunity to recruit into key positions to enable the new structure.
- Transformation workstreams inflight: 1) Recruitment; 2) Capital Transformation; 3) Learning and Development.
- Progress made on Enterprise Resource Planning (ERP) – further work with supplier to be undertaken in new year 2023.
- Medium-term financial plan largely complete, next steps preparation of reports to Members.

## Challenges faced over this quarter

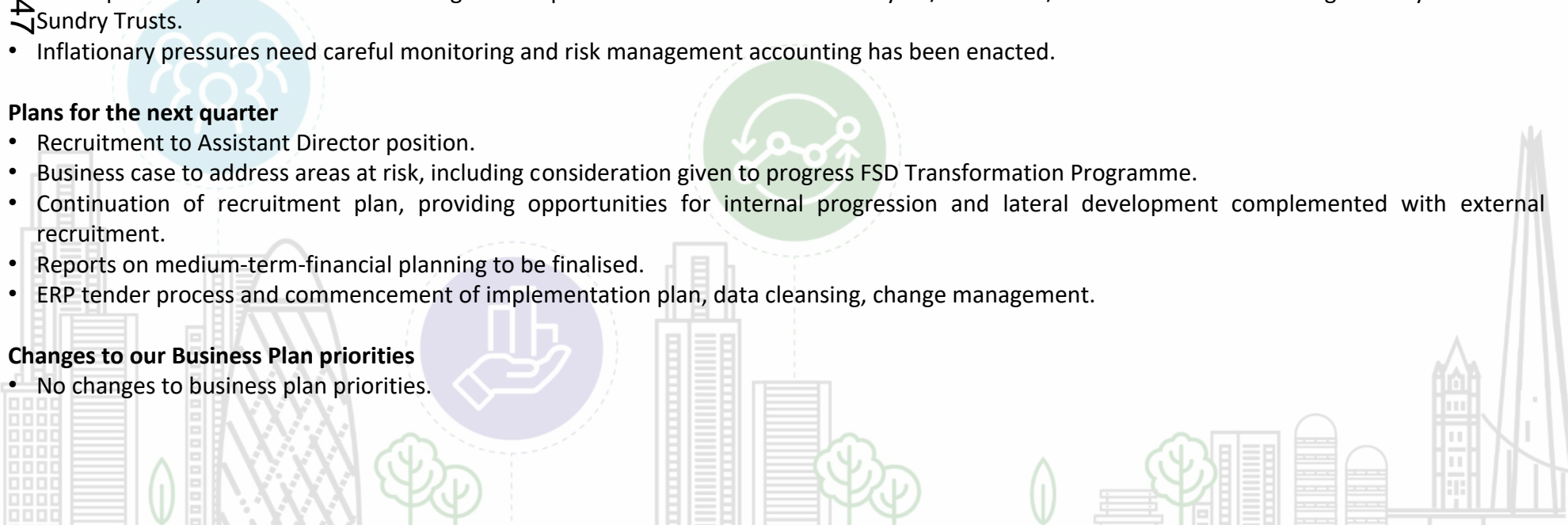
- Resignation of Assistant Director – huge loss, recruitment to this role is imperative to FSD Transformation Programme and progress on major projects.
- Still holding significant number of vacancies further impacted with key individuals moving across to City of London Police, Corporate Treasury and Schools – whilst this has resulted in progression opportunities for those that have moved on, this has added additional pressure on existing team over above the vacancies already held and requires careful management and prioritisation of workload – continues from last quarter.
- Delay to signing off City Fund accounts, expected to be late January/early February, this means handover to new auditors is further delayed and will impact on year end activities adding further pressure on the team to delivery 21/22 and 22/23 at the same time alongside City's Cash and Sundry Trusts.
- Inflationary pressures need careful monitoring and risk management accounting has been enacted.

## Plans for the next quarter

- Recruitment to Assistant Director position.
- Business case to address areas at risk, including consideration given to progress FSD Transformation Programme.
- Continuation of recruitment plan, providing opportunities for internal progression and lateral development complemented with external recruitment.
- Reports on medium-term-financial planning to be finalised.
- ERP tender process and commencement of implementation plan, data cleansing, change management.

## Changes to our Business Plan priorities

- No changes to business plan priorities.



## Key updates from this quarter

- The Business Rate Team completed the award of the Covid Additional Relief Scheme (CARF), awarding approximately £58m to businesses based in offices with a rateable value of less than £500k.
- The Council Tax Team have completed the award of the £150 Energy Rebate to all properties in bands A-D. A total of £208,800 has been awarded to 1392 properties.
- The Housing Benefit Team have administered the second tranche of the Household Support Fund. The City received £63K in funding and has spent £56.6 with the remainder retained as administration expenses. This has been distributed by cheque to eligible residents, but funding was also supplied for food vouchers and for the Emergency Support Scheme. Consideration is now underway on how to best utilise tranche 3 funding.
- Collection rates remain strong in all Income Types with Business Rates and Investment Property income levels continuing to recover from the impact of the Pandemic. Council Tax collection is now above pre-pandemic levels.

## Challenges faced over this quarter

- Recruitment has generally gone well with all teams nearly at full strength however, we have lost preferred candidates to better offers.
- Business Rate work volumes continue to reduce and are nearing pre-covid levels. The team continue to work to clear outstanding work.
- Transactional Finance have been heavily involved in the testing and implementation of the new Property Management System (Horizon).

## Plans for the next quarter

- Aim to go live with system to automate of AP Invoice processing to reduce manual inputting.
- Continued testing for new Property Management System (Horizon).
- Business Rates and Council Tax Annual Billing.
- The Draft Valuation List has been published. The Business Rate Team is now preparing for the update in valuations for 23/24.
- Implementation of the Income Management replacement system moving from Paris to Civica Pay.

## Changes to our Business Plan priorities

- No changes to business plan priorities.

## Key updates from this quarter

- Formatting work has started on Income Manager to prepare for interfaces to the new Property Management system (Horizon).
- The implementation of the new Income Management system (CivicaPay) has begun, liaising with Civica consultants on system configuration.
- Insurance renewals for December 2022 have been completed.

## Challenges faced over this quarter

- Working with limited resources as we transition to a new structure.
- On boarding some of our new colleagues.
- Meeting a high volume of demand for reports for Committees.

## Plans for the next quarter

- Preparation of reports for various Committees/Boards.
- Preparing the Treasury Management Strategy for 2023/24.
- Formatting work will continue on Income Manager to prepare for interfaces to the new Property Management system (Horizon).
- Continuing work on the configuration of the new Income Management system (CivicaPay) and begin user acceptance testing.
- GL Testing to begin on the new Property Management system (Horizon) to ensure various tax scenarios are posted correctly.
- Liaising with auditors over the 2021/22 City Fund Audit which commences in January 2023.
- Preparation for June 2023 insurance renewals.
- Preparation for the implementation of 'Member Self-Service' within the pensions administration software system.

## Changes to our Business Plan priorities

- No changes to business plan priorities.



### Key updates from this quarter

- 7 pieces of assurance work finalised.
- 26 follow-ups undertaken.
- Updates provided to 5 Audit Committee meetings.
- Continued delivery of corporate risk Deep Dive reviews to support the Audit & Risk Management Committee.
- Regular reporting to ELB, including launch of the management information dashboard in respect of live issues (departmental analysis).
- Successful appointment of two Audit Apprentices, the team is now fully resourced.

### Challenges faced over this quarter

- Managing the Apprentice recruitment campaign – significant administration and time commitment from proactive management of this.  
Working with vacancies, maintaining essential Audit coverage with limited resources.

### Plans for the next quarter

- Integration of new starters.
- Proactive engagement with Chief Officers and Executive Leadership Board in relation to outstanding Audit recommendations.
- Revise and introduce new format Internal Audit report (not completed previous quarter).
- Review Internal Audit IT solution, exploring potential upgrade.

### Changes to our Business Plan priorities

- No changes to business plan priorities.

### Key updates from this quarter

- Held an all-staff event on Culture and Values in November gaining insight from the whole team, to jointly build our culture which will underpin the Chamberlain's Transformation Programme.
- The Departmental Business Plan for 2023/24 was agreed to Finance Committee in December.
- The Recruitment campaign for a new Chamberlain's Project Manager has been completed and a new starter will join the team in January.
- All roles across the department have been categorised per the new Workplace Attendance Policy. Most of the team have been deemed to be hybrid workers which a few specific roles including the Chamberlain's Court roles have been categorised as "Workplace Plus".
- The Chamberlain's Court team continue to progress work on the new Freedom Applications SYstem. Testing of the system has highlighted bugs all of which have been raised with our supplier.

### Challenges faced over this quarter

- Working with limited resources within the Chamberlain's Court due to sickness absence as members of the team contracted COVID-19.

### Plans for the next quarter

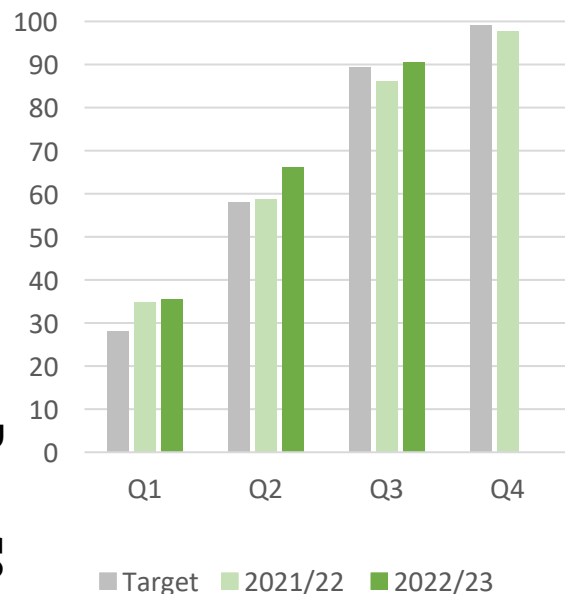
- Continue to support the Chamberlain's Transformation project with introduction of the Chamberlain's Project Manager role and the departure of our Transformation Partner.
- Routine recruitment required for maternity cover and job share arrangements of existing members of the team.
- Continue to train new colleagues, so they are equipped to fulfil their roles.
- Work on outcomes from the all-staff event. Creating action plans and ensure they are carried out.
- Continue work on the new Freedoms Application Management system to ensure it is fit for purpose before launch.

### Changes to our Business Plan priorities

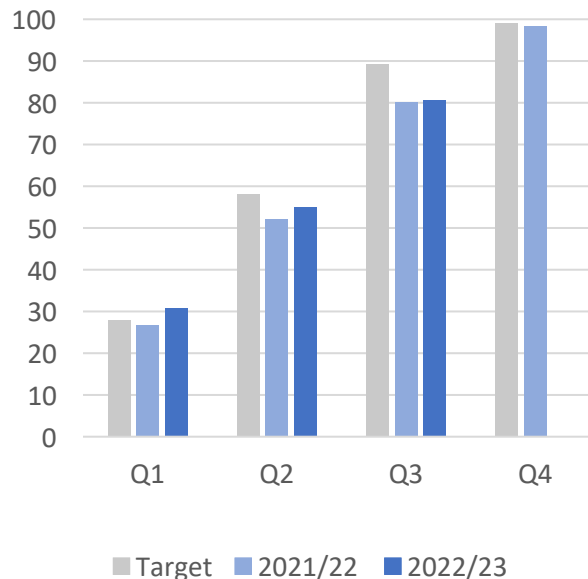
- No changes to business plan priorities.

# Key Performance Indicators

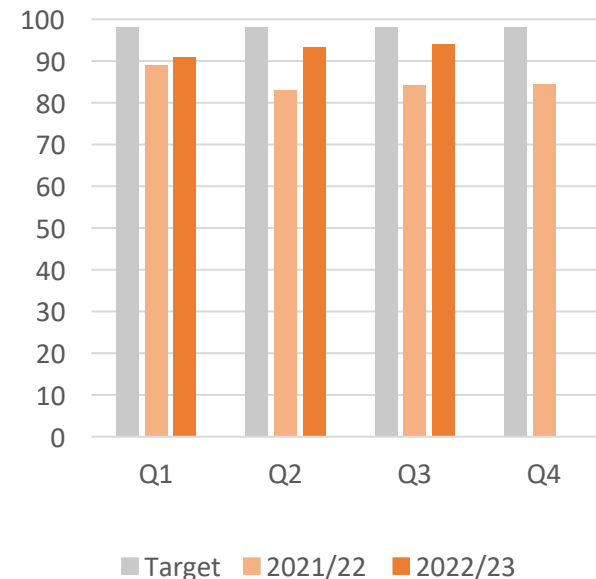
Business rates in year collection 22-23  
% collected



Council tax in year collection 22-23  
% collected



Commercial rent collection 22-23  
% collected

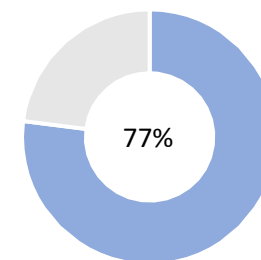


- ☐ Publication of the Draft City Fund Accounts within Statutory Deadline of 31st July  
**ON TRACK**
- ☐ Publication of Audited accounts on 30<sup>th</sup> September  
**City's Cash completed in December City fund is still in progress**
- ☐ Publication of City's Cash and BHE Accounts  
**ON TRACK**

**COMPLETE**  
Effective financial management: expenditure against departmental local risk budgets +/- 5% at year end

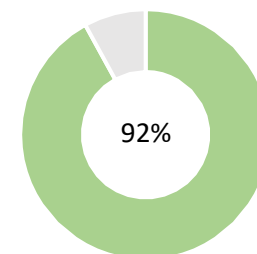
**IN PROGRESS FOR 23/24**  
Delivery of a balanced budget and Medium-Term Financial Plan for City Fund, approved by Court of Common Council by 31 March

Invoices paid to SMEs within 10 days Q1-3



Target 88%

Invoices paid within 30 days Q1-3



Target 97%

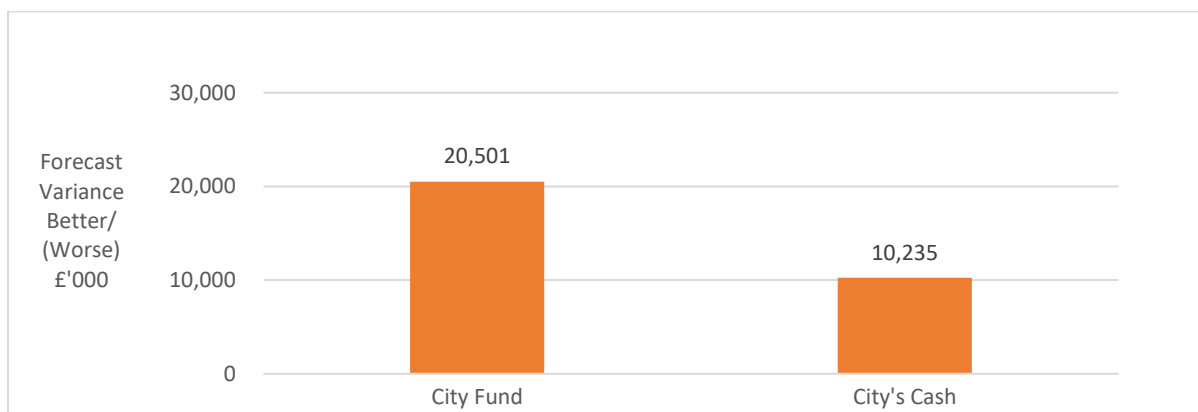
<b>Committee</b>	<b>Dated:</b>
Finance Committee	24 January 2023
<b>Subject:</b> Revenue Budget Monitoring to November 2022	<b>Public</b>
<b>Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?</b>	<b>N/A</b>
<b>Does this proposal require extra revenue and/or capital spending?</b>	<b>N</b>
<b>If so, how much?</b>	<b>N/A</b>
<b>What is the source of Funding?</b>	<b>N/A</b>
<b>Has this Funding Source been agreed with the Chamberlain's Department?</b>	<b>N/A</b>
<b>Report of:</b> Chamberlain	<b>For Information</b>
<b>Report author:</b> Laura Yeo, Financial Services Division	

## Summary

This report has been produced to provide Members with an update on the Revenue Budget Monitoring at the end of November (Period 8). The overall forecast year end position at period 8 is £30.8m better than budget comprising a favourable variance of £33.4m on Central Risk Budgets partially offset by an adverse variance of £2.6m on Chief Officer Cash Limited Budgets.

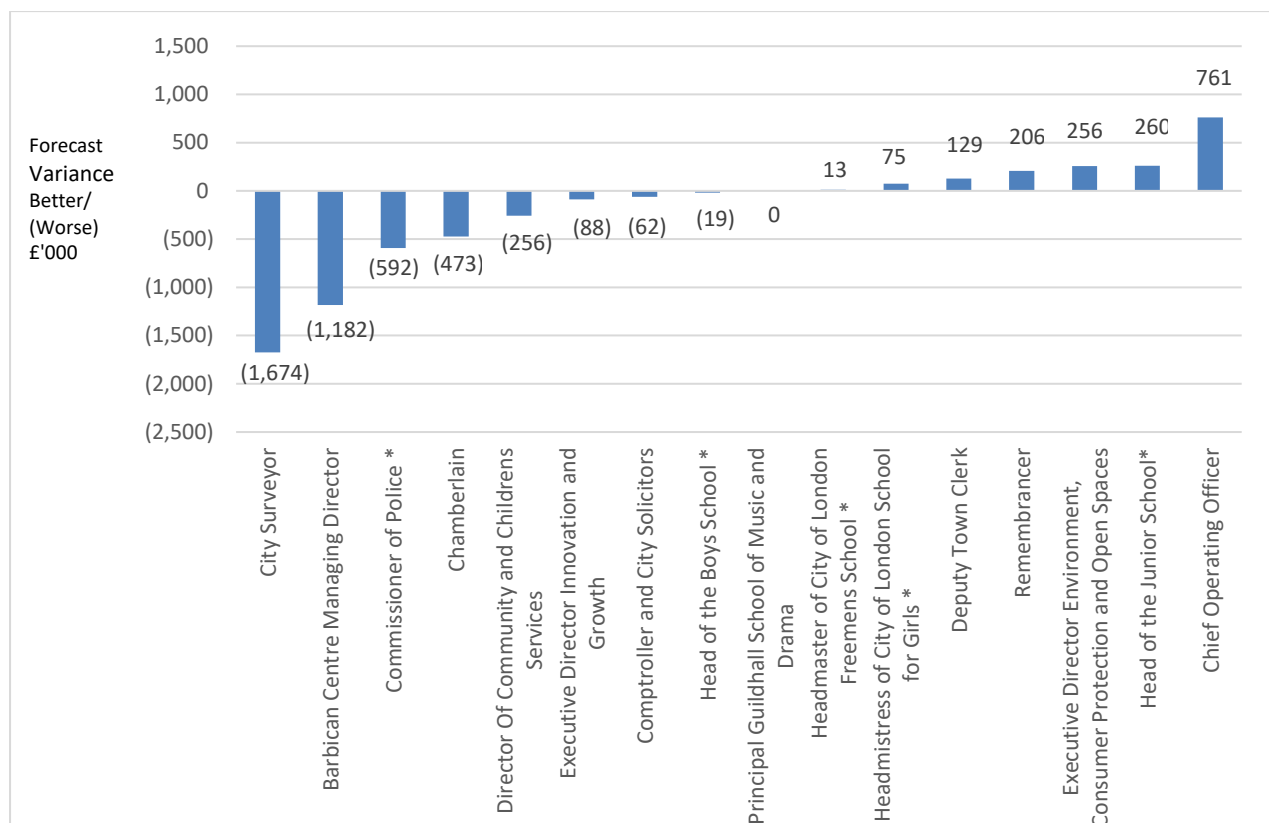
## Main Report

### Position by Fund



## Chief Officer Cash Limited Budgets

1. Forecast overspend of £2.6m at Period 8 on Chief Officer Cash Limited Budgets.



\* These Chief Officers hold ringfenced reserve balances which can offset any of their adverse variances

Significant variances to note are as follows:

- At period 8 the City Surveyor is forecasting an overspending at year end of £1.674m against a budget of £30m (5.6%) The principal variances that comprise this overspending are £839,000 on the City Surveyor departmental budget due to the residual 12% savings agreed but which will not realise full savings until 2023/24 and cross-cutting fundamental review savings relating to the consolidation of asset and project management; £386,000 overspend on City Fund Estate and of £203,000 on City's Cash estate due to additional business rates and reduced service charge recovery due to voids; a £325,000 overspend on the Central Criminal Court resulting from the additional cleaning and security regime instituted since the pandemic; and £278,000 additional reactive works on City Fund and City's estate operational property. These costs have been in part offset by savings of £325,000 mainly on Guildhall energy and equipment budgets to help address the overall overspending.

- b) The City Surveyor is continuing to seek further savings to bring the forecast outturn closer to balance by holding staff posts vacant, deferring all but essential reactive repairs across the operational estate, and addressing the Central Criminal Court overspend. However, given the scale of the forecast overspend at period 8, it is likely that the City Surveyor will report a significant overspending at year end. Going forward, even with further planned ToM, asset management and facilities management savings, it will be difficult for the department to deliver all its services within the current budget envelope, and this will need to be addressed next year as part of the Resource Refresh Review process.
- c) Members should note that in the first half of the year the City Surveyor generated an additional £8.5m capital receipts and £550,000 revenue savings for other departments which are not reflected in his local risk budgets
- d) Barbican Centre Managing Director £1.2m overspend – largely driven by revenue shortfall as a result of a combination of slower recovery from covid than anticipated and the accelerating impact of cost-of-living pressures. Although a forecast deficit is predicted a number of expenditure saving and income generating activities have been activated with the goal of reaching a balanced position by the end of year.

## Central Risk Budgets

- 2. Forecast year end underspend of £33.4m at Period 8 on Central Risk Budgets. This is a worsening position of £6.8m compared to the forecast at Period 6 which primarily relates to the volatility surrounding the Interest on Money Market funds forecast.

Significant variances to note are as follows:

- a) Underspend of £15.5m on the release of centrally held contingencies.

	City Fund	City's Cash	Total
<b>Budgets 2022/23</b>			
Contribution Pay	700	860	1,560
3% Inflation Uplift	3,793	1,805	5,598
Pay award 3 year deal Uplift	793	867	1,660
Energy Inflation	250	250	500
Central Risk Carry Forward	8,042	10,345	18,387
	<b>13,578</b>	<b>14,127</b>	<b>27,705</b>
<b>Allocations</b>			0
Contribution Pay	700	858	1,558
Central Risk	47	500	547
Energy inflation	610	2,192	2,802
Other inflation	569	307	876
Pay award 2022/23 Part Year	3,177	3,206	6,382
	<b>5,103</b>	<b>7,063</b>	<b>12,165</b>
<b>Uncommitted Balance</b>	<b>8,475</b>	<b>7,064</b>	<b>15,540</b>

b) Corporate Income Budgets are forecast to be better than budget by £16.9m.

	Latest Approved Budget	Forecast	Forecast Variance Better / (Worse)	
	£'000	£'000	£'000	%
<u>Property Investment Income</u>				
City Fund	39,693	40,371	678	2%
City's Cash	56,923	55,459	(1,464)	(3%)
<b>Total Property Investment Income</b>	<b>96,616</b>	<b>95,830</b>	<b>(786)</b>	<b>(0)</b>
<u>Interest on Money Market Funds</u>				
City Fund	6,404	21,538	15,134	236%
City's Cash	93	2,589	2,496	2684%
<b>Total Interest on Money Market Funds</b>	<b>6,497</b>	<b>24,127</b>	<b>17,630</b>	<b>271%</b>
<b>Grand Total</b>	<b>103,113</b>	<b>119,957</b>	<b>16,844</b>	<b>16%</b>

- c) Property Investment Income is forecast to be £95.8m as per the latest quarterly update of rental estimates at 30<sup>th</sup> September 2022. The 2022/23 budget is based on the City Surveyor's September 2021 forecast which results in a £0.8m shortfall compared to the latest estimate.
- d) Income from Interest on Money Market funds is currently forecast to exceed budget by £17.6m due to higher than anticipated interest rates. Whilst this benefits the revenue position there is a negative impact to the fair value of investments, for period 8 this is currently estimated as an unrealised capital loss of £10.7m on City Fund. The return on investments and valuations will be volatile throughout the year due to changes in interest rate expectation. These changes will be reviewed as part of the budget setting process for 23/24 and 5-year forecast.

**Laura Yeo**  
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<b>Committee(s):</b> Finance Committee	<b>Dated:</b> 24 January 2023
<b>Subject:</b> Central Contingencies 2022/23	<b>Public</b>
<b>Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?</b>	n/a
<b>Does this proposal require extra revenue and/or capital spending?</b>	N
<b>If so, how much?</b>	n/a
<b>What is the source of Funding?</b>	n/a
<b>Has this Funding Source been agreed with the Chamberlain's Department?</b>	n/a
<b>Report of:</b> The Chamberlain	<b>For Information</b>
<b>Report author:</b> Laura Yeo, Financial Services Division	

## Summary

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

## Recommendation(s)

Members are asked to:

- Note the Central Contingencies 2022/23 uncommitted balances.

## Main Report

### Background

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

### Current Position

3. The uncommitted balances that are currently available for 2022/23 are set out in the table below.

2022/23 Central Contingencies – Uncommitted Balances 9 December 2022			
	City's Cash £'000	City Fund £'000	Total £'000
<b>Central contingencies</b>			
2022/23 Provision	950	800	1,750
2021/22 Pending brought forward	234	608	842
<b>Total Provision</b>	<b>1,184</b>	<b>1,408</b>	<b>2,592</b>
Previously agreed allocations	(680)	(748)	(1,428)
Pending request on the agenda	0	0	0
<b>Total Commitments</b>	<b>(680)</b>	<b>(748)</b>	<b>(1,428)</b>
<b>Uncommitted Balances</b>	<b>504</b>	<b>660</b>	<b>1,164</b>
<b>Specific - contingencies</b>			
<b>National and International Disasters</b>			
Total Provision	125	0	125
Previous allocations	(25)	0	25
<b>Uncommitted Balance</b>	<b>100</b>	<b>0</b>	<b>100</b>

4. At the time of writing this report there are no requests for funding on the agenda.
5. In the case of a request for additional funding for a project that affects all three funds, the Bridge House Estates Board would approve its portion of any such joint project. All requests specific to BHE only are considered solely by the BHE Board.

## Conclusion

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

## Appendices

- Appendix 1 - Allocations from 2022/23 Contingencies

**Laura Yeo**

Senior Accountant

Financial Services Division

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<b>Committee(s)</b>	<b>Dated:</b>
Finance Committee	24 <sup>th</sup> January 2023
<b>Subject: Report of (public) Action taken under DA or Urgency procedures since the last meeting of the Committee</b>	<b>Public</b>
<b>Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?</b>	N/A
<b>Does this proposal require extra revenue and/or capital spending?</b>	¥/N
<b>If so, how much?</b>	N/A
<b>What is the source of Funding?</b>	N/A
<b>Has this Funding Source been agreed with the Chamberlain's Department?</b>	N/A
<b>Report of: Town Clerk</b>	<b>For Information</b>
<b>Report author:</b> John Cater, Committee Clerk, Finance Committee	

## Summary

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

## Recommendation

Members are asked to note the report.

## Main report

### Subject: Eight Authority Pool (13<sup>th</sup> January 2023)

#### Background

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, which had a significant impact on the collection of business rates, resulting in an estimated £14.2m loss being shared by pool participants.

Further modelling for 2021/22 and 2022/23 showed a mix of risks across London. The comparatively low level of financial return resulted in a decision not to continue with a London Pool 2021/22 and 2022/23. However, the opportunity was still available for authorities to form their own pool groupings.

To enable the retention of more business rate growth within London, a business rate pool comprising eight neighbouring local authorities was formed for the 2022/23 financial year. The partners include the City of London alongside Brent, Barnet,

Enfield, Hackney, Haringey, Tower Hamlets and Waltham Forest – the “Eight Authority Pool”.

The Chamberlain seeks an urgent decision on whether to retain this pool for the 2023/24 financial year. The deadline for this decision to be approved is 28 days after the publication of the Local Government Finance Settlement on 19 December (deadline is 15 January) as this is the final opportunity to withdraw from the pool. London Councils have now confirmed that a London wide Pool will not be operated in 2023/24; and Leaders have been given the opportunity to form their own pools if they wish.

There are two key questions for the Corporation to consider:

1. Will the Eight Authority Pool make money in 2023/24 (i.e. will there be a projected increase in business rate growth, to be retained by councils)?
2. Will the other authorities seek to continue the pool?

Based on forecasts for business rate growth for the 2022/23 and 2023/24 financial years, agreed by Chief Finance Officers for all eight authorities, it appears that the pool will enable authorities to retain additional business rates income for the next financial year, with the Corporation expecting an additional £8m.

**REASON FOR URGENCY:**

All authorities have until 15<sup>th</sup> January 2022 (28 days after the Local Government Settlement) to pull out of the pooling arrangement, although it should be noted that if one authority pulls out, the whole pool falls.

**RESOLVED** – that the Town Clerk, in consultation with the Chairman and the Deputy Chairman of the Finance Committee:

- Approve the continuation of the Eight Authority Pool
- Approve the Memorandum of Understanding.
- Approve that the City Corporation continues to hosts the Pool, as it did for the pan-London pool, with costs to be covered from the Pool.
- Authorise the Chamberlain and the Town Clerk to put in place any further administrative arrangements needed for the Pool.

**Contact:**

John Cater

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

020 7332 1407

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