Public Document Pack

Finance Committee

Date: TUESDAY, 21 FEBRUARY 2023

Time: 1.15 pm

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

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

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

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Ian Thomas
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 and non-public summary of the meeting held on Tuesday, 24th January 2023.

   For Decision
   (Pages 9 - 14)

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

   Report of the Chamberlain.

   For Information
   (Pages 15 - 16)

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

   Report of the Town Clerk.

   For Information
   (Pages 17 - 18)

6. **DEPARTMENT OF THE CHIEF OPERATING OFFICER BUSINESS PLANS 2023/24**

   Report of the Chief Operating Officer.

   For Decision
   (Pages 19 - 44)

7. **RISK MANAGEMENT - TOP RISKS**

Report of the Chamberlain.

For Information
(Pages 45 - 56)

8. **CITY FUND MATTERS**

a) Annual Treasury Management Strategy Statement and Annual Investment Strategy (Pages 57 - 60)

Report of the Chamberlain.

b) City Fund Budget Report and Medium-Term Financial Strategy (Pages 61 - 86)

Report of the Chamberlain.

9. **CITY CASH BUDGET REPORT AND MEDIUM-TERM FINANCIAL STRATEGY**

Report of the Chamberlain.

For Decision
(Pages 87 - 102)

10. **ANNUAL ON-STREET PARKING ACCOUNTS 2021/22 AND RELATED FUNDING OF HIGHWAY IMPROVEMENTS AND SCHEMES**

Report of the Chamberlain.

For Information
(Pages 103 - 108)

11. **TARGET OPERATING MODEL (TOM) - INTERIM UPDATE REPORT**

Report of the Chief Strategy Officer.

For Information
(Pages 109 - 116)

12. **INDEPENDENT COMPLAINTS PANEL COST**

Report of the Chamberlain.

For Information
(Pages 117 - 118)

13. **CENTRAL CONTINGENCIES**

Report of the Chamberlain.

For Information
(Pages 119 - 120)

14. **DECISIONS TAKEN UNDER DELEGATED AUTHORITY AND URGENCY PROCEDURES**

Report of the Town Clerk.

For Information
(Pages 121 - 122)

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

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

17. **EXCLUSION OF THE PUBLIC**

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

For Decision

Part 2 - Non-Public Agenda

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

To agree the non-public minutes of the meeting held on Tuesday, 24th January 2023.

For Decision
(Pages 123 - 124)

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

Report of the Town Clerk.

For Information
(Pages 125 - 126)

20. **COVERING REPORT ON MAJOR PROJECTS - HIGH LEVEL FORECASTS AND CASH FLOW**

Report of the Chamberlain.

For Information
(Pages 127 - 136)

21. **CITY OF LONDON POLICE AND RAIL DELIVERY GROUP - CONTRACT AWARD REPORT**

Report of the Commissioner of the City of London Police.

For Decision
(Pages 137 - 142)

22. **HOUSING RESPONSIVE REPAIRS, MAINTENANCE, AND VOIDS SERVICE - PROCUREMENT STAGE 1**

Joint Report of the Chamberlain and the interim Director of the Department of Community and Children's Services.

For Decision
(Pages 143 - 152)

23. **CITY'S ESTATE: 4-10 NORTH ROAD N7 - DISPOSAL OF 150-YEAR LEASE**

Report of the City Surveyor.

For Decision
(Pages 153 - 160)

24. **CITY'S ESTATE: DISPOSAL OF FREEHOLD OF (1) 42 CONDUIT STREET AND (2) 45 CONDUIT STREET W1**

Report of the City Surveyor.

For Decision
(Pages 161 - 168)

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

Report of the City Surveyor.

For Information
(Pages 169 - 190)

26. **CITY'S ESTATE: 2023 INVESTMENT PROPERTY PORTFOLIO STRATEGY**

Report of the City Surveyor.

For Information
(Pages 191 - 204)

27. **STRATEGIC PROPERTY ESTATE (CITY FUND & CITY'S ESTATE) - ANNUAL UPDATE & STRATEGY FOR 2023/2024 TO 2027/28**

Report of the City Surveyor.

For Information
(Pages 205 - 218)

28. **NON-PUBLIC APPENDIX TO ITEM 13 (CONTINGENCIES)**

To be read in conjunction with Item 13 (Central Contingencies).

For Information
(Pages 219 - 220)

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

Report of the Town Clerk.

For Information
(Pages 221 - 224)

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

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

Part 3 - Confidential Agenda

32. **CONFIDENTIAL MINUTES**

To agree the confidential minutes of the meeting held on Tuesday, 24th January 2023.

For Decision

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FINANCE COMMITTEE

Tuesday, 24 January 2023

Minutes of the meeting of the Finance Committee held at Guildhall, EC2 on Tuesday, 24 January 2023 at 12.45 pm

Present

Members:
Deputy Henry Colthurst (Chairman)
Deputy Randall Anderson (Deputy Chairman)
Munsur Ali
Deputy Rehana Ameer
Nicholas Bensted-Smith
James Bromiley-Davis
Alderman Professor Emma Edhem
Alderman Sir Peter Estlin
Steve Goodman
Deputy Ann Holmes
Alderman Robert Hughes-Penney
Elizabeth Anne King
Alderman Tim Levene
Catherine McGuinness
Deputy Andrien Meyers
Eamonn Mullally
Paul Singh
Deputy Sir Michael Snyder
Mark Wheatley
Deputy Philip Woodhouse

Officers:

John Cater	-	Committee Clerk
Caroline Al-Beyerty	-	Chamberlain's Department
Michael Cogher	-	Comptroller and City Solicitor
Paul Wilkinson	-	City Surveyor
Neilesh Kakad	-	Chamberlain's Department
Sonia Virdee	-	Chamberlain's Department
Phil Black	-	Chamberlain’s Department

1. **APOLOGIES**
Apologies for absence were received from Shahnan Bakth, Sophie Fernandes, Martha Grekos, Gregory Lawrence, Paul Martinelli, Nighat Qureishi, James Thomson, James Tumbridge, 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 14th December 2022 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 confirmed that the next iteration of the Forward Plan would include the provisional agenda items for the following 12 meetings.

The Chamberlain confirmed that the February meeting agenda would include two additional Reports, of which the first would set out the data around the Corporation's use of consultants, and the second lay out the initial findings of the TOM Review in advance of the final Report after conclusion in summer 2023 of the TOM process.

The Chairman and the Chamberlain highlighted the limited amount of business due in March 2023 and proposed cancellation of the March Finance Committee which was endorsed by Members.

RESOLVED – that the Committee noted the Report.

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

The Committee considered a Report of the Town Clerk concerning the Committee's Terms of Reference.

Given recent occasions when the Committee had come close to not meeting its quorum, the Chairman proposed reducing the quorum from nine Members to seven. Members endorsed this proposal and expressed concern that some meetings of the Committee in 2022 were not as well attended as they should have been. The Chairman thanked Members for their support and whilst echoing their concerns about overall attendance, pointed out that there had been mitigating circumstances on some occasions, most notably, the last meeting in December, which had coincided with a combination of a round of rail strikes and inclement weather.

Separately, the Chairman highlighted the Town Clerk's ongoing light-touch governance review and encouraged Members to provide suggestions to the Town Clerk for consideration. One of the Chairman's suggestions was to introduce a "formal twinning" arrangement for those Members who represented smaller wards. The result would, essentially, provide these Members with a proxy vote when they were unable to attend certain Committee meetings, reduce size of the Committee and improve attendance rates. Several Members raised views about "twinning", the Chairman suggested that any introduction of "twinning" would require the approval of Court, and so suggestions and comments would be better directed to the Town Clerk via the light-touch review process.

A Member expressed her concern that the current standing start time of the Committee (12.45pm) would result in diary clashes for Members who sat on other Committees which had meetings scheduled on the same day (e.g., Port Health & Environmental Services Committee, which had begun on the 24th January at 11am). Whilst reiterating his view that the 12.45pm start time offered greater flexibility for those Members who needed to return to their place of employment in the afternoon/attend other afternoon meetings, the Chairman acknowledged these concerns and asked the Town Clerk to provide flexibility and early flagging of possible conflicts.

A Member asked that the Committee's Terms of Reference be amended once the proposed governance arrangements for the Financial Investment Board and the Property Investment Board were finalised in the spring.

RESOLVED – that the Committee approved the Terms of Reference with a reduction of the quorum from nine Members to seven and that provision be made to amend the Terms of Reference once the new governance arrangements for the Financial Investment Board and the Property Investment Board were finalised.

It was noted that the Terms of Reference of the Committee would be submitted, as usual, to the Court of Common Council for final approval in March

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

The Committee considered a Report of the Chamberlain concerning the 2021-22 City's Cash Financial Statements.

The Chairman and the Chamberlain encouraged Members to return their related party transaction disclosures, the Chamberlain's team would be following up with non-returnees over the coming days.

RESOLVED – that the Committee:

- Considered the contents of the Audit Management Report issued by Crowe UK LLP; and

- Considered 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;

- Authorised 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.

- Authorised 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.

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

The Committee considered a Report of the Chamberlain concerning the Sundry Trusts Annual Report and Financial Statements 2021/22.

RESOLVED – that the Committee approved the annual reports of the 12 charities presented for the year ended 31 March 2022, for those charities where the Corporation is Trustee.

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

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

Noting that CHB 001 (Chamberlain's department transformation and knowledge transfer) has now been escalated to a RED risk, the Chairman highlighted the hard work the Chamberlain and her team were putting in to ensure that the department was meeting its performance targets during this challenging time.

The Chamberlain added that, whilst vacancies had started to be filled and interim appointments were being made, the wider piece of work on transformation and cultural change still needed a great deal of work over the coming year and she would keep Members updated as to progress in this critical area.

RESOLVED – that the Committee noted the Report.

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

The Committee noted a Report of the Chamberlain concerning the Departmental Business Plan.

RESOLVED – that the Committee noted the Report.

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

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

In response to a query, the Chamberlain noted that due to the underspending, the overall position is acceptable, and funds from the underspend would be directed toward the inflation contingencies. Departments, including the City Surveyors, were flagging problem areas but the aim was for these to be resolved sooner rather than later. The Surveyor highlighted several areas of budgetary pressure for this department but stressed that actions were currently being undertaken in an ongoing effort to alleviate these issues. It was hoped that the outlook would improve further into 2023.

Given the negative impact on its visitor numbers over the last three years as well as the cost of dealing with the bow wave in the building itself, the Chamberlain highlighted the current challenges and financial outlook for the Barbican Centre. She proposed that a deep dive review was undertaken by the Efficiency & Performance Working Party later in 2023.

RESOLVED – that the Committee noted the Report.

11. **CENTRAL CONTINGENCIES 2022/23**
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.

12. **REPORT OF PUBLIC ACTION TAKEN UNDER URGENCY OR DELEGATED AUTHORITY PROCEDURES SINCE THE LAST MEETING**
The Committee received a Report of the Town Clerk which provided information of the 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).

RESOLVED – that the Committee noted the Report.

13. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
Questions were raised as follows -

In response to a Member who asked officers to disclose the cost of complaints over the past year, the Chairman informed Members that this information was not yet available, but that officers should be able to provide more details at the February meeting.

14. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**
There were no urgent items.

15. **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.

16. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**
RESOLVED – that the non-public minutes of the meeting held on 14th December 2022 were approved as an accurate record.

17. **SALISBURY SQUARE DEVELOPMENT - CONTRACTOR ADVANCE PAYMENTS**
The Committee considered a Report of the City Surveyor concerning the Salisbury Square Development.

18. **CITY'S ESTATE: DISPOSAL OF 50 GRESHAM STREET, LONDON EC2V 7AY**
The Committee considered a Report of the City Surveyor concerning the disposal of 50 Gresham Street.

19. **KEY INCOME COLLECTION UPDATE**
The Committee received a Report of the Chamberlain concerning key income collection.

20. **CENTRAL CONTINGENCIES 2022/23 (NON-PUBLIC APPENDIX)**
The Committee noted the non-public appendix to ITEM 11 (Contingencies).

21. **REPORT OF NON-PUBLIC ACTION TAKEN UNDER URGENCY OR DELEGATED AUTHORITY PROCEDURES SINCE THE LAST MEETING**
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).

22. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
There were no non-public questions relating to the work of the Committee.

23. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**
There was one item of urgent business; this was taken separately in a confidential section of the meeting.

The meeting ended at 2.05 pm

Chairman

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

FINANCE COMMITTEE – WORK PROGRAMME 2023-24

	April -23	May -23	June-23	July-23	Sept-23	Oct-23	Nov-23	Dec-23	Jan -24	Feb-24	Mar-24
Budget Setting Process & Medium-Term Financial Planning				Update on Budget setting approach 23/24			Finance Committee' s Estimate report	Autumn Budget	2024/25 Annual Capital Bids	City Fund Budget Report and Medium-Term Financial Strategy City Cash Budget report and Medium-Term Financial Strategy	
Effective Financial Management Arrangements for The City Corporation		Update of Finance Regulations Capital Funding Update 2022/23 Irrecoverable Non-Domestic Rates Interest rates for Loan Facilities High-level Major Projects cashflow - update	Provision for Bad and Doubtful Debts	Capital Outturn report 23/24 Budget Monitoring Q1 Revenue Outturn report 22/23 Rental Income and Business Rate update Q1	City Re Limited – performance monitoring High-level Major Projects cashflow - update	Q2 Budget monitoring	Capital Projects - Forecasting	High-level Major Projects cashflow - update	Q3 Budget monitoring Rental Income and Business Rates update Finance Committee Estimates report Housing Revenue Account Review		High-level Major Projects cashflow - update
Financial Statements							City Fund and Pension Fund statement of accounts City's cash financial statements City's Cash trust funds and sundry trust funds annual reports and financial statements				
Finance Committee as a Service Committee	Central Contingencies	Central Contingencies Risk Management Update Report	Central Contingencies Risk Management Update Report	Central Contingencies Risk Management Update	Central Contingencies Risk Management Update Report	Central Contingencies	Central Contingencies Risk Management update Report	Central Contingencies	Central Contingencies	Central Contingencies Risk Management update Report	Central Contingencies

Updated as at: 13 February 2023

	Risk Management Update Report Chamberlain's Business plan Q report	Chamberlains Business plan End of Year update		Chamberlains Business plan Q report		Risk Management Update Report	Chamberlains Business plan Q update	Risk Management update Report	Risk Management update Report	Chamberlains Business plan Q update	Risk management update Report

Updated as at: 13 February 2023

Committee(s)	**Dated:**
Finance Committee	21 February 2023
Subject: Report of the Work of the Sub-Committee(s)	**Public**
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	**N/A**
Does this proposal require extra revenue and/or capital spending?	**~~Y~~/N**
If so, how much?	**N/A**
What is the source of Funding?	**N/A**
Has this Funding Source been agreed with the Chamberlain's Department?	**N/A**
Report of: Town Clerk	**For Information**
Report author: John Cater, Committee Clerk, Finance Committee	

Summary

On 19 July 2016, the Finance Committee agreed that, in addition to draft minutes of Sub-Committee meetings, short reports be provided to advise the Committee of the main issues considered by the Sub-Committees at recent meetings. This report sets out some of the main public issues considered by the following Sub Committees since 24th January:

<u>Operational Property and Projects Sub-Committee – 13th February 2023</u>

Oral update of the Deputy Chairman.

<u>Property Investment Board – 15th February 2023</u>

Oral update of the Chair.

<u>Financial Investment Board – 17th February 2023</u>

Oral update of the Chair.

Recommendations

The Committee is asked to note the report.

John Cater
john.cater@cityoflondon.gov.uk

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Committee(s): Operational Property and Projects Sub-Committee Capital Buildings Board Finance Committee Policy and Resources Committee	**Dated:** 16 January 2023 18 January 2023 21 February 2023 23 February 2023
Subject: Department of the Chief Operating Officer Business Plans 2023/24	**Public**
Does this proposal require extra revenue and/or capital spending?	To be managed through budget estimates
What is the source of Funding?	N/A
Has this Funding Source been agreed with the Chamberlain's Department?	Yes
Report of: Emma Moore, Chief Operating Officer	**For Approval**
Report author: Emma Moore, Chief Operating Officer	

Summary

This report presents Members with the Business Plan for the Department of the Chief Operating Officer (COO) for the 2023/24 Financial Year. It also presents those Divisional plans for COO teams within the scope of this Committee, which provide more detailed sub-plans underneath the overarching COO Plan and therefore form appendices to the COO-level Plan.

Recommendation(s)

Members are asked to:

- Note the direction of travel within the Department of the COO and the associated transformation planning within the team Business Plans.
- Approve the Department of the COO Business Plan for 2023/24 (**Appendix 1**).
- Approve the 2023/24 Business Plans for the following COO divisions:
    - Commercial Service (**Appendix 2**)
    - Project Governance (**Appendix 3**)

Main Report

Department of the COO Business Plan

1. The Department of the COO came into existence in summer 2021, as a result of the Target Operating Model (TOM) changes. This Department unites the following divisions under the COO:
    a. Commercial Service

b. Corporate Health and Safety (H&S)
c. Digital and Information Technology Service (DITS)
d. Equality, Diversity and Inclusion (ED&I)
e. Human Resources (HR)
f. Markets
g. Project Governance

The focus for the COO in the 2021/22 and 2022/23 Financial Years has been on putting the right structures in place and building the team, particularly at the Senior Leadership level, and on completing TOM implementation.

2. Whilst the TOM gave the Corporation a strong platform for change, and much has been achieved this year, it is clear that there is more to do to support the Corporation's transformation journey and the necessary cultural shift which is required to continue improving the Corporation's agility, effectiveness and impact. COO functions are key to this shift, as our work reaches all parts of the organisation.

3. The plan for 2023/24 therefore marks the first year of our own multi-year transformation plan, structured around four key themes.
    a. Transparency
    b. Credibility
    c. Partnership, and
    d. Enablement.

   The detail behind these themes is set out in the COO Business Plan. We consulted Chief Officers and Institution leads on these themes when setting our transformation agenda so that we were certain that they resonated, and that we are delivering what our clients expect from us.

4. These four themes provide the golden thread that runs through all of our COO Business Plans. We are united in pursuit of the key workstreams and aims in the Departmental Plan, and so these flow down into the more detailed divisional Business Plans for each team and promote cross-working. Each of the workstreams within these divisional Plans contributes to one of these four themes.

5. Key Performance Indicators (KPIs) can be found in each plan to ensure that we are able to track and report back on our progress. For many of our teams, this is the first time that structured KPIs have been put in place: therefore, these KPIs may need to evolve throughout the year, to ensure that we are measuring the right things and that our targets are appropriately stretching and delivering the right results. Over time, we will be moving to formalised service standards and "shared service" agreements to increase clarity and accountability.

6. The KPIs will also enable us to communicate our progress and achievements to our staff. The Business Plans have already all been shared in draft with our team and those undertaking similar roles in the wider Corporation family. We presented them at the COO Conference on 4 November so that our teams had a chance to discuss them and provide feedback, in line with our 'transparency' theme.

7. As well as achieving our KPIs, success will be evidenced by the following outcomes:
    a. An improvement in our productivity and effectiveness
    b. Our clients will feel supported and understood, will know the value of the services we provide, and trust us to deliver them
    c. Our clients will involve us early enough for our advice to make a difference.

   This will be reflected in positive feedback from our clients and other partners.

8. Our plans are ambitious, which we believe mirrors the ambition and vision of our Committee Members. Working together, internally and with key partners, we will drive the necessary changes that will future proof the Corporation, setting us up for long term, sustainable success.

Divisional Business Plans

9. As explained above, each division within the Department of the COO has its own Business Plan which tracks back to the overarching COO Plan. This enables us to have both a uniting transformation plan as well as more detailed team level plans. These plans will also support objective setting with our teams: every member of staff will be able to see how their work is contributing to our overall aims.

10. Each Plan also contains an assessment of the current maturity level of the function, as well as where we intend to be by the end of 2023/24 if we are successful in delivering the Plan.

11. Of relevance to this Committee's remit are those Plans for the Commercial Service and Project Governance.

12. **Commercial Service:** the Commercial Service Business Plan sets out the activity we will undertake to deliver on our vision for the Service: to provide professional expertise and leadership to ensure Corporation commercial relationships deliver innovative, high quality, value for money services and responsible outcomes. It is a transitional plan showing how we will move from the former City Procurement Service to establish the foundations for a new leading edge Commercial Service, via optimising our operations, ensuring strategic alignment and developing both individual and corporate capability.

13. To achieve this, our key workstreams next year will focus on the following themes:
    - Developing a customer focused service model that supports the team to become the Commercial service of 'choice'
    - Exploiting datasets to develop intelligence-led commercial strategies
    - Developing a low-value spend strategy that delivers best value for COL
    - Leveraging COL spending power to further diversify our supply chains
    - Developing COL commercial capabilities to support increased innovation and enterprise
    - Procurement Act implementation.

We are also responsible for delivering the Commercial workstream of the Resources and Priorities Refresh programme, and the actions related to Scope 3 emissions within the Corporation’s Climate Action Strategy.

14. The activity in this plan supports our longer term ambition of becoming an industry/sector leader, with influence on the market and the ability to maximise internal and external commercial opportunities.

15. The financial position for the Commercial Service is relatively stable post TOM, and we have identified the opportunity to reshape existing vacancies to develop greater internal data and insight capacity. However, additional short-term funding may be required in 23/24 to meet the requirements of the new Procurement Bill. We have requested £35,000 to cover 6 months’ resource to support this work, but this pressure is currently unfunded.

16. **Project Governance:** 22/23 represented a foundational year for the new Division and focussed on understanding existing issues and developing potential solutions. Following the Project Governance review, commissioned by Members to drive significant improvements to the way we manage and report on project and programmes, 23/24 will see the implementation of many of those solutions once put forward and approved by Members in March, and a focus on embedding change whilst building the capacity and capability to develop our strategic long-term ambitions.

17. Our activity in 23/24 will focus on developing our project governance maturity, centred around the following key themes:
    - Developing a refreshed and aligned project governance and assurance framework
    - Business change
    - Benefits management and realisation.

18. This activity will enable us to move forward with our vision of enabling the Corporation to achieve its strategic objectives, driving transformation and project excellence to deliver innovation and business change.

19. As we are anticipating much transformational activity in the Project Governance space, the financial position in the short term is challenging for the following reasons:
    - The Project Governance review may result in recommendations that require additional investment to deliver.
    - There is no funding in place for continued delivery of the Project management Academy, providing training to Project Managers and Senior Responsible Officers across the Corporation.
    - The anticipated approval of new major programmes will require additional capacity within the Major Programmes Management Office to ensure that the right support is available to provide assurance to Members.

    To manage these pressures, we will be requesting a placeholder funding figure of £180,000 for 23/24, subject to completion of the Project Governance review and properly scoped business cases for better MPMO capability and capacity. Training for Project Managers would be an additional c.£50,000 on top of this. This is currently unfunded.

20. We would note that at present the Corporate PMO comprises 2 roles to cover the current 340 projects and the MPMO resource comprises 3 roles to cover over £1.5bn of Major Projects. This is not sustainable but will be addressed fully in the review for Member consideration.

21. In addition, it is expected that a recommendation within the Project Governance review be that the current temporary arrangement for the Commercial Director also acting as Project Governance Director continue in a formalised merged role of Commercial & Projects Director.

22. The Business Plans for the COO Department, and for the Commercial Service and Project Governance divisions, can be found at **Appendices 1-3.**

Corporate & Strategic Implications

23. Strategic implications – Strategic priorities and commitments are expressed in the Department of the COO Business Plan at **Appendix 1**.

24. Financial implications – Funding request will be put to RASC to cover the potential additional Project Governance costs noted in this report.

25. Risk implications – Each COO division's key risks are captured in the team business plans. The highest scoring risks across the Department have then been captured in the Departmental Business Plan. Risks will continue to be managed in line with Corporation policy.

26. Resource implications – None directly.

27. Equalities implications – The Department's EDI data is captured in the Departmental Business Plan. In addition, the ED&I Business Plan sets out our more detailed plans and approach to embedding ED&I across the whole Corporation.

28. Climate implications – The Commercial Service is responsible for delivering the commitments to reduce scope 3 carbon emissions in the Corporation's Climate Action Strategy. Our refreshed Responsible Procurement Policy provides a renewed focus on working with contractors to meet the targets set out in the strategy.

29. Security implications – There are no security implications to the proposals put forward in these business plans.

30. Operational property implications – All operational property in the Department of the Chief Operating Officer falls either into the Corporate Estate – i.e. Guildhall, or as market sites. There is a formal operational property plan and assessment in place for all works through City Surveyors for current market sites and the decision by Court to move two of the three markets from their

current sites to Barking and Dagenham sets out a timeline for vacating and then disposing/retaining those sites as part of the Market Co-location Programme (“Major Project”).

Proposals

31. We recommend that the Committee approves the COO Department Business Plans for 2023/24.

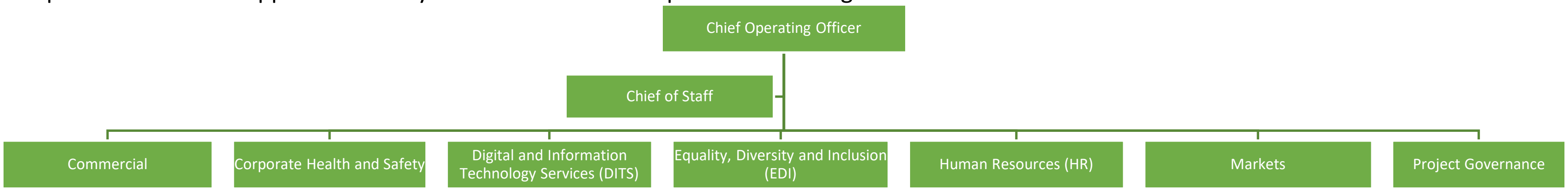
Appendices

- **Appendix 1** – Department of the Chief Operating Officer Business Plan 2023/24
    - **Appendix 2** – Commercial Service Business Plan 2023/24
    - **Appendix 3** – Project Governance Business Plan 2023/24

Emma Moore
Chief Operating Officer
T: 07562 907319
E: emma.moore@cityoflondon.gov.uk

Department of the Chief Operating Officer

The Department of the Chief Operating Officer exists to enable the City of London Corporation to deliver its aims and objectives, through providing corporate and wider support to our key functions. It is made up of the following teams:



Our aims and objectives

Whilst the TOM gave us a much-needed platform for change, it is clear that there is more to do to stabilise, embed and grow the Department over the coming years and to ensure that we are meeting our clients' needs. We have therefore set out the following aims for a multi-year transformation plan:

Transparency
- Our clients (all users of our services and ultimately those of the Corporation) are clear on the core services we do and don't provide, with robust and visible operating level agreements and KPIs to show how we are delivering
- The process to access our services and contact points are easy to follow and user-friendly
- We provide clear and transparent templates and costings for non-core requests and project resource

Credibility
- Our clients understand our capabilities, where we can add value through strategic insight and market knowledge, and trust our expertise
- Our team are skilled, capable, and operate respected processes and procedures
- We work efficiently, are financially disciplined with forecast accuracy, strive for best value and are right-sized to match the needs of the organisation

Partnership
- It is our job to understand the complex and diverse priorities and objectives of our clients, working collaboratively and seamlessly with our partners, and using our expert knowledge to meet their needs and shape the future of the organisation
- We are proactive in supporting, advising and protecting the organisation, in offering our expertise to drive continual improvements, and have a defined process for issue resolution and responding to feedback
- We have a shared sense of purpose with our clients: their success is our success

Enablement
- We ensure that people across the organisation are empowered and trained to use the resources they need to do their jobs, so that they know when to use our services and expertise and when they can support themselves
- We use technology to automate processes where possible and are open to improving our ways of working, so we can truly add value over and above transactional support
- We empower colleagues to navigate corporate processes and governance to facilitate their work, applying flexibility or bespoke solutions where needed

OUTCOME: If we are successful in achieving our objectives, then we will see an improvement in productivity and effectiveness. In addition, our clients will feel supported and understood; will know the value of the services we provide and trust us to deliver them; and involve us early enough for our advice to make a difference. This will be reflected in positive feedback from our clients and other partners.

Each priority workstream within the COO team-level business plans has been mapped to one or more of these transformation objectives.

Key Performance Indicators

#	KPIs 2023/24	Current Performance	Direction of Travel/Target
1	**Transparency:** All seven COO teams have an Operating Level Agreement (OLA) or other service agreement in place with all Chief Officer departments and institutions	N/A	100% by Year End
2	**Credibility:** All COO department employees have completed mandatory training	N/A	95%
3	**Credibility:** Forecasts to be increasingly accurate: +/- 10% at Period 6; +/- 5% at Period 9 and +/-1% by Year End.	N/A	99% forecast accuracy by Year End
4	**Partnership:** Client pulse survey showing a % satisfaction with COO Department services – in P5 and P12	N/A	10% improvement over the year (baseline to be set in Q4 2022/23)
5	**Partnership:** All queries responded to within defined timelines (which vary across the COO Department)	N/A	95%
6	**Enablement:** Productivity increase from continuous improvement (excluding EDI, which will have different measures)	N/A	-100 hours per COO area per year

OUTCOME: If we are successful in achieving our objectives, then we will see an improvement in productivity and effectiveness. In addition, our clients will feel supported and understood; will know the value of the services we provide and trust us to deliver them; and involve us early enough for our advice to make a difference. This will be reflected in positive feedback from our clients and other partners.

Chief Operating Officer 2023/24 Business Plan

Department of the COO Transformation

Our major cross-cutting workstreams this year will be…

- **Priority 1:** Ensure the successful delivery of each COO division's priorities, as set out in their own Business Plans
- **Priority 2:** Following recruitment in 2022/23, build a collaborative and non-siloed approach across all COO teams, including across the Senior Leadership Team. Increased staff engagement leading to a better engagement and identification as the Department of the COO
- **Priority 3:** Work with colleagues across CoLC to embed our refreshed organisational priorities, and in particular to support the organisation in seeking opportunities for greater income generation and embedding a more commercially focused approach across all areas of operation
- **Priority 4:** Put in place a performance management approach which ensures that we are able to track our progress and communicate this to stakeholders. This will be supported by robust KPIs, refreshed risk registers and insightful data
- **Priority 5:** Ensure Member Committee confidence and understanding of our approach, and that it aligns with their expectations

What's changed since last year

- Successful recruitment of full COO Senior Leadership Team, including new leaders for DITS, EDI, Health and Safety and HR and new Chief of Staff
- Completion and implementation of all TOMs
- Corporate Services Committee approval of additional Health and Safety and HR resource for transformation
- Agreement to bring support provided by Agilisys in house
- Detailed reviews of our periodic financials and budget position, leading to greater grip on our expenditure
- Reward Refresh and Project Governance Review commenced
- Approval for uplifted delegation limits in HR, procurement and projects
- Creation of Corporate Health and Safety capability

Our strategic commitments

We feed into the following Corporation-wide programmes:

- Resources and Priorities Refresh: many of the themes of this work are dependent on COO Department activity and action
- Major Projects: as well as project governance sitting within the COO Department, the COO is the Senior Responsible Officer for the Markets Co-Location Programme
- Reward Refresh: managed out of HR but having organisation-wide outcomes and impact
- Climate Action Strategy: in particular the actions relating to Scope 3 emissions, which the Commercial team is responsible for delivering

Maturity index update

In February 2022, the COO carried out maturity index assessments of each division within the Department of the COO. As part of our planning for 2023/24, each COO division has produced a high level transformation plan for the next three years. Our business plans for 2023/24 therefore represent the first 12 months of this transformation.

To track our progress, we are using maturity index assessments. Each team's assessment can be found within their business plan. This shows where we currently are, where we have moved to in 2022/23 and where we hope to get to by the end of 2023/24.

The Corporate Plan outcomes we have a direct impact on are…

Due to the cross-cutting functions within Operations and the nature of our work, we support and enable the delivery of all Corporate Plan outcomes. In particular, we have a key role to play in achieving the following outcomes:

- **Outcome 2:** People enjoy good health and wellbeing
- **Outcome 3:** People have equal opportunities to enrich their lives and reach their full potential
- **Outcome 8:** We have access to the skills and talent we need
- **Outcome 9:** We are digitally and physically well-connected and responsive
- **Outcome 10:** We inspire enterprise, excellence, creativity and collaboration.

Our Team

Our People

Staffing levels posed a major challenge in 2022/23, due to the need to recruit into new EDI and Health and Safety teams, and a number of resource gaps across HR and DITS. Across Operations, 29 vacancies are currently out for recruitment. 2023/24 will therefore focus on building these teams; developing and retaining talent; and growing the sense of one team across the Department of the COO, all in pursuit of improved engagement and delivery of our transformation objectives.

In the 2022 Staff Survey, the engagement score for the COO Department was 47%, compared to the Corporation's overall engagement score of 52%. Our Staff Survey participation rate was 53% (compared to a Corporation overall participation rate of 51%).

Our plans to increase engagement include the continuation of a six-monthly COO Conference series for all staff within the Department (following a successful first in-person event in May 2022); and the embedding and developing of a Department-specific communications and engagement plan. Demonstrating action on feedback from the Staff Survey will also be crucial.

To support and develop our talented people, we have team skills and talent plans in each area. We will also continue to provide our in-house Learning and Development offer, ensuring that this meets the core needs of staff.

During 2023/24, we will bring to life the Head of Profession roles by developing communities across the breadth of the Corporation, with the COO Department acting as the central hub for professional expertise within the linked enabling functions.

Equality, Diversity and Inclusion

Operations has the corporate and Head of Profession lead for EDI across the whole of the City of London Group. To ensure the necessary focus on this critical area, a new EDI Director and team was recruited in 2022/23, reporting directly to the COO rather than sitting within HR (where it sat before the TOM.) Please see the EDI 2023/24 business plan for the detail on our focus over the coming year and beyond.

The make-up of the COO Department (as at 30 September 2022) is as follows:
- Total numbers: c.200 members of staff, with a turnover rate of 27.49% (of which 17.93% were voluntary leavers.)
- Gender: 39.82% female and 60.18% male. Of our 26 new starters in the past year, 53.85% were female, and all four new staff members recruited at Grades G and above were female.
- Working patterns: 210 full time staff and 16 part time staff (equating to 9.2 FTE)
- Age: 11.06% of our team are aged 30 and under, with 47.34% aged between 31 and 50 and 41.59% aged 51 and over.
- Disability: 83.63% of our staff state that they do not have a disability, with 5.31% declaring a disability and 11.06% not declaring either way.
- Sexual orientation: 70.80% of the Department declared themselves to be heterosexual, with 3.09% LGBTQIA+ and 26.11% not known or declined to specify.
- Religious beliefs: Five major religions are represented in the Department, as well as non-religious and spiritual beliefs. The largest staff groups are Christian (37%) and non religious (32.60%).
- Ethnic Groups: the ethnic make up of the Department is as follows: 58.41% White; 17.26% Black/Black British; 11.50% Asian/Asian British; 3.98% Mixed and Other Ethnic Groups (with 8.85% not known).

The data tells us that we have further to go in some areas to build a team that is representative of the wider communities we serve and collaborate with. Ethnicity in the COO teams is broadly comparable to that of London, and our LGBTQIA+ representation is in line with the national average. However women, young people and disabled colleagues are underrepresented. In future, we would also be keen to look at social mobility as a measure, and how this intersects with our other measures, to ensure that we are truly a diverse and inclusive Department.

Key Risks

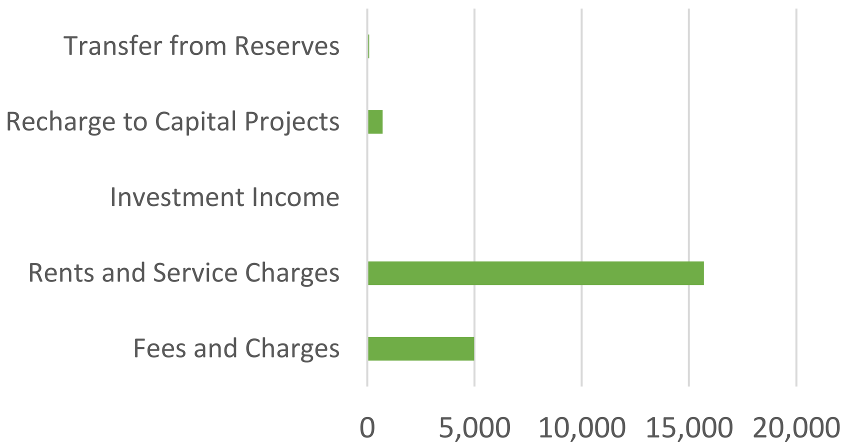
The table below shows the top scoring residual risks across the Department of the COO:

Division	Risk Title	Score
Health & Safety	Increase in major and/or extreme accident outcome, enforcement agency action, reputational and financial risk due to inability to meet legal requirements and other requirements, H&S objectives and continually improve	24
DITS	CR16 Information Security	16
Health & Safety	Inadequate planning and implementation of the strategic change for the new Corporation health and safety management system	16
Health & Safety	Decrease in risk management assurance/visibility for senior leaders	16
Markets	Wholesale Markets – Traffic Management	12
Health & Safety	Inadequate management of statutory wellbeing requirements	12
Commercial	Risk of provider failure due to ongoing impact of lockdown and economic downturn	12
Commercial	Supply chain issues and labour shortages impact the market's ability to/ interest in responding to tenders	12

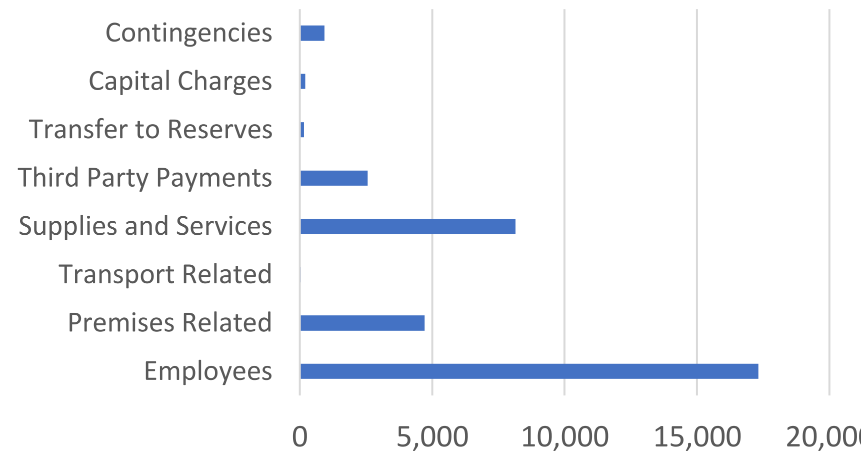
Likelihood \ Impact	Minor	Serious	Major	Extreme
Likely	0	0	2	0
Possible	0	0	4	1
Unlikely	0	0	0	1
Rare	0	0	0	0

Our Finances (P6 2022/23)

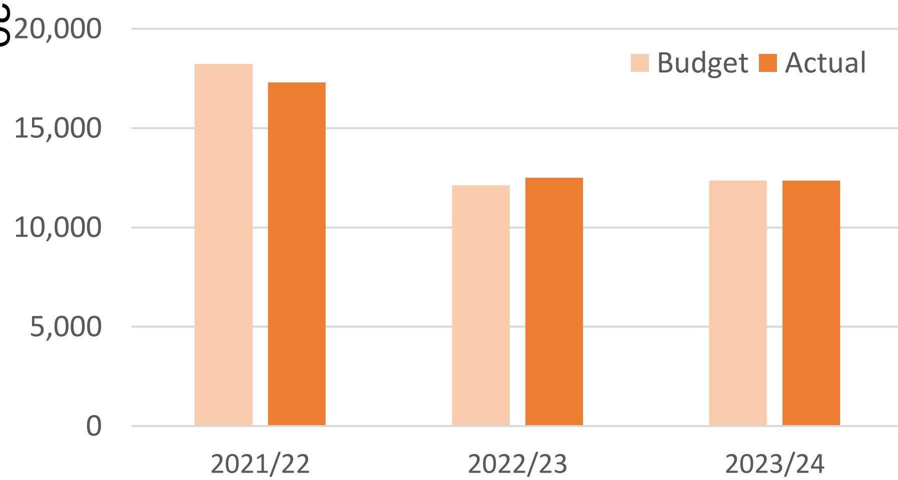
Where our money comes from (£'000)



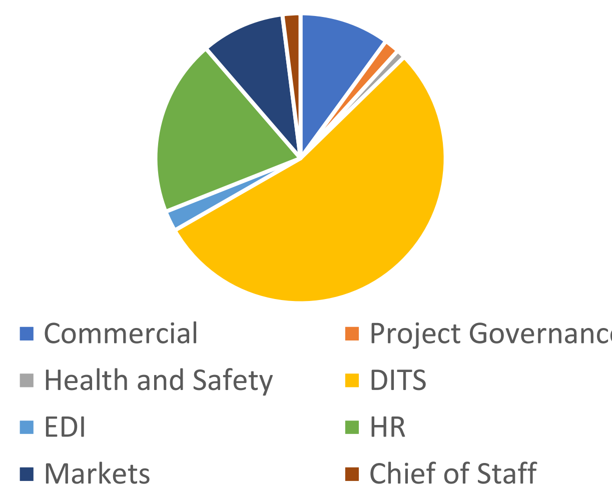
Where our money is spent (£'000)



Budget vs Actual (£'000)



2023/24 Local Risk Budget



Appendices

The more detailed 2023/24 planning for each Directorate within Operations can be found in each team's business plans. These plans therefore form appendices to this overarching Operations plan:

Appendix 1: Commercial Service Business Plan 2023/24
Appendix 2: Corporate Health and Safety Business Plan 2023/24
Appendix 3: Digital and Information Technology Service Business Plan 2023/24
Appendix 4: Equality, Diversity and Inclusion Business Plan 2023/24
Appendix 5: Human Resources Business Plan 2023/24
Appendix 6: Markets Business Plan 2023/24
Appendix 7: Project Governance Business Plan 2023/24

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Commercial Service vision

The Commercial Service provides professional expertise and leadership to ensure Corporation commercial relationships deliver innovative, high-quality, value for money services and responsible outcomes

Aims & objectives:

- Our **key people** across the organisation are **upskilled** in commercialism, contract management and procurement.
- We **mitigate increasing costs** and ensure our contracts are financially sustainable
- Opportunities to leverage **responsible outcomes** are maximised.
- Our **services** provide what is needed and are **easy to use**
- The Corporation has the capabilities to maximise commercial relationships to **deliver new and/or increased revenue**

What's changed since last year

- New service model launched 01 April 2022 introducing a consolidated procurement and contract management business partner function.
- Publication of the new Responsible Procurement (RP) Policy and introduction of a min. 15% evaluation weighting for RP in tenders
- Updated Procurement Code removing bureaucracy and empowering Chief Officers to make procurement-related decisions
- Publication of a climate action procurement strategy (to be approved later in 22/23)
- Establishment of the new OPP sub-Committee
- Procurement of a new Integrated Facilities Management framework

Our strategic commitments

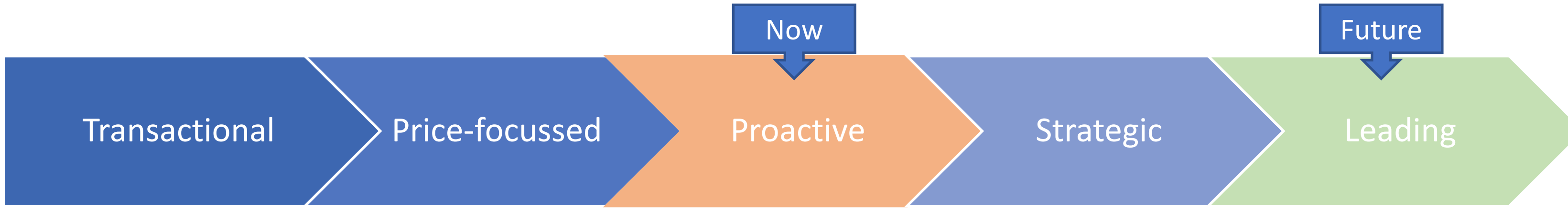
- Climate Action Strategy - We are responsible for delivering the actions related to Scope 3 emissions.
- Review of interventions and opportunities to further diversify our supply chain as part of our commitment to SME strategy and EDI.

Corporate Plan outcomes

- *Indirect impact on all corporate outcomes*
- *Direct impact through RP outcomes:*
    - People have equal opportunities to enrich their lives and reach their full potential.
    - Communities are cohesive and have the facilities they need
    - Businesses are trusted and socially and environmentally responsible.
    - We have clean air, land and water and a thriving and sustainable natural environment.
- Commercial outcomes:
    - We inspire enterprise, excellence, creativity and collaboration

Commercial transformation and future direction of travel

This plan represents a transition plan for the Commercial service, moving from the former City Procurement Service and establishing the foundations for a new leading-edge Commercial Service. The maturity map shows where we are now, and, where we want to be in the future. This plan focusses on the interim steps – optimising our operations, ensuring strategic alignment and developing both individual and corporate capability - to move towards innovation.



Our long-term ambition

- *The City is recognised as an industry/sector leader using its procurement power to influence the market delivering added value for its stakeholders*
- *The Corporation has the capabilities to maximise commercial opportunities internally and externally*
- *The City's chosen service models drive innovation and enable the success of the (new) Corporate Plan*

How?

Maximise service delivery models

- Service delivery model assessment
- Enhanced income streams
- Improved service outcomes
- Efficiencies and savings
- Added value

Create opportunities for improvement and transformation

- Robust contract management and supplier relationship management
- Market management and shaping
- Value chain analysis

Leverage our buying power to shape markets

- Exploit CSR opportunities
- Engage local supply market (microbusinesses and Ethnic minority-owned businesses)
- Incubate and accelerate new ventures
- Deliver social value

Develop dynamic capabilities

- Proportionate and enabling internal governance
- Proactive opportunity and risk management
- Intelligence-led assurance
- Equip stakeholders with tools and knowledge needed

Our priorities and major workstreams for 23/24

COO priority	Deliverable	Due
Develop a customer focused service model that supports the team to become the Commercial service of 'choice'		
Transparency/ enablement	• Redesign Commercial intranet around the customer • Undertake business process improvement to better exploit existing technologies and further integrate back office functions • Develop a new commercial assurance framework to support new operating model • Establish customer feedback reporting	Q2 23/24 Q2 23/24 Q2 23/24 Q1 23/24
Exploit datasets to develop intelligence-led commercial strategies		
Partnership/ credibility	• Develop category strategies and dashboards to help manage procurement activity and commercial risks • Undertake review of contract portfolio to identify key risks, • Develop reporting format that allows assessment of contract and market risks across key categories including responsible procurement metrics	(Q1 23/24) (Reporting to Committee by) Q2 23/24
Develop a low-value spend strategy that delivers best value for COL		
Credibility/ Enablement	• Implement new strategy (includes tactical buying framework, spend analytics, P-card policy refresh) to deliver cost savings (c. 10% reduction in in-scope tail end spend), reduce supply base (target tbc) and, deliver process efficiencies	Q3 23/24
Leverage COL spending power to further diversify our supply chains		
Partnership	• Establish supplier focused communications on COL website • Deliver twice-yearly Meet the Buyer events • Successfully appoint at least three EMB suppliers through our tender processes	Q1 23/24 Q4 23/24
Develop COL commercial capabilities to support increased innovation and enterprise		
Credibility/ Enablement	• Embed head of profession function and relationship with commercial networks across COL • Deliver pilot business development (proof of concept) projects in Environment department and develop business case for sustainable funding model • Define core commercial capabilities and develop Commercial Academy business case	Q1 23/24 Q2 23/24 Q3 23/24
Procurement Act implementation		
All	• Monitor progress of Bill through Parliament working with London Councils to develop collaborative sector response • Develop prioritised implementation and engagement plan (Q4 23/24)	Q2 23/24

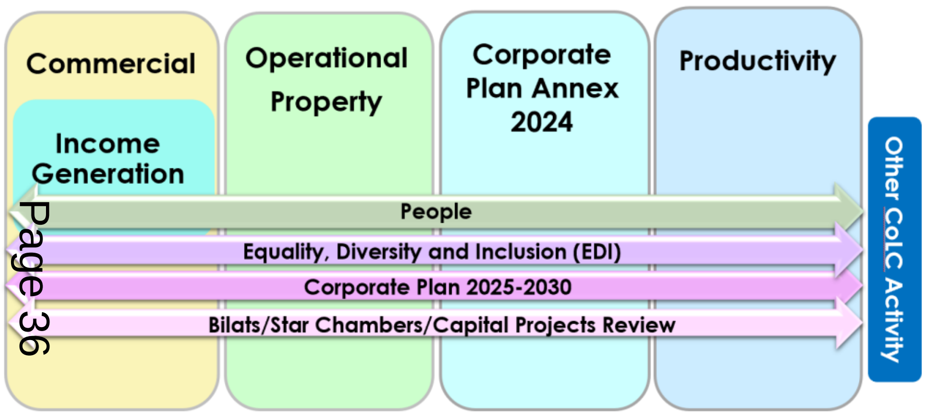
Other priorities

Resources and Priorities refresh

The Resources and Priorities Refresh is a corporately-led programme that aims to embed a holistic approach to the allocation and deployment of our resources that aligns our actions and spend to what we truly 'value' (our priorities).

The Commercial service is directly responsible for delivering the Commercial RPR workstream.

RPR Workstreams



In addition to the workstreams identified on previous slides, there are other key activity that will need to be delivered in subsequent years that may require additional capacity (these are set out below). We will be working during the course of 23/24 to better define this activity and to scope the resources required.

Medium Term Plans under consideration(2024/25 and 2025/26)

Priority list (*Include any known changes you are preparing for, e.g. new legislation, services, projects, automation)*	Narrative
ERP implementation – opportunities to further strengthen contract spend monitoring and enable efficient tactical buying	(unfunded - if additional capacity is required)
Sustainable Commercial Academy model	Unfunded

Key Risks

Risk Title	Score
Levels of non-compliance increase due to Procurement Code changes and increase of procurement thresholds	6
Financial pressures, incl, inflationary pressures, result in contracted services becoming unaffordable	6
Risk of provider failure due to ongoing impact of lockdown and economic downturn	12
Supply chain issues and labour shortages impact the market's ability to/ interest in responding to tenders	12

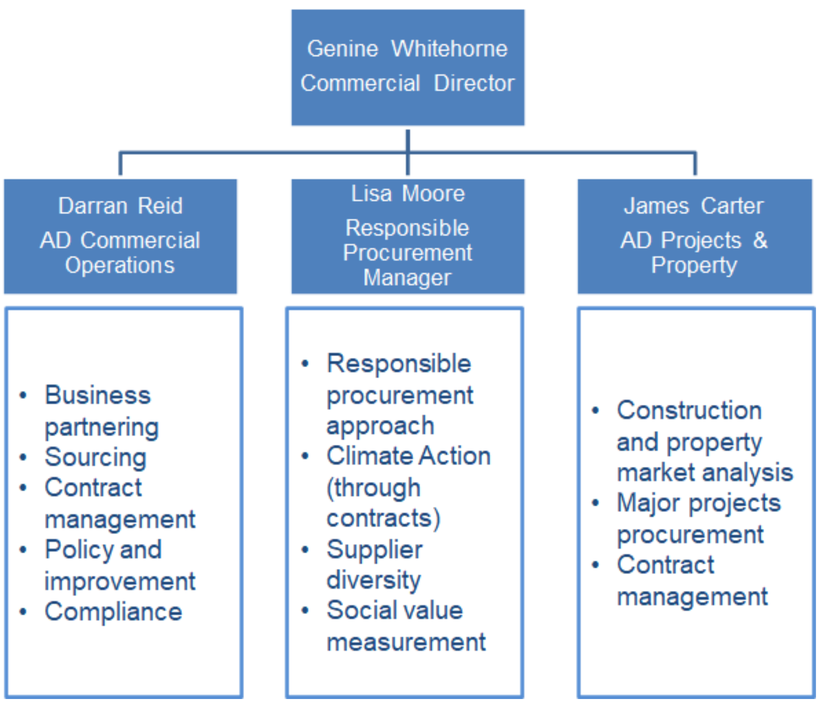
	Minor	Serious	Major	Extreme	
Likelihood	0	0	0	0	Likely
	0	2	2	0	Possible
	0	0	0	0	Unlikely
	0	0	0	0	Rare
	Impact				

Our People

The Commercial Service has been successful in promoting internally to fill vacancies. The implementation of the new model has been supported by a team development plan which will be updated for 23/24. Our priorities are set out below:

- Phase 2 development plan identifying specialisms across the team produced
- Commercial competency matrix to be embedded in performance appraisal process
- Apprenticeships established – 2x Commercial Operations, 1x Responsible Procurement
- Head of Profession role embedded – community of practice to be set up, corporation capability matrix developed, Commercial Academy business case approved

Commercial Service – 29 staff members



Our plans to progress EDI

Equalities considerations are central to effective strategic commissioning, procurement and contract management. The assessment below highlights a number of areas that we, as a team, will work on during the year. These will be included in our team development plan.

As a starting point all team members will need to complete the corporate EDI training by end of Q1 232/24 as part of their appraisal**.**

Monitoring and use of data and information	1
Completing Equality Analysis (EQIA) and tackling discrimination and barriers to inclusion	2
Target setting and mainstreaming equalities into performance systems	2
Using procurement and commissioning to achieve equality and cohesion targets	3
Engagement & partnership	3
Employment and training	1

E D & I Key	
4	Excellent
3	Good
2	Average
1	Requires improvement
N/A	**Not applicable**

Measuring our success

Key Performance Indicators

#	KPI	Current Perform-ance	Direc-tion of Travel/ Target
1	% of off contract spend	New measure	
2	No. of procurement breach waivers	n/a	
3	% of spend with: • Local suppliers • SMEs • Not-for-profit	Baseline to be established	
4	Savings delivered through procurement	£1.658,527	
	Customer satisfaction	New measure	
6	No. of EMBs in COL supply chain	Baseline to be established	
7	Sustainability measures: • 10 measured carbon emissions reduction events per annum across all categories • 75% of new contracts and 40% of overall contracts through Commercial Services with a carbon metric integrated • 'Actual' carbon emissions data for Purchased Goods and Services Top 25 by end of FY 23/24 • ISO 20400 (Sustainable Procurement)	New measures	

We will be focussing on developing our reporting framework as part of the development of our new customer focussed service model. We will work closely with Members of the new Operational Property, Projects and Procurement sub-Committee to ensure meaningful reports are presented to Members (and the public) that provide an overview of not only business/process performance but also measure impact.

Our aim is to develop balance scorecard approach covering areas including:

- Finance – savings/cost mitigation/chargeable services/value engineering
- Customer – satisfaction, SLA performance, compliance
- Business process – CI implementation, supply base reduction
- Outcomes - Responsible Procurement impact measures

We will also introduce our first Responsible Procurement Annual Report at the end of the year (Q4 23/24)

Project Governance vision

We support and enable the Corporation (and its partner organisations) to achieve our strategic objectives, driving transformation and project excellence to deliver innovation and business change.

Aims & objectives:

- Develop proportionate and **effective governance and assurance** frameworks to enable project delivery
- Ensure the Corporation has the project and programme **management capacity and capability** to deliver
- Use **influence** to manage internal and external stakeholders ensuring **political priorities** are balanced
- Work **collaboratively** to develop organisational **business change** capabilities and to ensure core business processes are efficient and effective

What's changed since last year

- New division created in April 2022 as a result of the TOM
- Project Governance review commissioned
- Establishment of the new OPP sub-Committee
- Approval of new major programme, Markets Co-Location Programme, achieved in October 2022

Our strategic commitments

- No direct responsibility for delivery of Corporate plan strategic commitments however the team play an important role enabling devliery across Corporation services and departments.

Corporate Plan outcomes

- Indirect impact on all corporate outcomes

Project Governance transformation and future direction of travel

Where are we now?

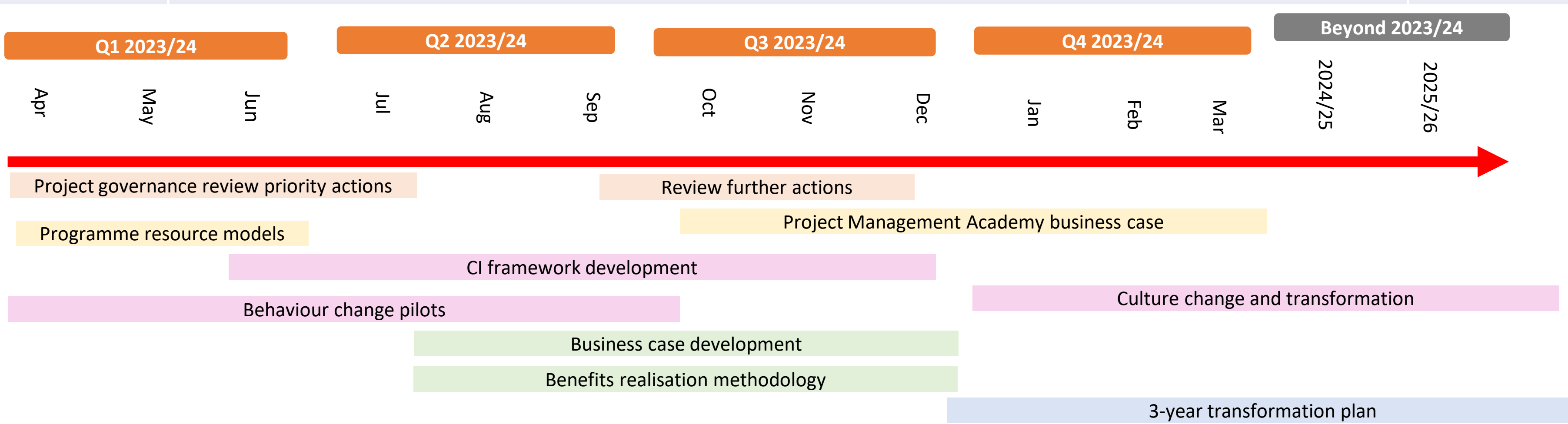
22/23 represented a foundational year for the new Division and focussed around understanding existing issues and developing potential solutions. 23/24 will see the implementation of many of those solutions and focus on embedding change whilst building the capacity and capability to develop our strategic long-term ambitions.

Developing our maturity - this year we will focus on delivering the following outcomes in order to move to at least a level 3 for all of the above competencies:

- The City Corporation is confident project and programmes represent best value and deliver the intended benefits
- Project governance is risk-based and enables Members to focus on strategic issues and areas of high risk and/or value
- Members are assured that lower risk/value projects are well managed and that an effective assurance framework exists to identify any potential issues or risks
- Officers are empowered to effectively manage the projects they are responsible for, to take prompt decisions to manage operational risks and, are enabled by corporate systems and financial processes
- The Corporation is clear on the role of the PMO ecosystem and its capacity to fulfil this role effectively
- The project delivery operating model represents value for money with a clearly articulated value proposition

Our priorities and major workstreams for 23/24

COO priority	Deliverable	Due
Develop a refreshed and aligned project governance and assurance framework		
Transparency/ enablement	• Implement the recommendations of the project governance review • Develop 3-year transformation plan	Q4 23/24 Q2 23/24
Capability		
Partnership/ credibility	• Establish resilient resourcing models for the major programmes that ensure strong Corporation leadership and supports effective knowledge management • Develop business case for sustainable resourcing model for the Project Management Academy	Q1 23/24 Q4 23/24
Business change		
Credibility/ Enablement	• Develop the Continuous Improvement framework embedding the learning from the Rapid Improvement Event pilots and delivering tangible benefits • Work with colleagues in DIT to exploit use of digital and new technologies to support efficient operations • Identify and deliver behaviour change pilots working with key Corporation services and institutions • Work with HR colleagues to define culture change required to support strategic transformation	Q3 23/24 Q4 23/24 Q2 23/24 Ongoing
Benefits management and realisation		
Partnership	• Progress Business case development approach based on industry/sector best practice • Work with Chamberlain's department to agree benefits realisation methodology embedding social value principles	Q3 23/24 Q3 23/24

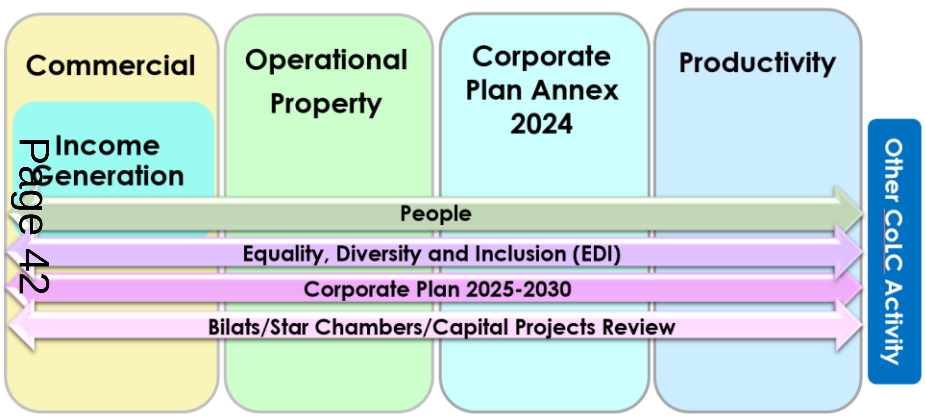


Other priorities and performance

Resources and Priorities refresh
The Resources and Priorities Refresh is a corporately-led programme that aims to embed a holistic approach to the allocation and deployment of our resources that aligns our actions and spend to what we truly ‘value’ (our priorities).

The Project Governance division is directly responsible for delivering the Productivity RPR workstream.

RPR Workstreams



Key Risks

Risk Title	Score
Lack of capacity and resilience in team affects COL's ability to effectively manage the volume of approved projects	8
Project managers across COL lack the requisite knowledge and skills to effectively manage projects	12

	Minor	Serious	Major	Extreme	
Likelihood	0	1	0	0	Likely
	0	0	1	0	Possible
	0	0	0	0	Unlikely
	0	0	0	0	Rare
	Impact				

Key Performance Indicators

#	KPI	Current Perform-ance	Direction of Travel/ Target
1	Programme health check carried out on all major projects	New measure	100%
2	Named SRO on all major projects and high value corporate projects	New measure	100%
3	% of SROs who have completed SRO training	New measure	100%
4	% of dedicated PMs who have completed requisite training	New measure	tbc

Our People

This division brings together teams that previously sat within different departments and there has been a need to develop a shared vision and common understanding of purpose. The next step is to review the size and shape of the team to ensure it is set up to deliver that vision.

- Continue to embed the newly recruited Transformation and improvement team
- Define requirements and develop the business case to ensure the PMO has the capacity and capability needed
- Embed head of profession function and develop corporate project and programme management capability

Project Governance – 10 staff members and matrix management of COL wider PMO community

Genine Whitehorne
Project Governance Director (Acting)

Matt Pitt
Head of Major Programmes

- Major programmes governance and assurance
- Capital Buildings Board support
- Stakeholder management
- Political priorities
- Issues resolution

Rohit Paul
Corporate Project Manager

- Corporate projects governance and assurance
- Project Vision administration
- Project Management Academy
- Corporate Projects Board management
- OPP sub-Committee support
- Issues resolution

VACANT
Head of Transformation and Improvement

- Service and business improvement
- Business change governance and assurance
- Strategic transformation and culture
- Issues resolution

Our plans to progress EDI

Equalities considerations are central to effective project management, and we will work with the EDI team to ensure that equalities impact assessment is embedded in the project governance framework and is an important part of the decision-making criteria.

As a starting point all team members will need to complete the corporate EDI training by end of Q1 232/24 as part of their appraisal**.**

Monitoring and use of data and information	1
Completing Equality Analysis (EQIA) and tackling discrimination and barriers to inclusion	2
Target setting and mainstreaming equalities into performance systems	1
Using procurement and commissioning to achieve equality and cohesion targets	1
Engagement & partnership	3
Employment and training	2

E D & I Key	
4	Excellent
3	Good
2	Average
1	Requires improvement
N/A	**Not applicable**

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Committee(s)	Dated:
Finance Committee	21 February 2023
Subject: Chamberlain's Departmental Risk Management Update	**Public**
Does this proposal require extra revenue and/or capital spending?	**No**
If so, how much?	**N/A**
What is the source of Funding?	**N/A**
Has this Funding Source been agreed with the Chamberlain's Department?	**N/A**
Report of: The Chamberlain	**For Information**
Report author: Leah Woodlock, 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,** remains escalated to a RED risk. There has been a further resignation of the Chief Accountant position, which will maintain the amount of pressure on existing staff.

Progress is being made in the recruitment campaign to reduce vacancies within Financial Services.

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** remains a RED risk. This is due to the resignation of the Chief Accountant within Financial Services following the resignation of the Assistant Director. This further resignation will maintain the pressure on existing and incoming staff. An interim Chief Accountant has been appointed and will commence in March to ensure a handover period from the outgoing member of staff.

4. Mitigations have been mobilised following the departure of the previous Assistant Finance Director, with the appointment of two interim Assistant Finance Directors, focusing on business as usual and the financial transformation respectively. Both appointments are now in post.

5. Progress is being made on the recruitment campaign to reduce vacancies within Financial Services, but this does not outweigh the impact of losing a key appointment within the team. Focus for the team will move to prioritisation of permanent recruitment campaigns for a new Assistant Director and Chief Accountant.

6. The risk to Medium Term Finances both within **CR35 Unsustainable Medium Term Finances - City Fund** and **CR38 Unsustainable Medium Term Finances - City's Cash,** continue to score 24. The medium-term financial plan in addition to the 2023/24 budget for each fund is being presented to February's committee. Monthly ongoing monitoring of all trigger levels remains in place for both risks.

7. Details of both CR35 and CR38 can be found in appendix 1. Whilst the risk is reducing, the score remains RED.

Conclusion

8. 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

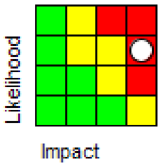
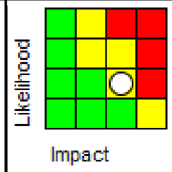
- Appendix 1 - Departmental Risk Register

Background Papers

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

Leah Woodlock
Chamberlain's Project Manager
Chamberlain's Department
E: Leah.Woodlock@cityoflondon.gov.uk

Appendix 1 - CHB Corporate and departmental risks

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
CR35 Unsustainable Medium Term Finances - City Fund	**Causes:** 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. **Event:** Inability to contain financial pressures within year (2022/23) and compensatory savings and/or income generation to meet the Corporation's forecast medium term financial deficit will not be realised. Inability to contain construction inflation or inability to rescope capital schemes within budgets. **Effects:** 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.		**24**	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 between 6% 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. Construction inflation has risen to c20%. 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. 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		**8**	31-Mar-2023	

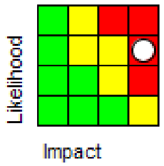
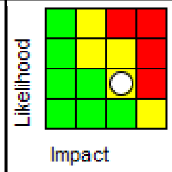
	Being unable to set a balanced budget which is a statutory requirement for City Fund. Inability to deliver capital programme and major projects within affordability parameters. Spend is not aligned to Corporate Plan outcomes resulting in suboptimal use of resources and/or poor performance. Stakeholders experiencing reduced services and service closures.			major projects programme and BAU capital programme. 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. Resource Allocation Sub Committee has reprioritised the City Fund BAU capital programme to remain within the contingency held 2022/23. 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. Period 10 (January) 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%. The risk is decreasing, the medium term financial plan is being presented to this committee today, however this will not be finalised until Court of Common Council approves in March				

19-Jun-2020 Caroline Al-Beyerty				the budgets for 2023/24, until then the score remains at red. **09 Feb 2023**			Reduce	Constant

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CR35a	Impact of inflation • Rising inflationary pressures on energy costs • Rising inflationary pressures on construction and labour costs	31) 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) CF - £3m contingency ringfenced for construction inflation under Major Projects reserve. Reprioritisation of BAU capital programme sits within contingency held. The MTFP is being reviewed by this committee today. Some mitigations provided with increased income from cash balances.	Sonia Virdee	09-Feb-2023	31-Mar-2023
CR35b	• 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. • Review of HRA commissioned and due to report at the end of November 2022. • Alternative sources of funding for Fire Safety Works element of Major Works Programme to enable HRA to remain in surplus. • Need to monitor identified expenditure risks around recovery of leaseholder contributions following the decision not to allow the Appeal of the Great Arthur Cladding case. • Housing 30 year financial projects have been completed.	Reprioritisation of the schemes to sit within current budget envelope has been reported to and agreed by Resource Allocation Sub Committee. Review of HRA commissioned from Savills and Interim Report received at the end of November 2022, following member review and comments, final version now received and will go to DCCS in March.. Housing 30 year financial projects have been completed. Alternative sources of funding for Fire Safety Works have been agreed. 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.	Mark Jarvis; Paul Murtagh	09-Feb-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.	Policy and Resources reprioritised ambitions at its October meeting to remain within the affordability envelope. Resource Allocation Sub Committee has considered and approved actions on the capex programme, this remains within the overall budget with mitigations now identified.	Sonia Virdee	09-Feb-2023	31-Mar-2023

		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. First meeting took place with Senior Members on 3rd Feb – update to Policy and Resource will be provided on 23rd Feb. 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.	• 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. • 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 £57.5m in relief. • Collection fund deficit to be factored into the MTFP. • 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. • Impacts will continue to be monitored.	Phil Black	09-Feb2023	31-Mar-2023
CR35e	A reduction in key income streams and increase in bad Debt *Triggers:* *Increase in loss of property investment portfolio income over £5m p.a.*	This is being monitored monthly, with action being taken to reduce spend where possible. 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 mortarium against legal action for recovery has now lifted Sums to mitigate risk are being held in Reserves - £30m in City Find. To date these have not been required. 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..	Phil Black; Sonia Virdee	09Feb - 2023	31-Mar-2023
CR35f	Achievement of current Savings Programme – includes flight path savings (Fundamental Review) and securing permanent year on year savings (12%).	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)	Alistair Cook; Sonia Virdee	09-Feb-2023	31-Mar-2023

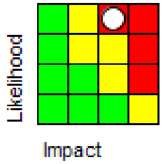
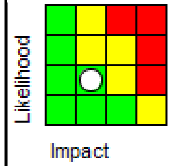
		Update on the MTFP assumptions is being presented to this committee today as part of the 2023/24 budget setting. Star chamber's led by the Chamberlain and Town Clerk have taken place during the Autumn, to ensure departments are achieving savings. This is further supported by Member led bilateral meetings 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. The medium term plan provides recommendations for one-off cost pressures and on-going pressures.			

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	**Causes:** 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. **Event:** 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. **Effects:** 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.		**24**	Refer CR35 for Price Index and inflation rates. 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. Income from investment property has slightly fallen however plans are in place to bring this back to budget. 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. Policy and Resources Committee has reprioritised the major projects; and rescoped the Markets project – keeping within the original envelope.		**8**	31-Mar-2023	

31-Oct-2022 Caroline Al-Beyerty				Resource Allocation Sub Committee has reprioritised the BAU capital programme to remain within the contingency held. 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. Period 10 (January) reporting confirms identified inflationary pressures are well within the contingencies held. The risk remains at red. **09 Feb 2023**			Reduce	a

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CR38a	Impact of inflation • Rising inflationary pressures on energy costs • Rising inflationary pressures on construction and labour costs	The five year financial plan is being reviewed by this committee today: 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	09-Feb-2023	31-Mar-2023

CR38b	Impact of construction inflation on capital programme: • Major projects • Business as usual capital programme	£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. Resource Allocation Sub Committee has considered and approved actions on the capex programme, this remains within the overall budget with mitigations now identified. Resource Allocation Sub Committee has considering and approved actions on the capex programme, this remains within the overall budget. 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. 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.	Sonia Virdee	09-Feb-2023	31-Mar-2023
CR38e	A reduction in key income streams and increase in bad Debt *Triggers:* *Increase in loss of property investment portfolio income over £5m p.a.*	This is being monitored monthly, with action being taken to reduce spend where possible. 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 mortarium against legal action for recovery has now lifted. Outstanding sums are reducing across all Income Streams with significant improvement in Investment Property.	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	09-Feb-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
CHB 001 Chamberlain's department transformation and knowledge transfer 12-Nov-2021 Caroline Al-Beyerty	**Cause:** The TOM changes are insufficient or implementation of radical change fails. The flexible retirement scheme has been taken up by many long term colleagues who will all be leaving the corporation by March 2022. The TOM is also creating anxiety which in turn could cause colleagues to find roles elsewhere. **Event:** Culture change is insufficient. Corporate memory is lost. The Chamberlain's Department is not fit for the future. **Effect:** Chamberlain's Department fails to deliver its objectives.		**16**	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. 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. Since the last Committee meeting, the Chief Accountant has also resigned. The CIO function has now been procured and commences in Q4. Following a series of workshops teams are now working on implementation of transformation action plans. **09 Feb 2023**		**4**	31-Mar-2023 Reduce	Increasing

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. SLT will be discussing the final behavioural framework proposed at February SLT meeting, following changes made based on suggestions from colleagues across Chamberlain's which will then be shared with the department. An action plan has been drawn together, with quick wins being prioritised. Updates are being shared with the team via emails and Chamberlain's all staff calls.	Hayley Hajduczek	08-Feb-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.	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. The second round of recruitment has been extremely challenging, with a long list of 29 candidates, 11 candidates were shortlisted. 6 candidates have pulled their application due to wanting to work from home full time. MFS – will need to be considered, however this places pressure on the Chamberlains – Financial Services Division budget as this has already made significant savings and having to recruit interims at the market rates. Resignation of the Assistant Director and more recently Chief Accountant positions 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. However, two interim Assistant Directors have been appointed, one to support business as usual and the other to focus on the transformation work. An interim Chief Accountant will also join the City on 20th March. Recruitment into these permanent positions is being paused giving time to refocus on the current workloads and appoint into other vacant positions. A renewed focus is taking place on 'training our own' through a wider apprenticeship programme and graduate trainee recruitment.	Sonia Virdee	09-Feb-2023	31-Mar-2023
CHB001e	Prioritisation of the core financial work within FS	Following the resignation of the Assistant Director and Chief Accountant 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 – With the Interim Assistant Directors now in place an opportunity to firm up the plan will be considered over the next few weeks.	Sonia Virdee	09-Feb-2023	31-Mar-2023

Committee:	Date:
Financial Investment Board Finance Committee * Bridge House Estates Board	17 February 2023 21 February 2023 22 February 2023
Subject: Treasury Management Strategy Statement and Annual Investment Strategy 2023/24	**Public**
Report of: The Chamberlain	**For Decision**
Report author: Kate Limna – Chamberlain's Department	

** This report is for information for the Finance Committee. The Treasury Management Strategy Statement and Annual Investment Strategy 2023/24 in included as an appendix to the City Fund 2023/24 Budget report, which will be for approval.*

Summary

The attached document sets out the Corporation's Treasury Management Strategy Statement and Annual Investment Strategy (TMSS) for 2023/24. The Treasury Management Strategy and Annual Investment Statement for 2023/24 has been updated taking account of the latest information concerning the organisation's capital plans and external factors, such as the prospects for interest rates.

The document includes various Treasury and Prudential Indicators required to be set for the City Fund to ensure that the Corporation's capital investment plans are affordable, prudent and sustainable and to help the organisation identify and control the risks around its treasury management activity.

As has historically been the case, this report covers the treasury management activity carried out across the organisation, including in respect of City's Cash and Bridge House Estates. As City's Cash borrowing is not covered by the regulatory framework established for local authorities, the City has adopted its own formal policy in 2018/19 via the City's Cash Borrowing Policy Statement which is included in the TMSS at Appendix 8.

The main proposals within the document are incorporated within the separate report entitled "City Fund 2023/24 Budget" being considered by the Finance Committee on 21 February 2023 and by the Court of Common Council on 9 March 2023.

Responsibility for approving the Corporation's borrowing plans remains with the Court of Common Council, not the Financial Investment Board.

The Bridge House Estates Board is responsible for approving the TMSS on behalf of the Bridge House Estates. The Charity does not currently have borrowing powers and thus the most relevant section for the BHE Board is section 5, of the Annual Investment Strategy, which sets out how surplus cash balances will be managed in the forthcoming year (it does not apply to the Charity's longer term investments which are subject to the BHE Investment Strategy Statement). By adopting in the Corporation's treasury management policies, the BHE Board can ensure that treasury risks associated with the Charity's surplus cash balances are managed efficiently and effectively.

The key areas to highlight are:

Changes to the Treasury Management and Prudential Codes

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

The revised Codes make several changes as detailed at sections 1.4 and 9 of the TMS, including:-

i) an explicit ban on borrowing to invest primarily for financial return;

ii) the adoption of a new liability benchmark treasury indicator; as well as

iii) other revisions to key definitions and reporting requirements, including the requirement of the Chief Finance Officer to establish procedures to monitor and report performance against all forward-looking prudential indicators at least quarterly as part of the authority's integrated revenue, capital and balance sheet monitoring; and

iv) to maintain a formal and comprehensive knowledge and skills or training policy for those responsible for the scrutiny of treasury management.

Capital financing and borrowing

- The Corporation's capital plans create a borrowing requirement across both the City Fund and City's Cash. City's Cash has partially addressed this borrowing requirement through the issuance of £450m market debt in recent years.
- The City Fund borrowing requirement is expected to increase to £276.2m and £299.8m by 2024/25 and 2025/26 respectively. For the City Fund, there is no immediate requirement to take on external borrowing as it is expected that the City Fund can continue to temporarily use its own cash balances (internal borrowing) for the foreseeable future. Any new external borrowing would serve to increase cash balances and create additional revenue pressures through a "cost of carry", as the rate payable on external borrowing is higher than the interest receivable from treasury management investment activity. Therefore, the proposed treasury management strategy recommends that the City Fund borrowing requirement is managed through the prudent use of internal resources during 2023/24.
- The benefits of this strategy (lower financing costs and reduced counterparty risk) need to be carefully evaluated against the risk of incurring higher borrowing costs in future. Interest rates are expected to reach a peak of 4.5% by June 2023, and incrementally reduce to 2.5% by September 2025 as inflationary pressures subside. However, there is uncertainty surrounding the forecast, particularly around the timing of the Bank of England's decision on interest rate reductions, reduced too soon and inflationary pressures may well build up further, but reduced too late and any downturn or recession may be prolonged.. Interest rates are monitored daily and should circumstances change, the Chamberlain will maintain the flexibility to meet some or all of the City Fund borrowing requirement through external borrowing. As such the operational boundary and authorised limit for external debt (Appendix 2 of the TMSS) have been revised to enable the Corporation to secure external debt to meet some or all of the borrowing requirement.

- Local authorities are legally required to set aside a prudent amount for the provision of the repayment of prudential borrowing from revenue each year. It should be noted that this requirement applies for all unfunded City Fund capital expenditure (i.e. spending that is not immediately financed through capital grants, capital receipts etc.) not just for actual external borrowing. The Minimum Revenue Provision (MRP) Policy Statement for 2023/24 sets out this policy for the forthcoming year and is included at Appendix 2 in the TMSS.

Investments

- As at 31 December 2022, the Corporation has "cash" balances totalling £1,252.5m the majority invested in money market funds and fixed income instruments. Cash is expected to decrease in 2023/24 as the Corporation progresses spending on the major projects programme. Most of the treasury cash balances pertain to the City Fund and comprise of liabilities on City Fund's balance sheet (cash that needs to be paid out to third parties or used for a specific purpose at some point in the future) together with cash backed reserves.
- The Corporation currently manages significant short term investment balances. Although these balances are expected to decline in the next few years as the capital programme progresses, a significant level of core cash will persist for the next ten years based on current financial plans. One of the most acute challenges within the treasury management strategy is preventing the gradual erosion of the real value of these long-term cash balances from the effects of inflation. This is particularly important in the current external environment which is characterised by relatively high inflation and low investment returns (by historical standards).
- It is proposed that the City continues to be prepared to lend monies for up to three years' duration based on risk assessments for each opportunity undertaken by Treasury Officers and discussed with the Chamberlain. No changes to the Corporation's creditworthiness policy (as set out in section 5 of the TMSS) are proposed. Officers judge that the current criteria allow the Corporation to achieve adequate diversification amongst a range of high-quality counterparties.

The main changes to the document from last year's version are highlighted in yellow and underlined.

Recommendations

It is recommended that the **Financial Investment Board** reviews and approves the attached Treasury Management Strategy Statement and Annual Investment Strategy for 2023/24,and submits it to the Finance Committee and the Court of Common Council as part of the City Fund 2023/24 Budget Report for formal adoption.

It is recommended that the **Bridge House Estates Board** reviews and approves the Treasury Management Strategy Statement and Annual Investment Strategy for 2023/24 on behalf of Bridge House Estates.

Appendix (*for Finance Committee this appendix is within the City Fund 2023/24 Budget report*).

- Treasury Management Strategy Statement and Annual Investment Strategy 2023/24

Kate Limna
Corporate Treasurer
E: kate.limna@cityoflondon.gov.uk

Sarah Port
Group Accountant – Investments & Treasury Management
E: sarah.port@cityoflondon.gov.uk

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Committee(s):	Date(s):
Finance Committee – For decision Policy and Resources – For Information Court of Common Council – For decision	21 February 2023 23 February 2023 9 March 2023
Subject: City Fund 2023/24 Budget	**Public**
Report of: The Chamberlain	**For Decision**
Report author: Sonia Virdee, Financial Services Director	

Summary

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

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

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

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

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

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

The final settlement also approved the extension of the '8 Authority Pool' with 7 neighbouring billing authorities, which will enable the pool partners to keep more of the business rate growth they generate – this pool will cover 4 of the 6 most deprived boroughs. For City Fund this will potentially yield £8m. This pool is an extension for one year only, after which the Corporation intends to return to a pan London Pooling. The additional income is a one-off and it is not recommended to support business as usual (BAU) and is much needed to support the major capital projects (as modelled), the recommendation is to ringfence these funds, to supports the Barbican Centre urgent health and safety works.

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

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

Table 1

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

*General fund reserve maintained at minimal prudent amount for working capital.
** Major project financing reserve includes adjustments for financing the revenue element of major capital projects which is not included in the deficit/surplus. Also releasing the £30m risk reserves to support the essential funding needed on cyclical works programme, which is profiled from 2024/25 and included in the surplus/(deficit).
*** Build Back Better fund reserve includes adjustments for financing the revenue element of climate action.
****Security Reserve ringfenced to support security pressures.

City Fund (including Police) is balanced over the medium-term financial plan (MTFP) producing a £26.9m surplus over the medium term – The Government has pushed back its reform of Business Rates by another two years. This means that we have extra retained Business Rates growth of £27m in 2023/24 and £27m in 2024/25, which is very welcome and giving a much-needed boost to the financial position. In addition, City Fund has benefited from an increase of £1.62m in baseline funding as well as one-off funding of £1.89m in 2023/24. Continuing on a positive, increase in interest rates on our Treasury balances has been very beneficial in countering inflationary and other pressures. However, despite the additional income, the forecast deficits in the later years need to be addressed. Modelling over the 10-year horizon estimates annual deficits (including Police) of £23m from 2027/28 onwards. Deficits are largely caused by inflation, pressures in adult and children's services, inflationary pressures in pay and prices, major projects financing, plus assumed reset in retained business rates growth in 2025/26.

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

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

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

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

Turning to the **capital position**, Resource Allocation Sub Committee decided there would be no new capital bids for 2023/24, instead an opportunity to catch up on delivering the current approved capital schemes circa £300m City Fund (including capital programmes funded from external contributions), before adding more to the capital programme. A capital review took place in the Autumn where officers were given the opportunity to put forward revised forecasts considering inflationary pressures. Any further pressures are to be contained within agreed budgets through value engineering. Where this is not practicable it is recommended alternative sources of funding is explored (i.e. Community Infrastructure Levy (CIL), On Street Parking Reserves (OSPR), Grants, underspends from existing capital programmes, and or reprioritisation of already approved capital programmes. Given no new bids have been approved, Resource Allocation Sub Committee agreed to holding a contingency under the capital programme of £3.0m for urgent health and safety capital schemes, subject to approval of business cases.

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

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

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

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

Recommendations

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

1.0 Note the overall budget envelopes for City Fund.

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

1.1.1 Agreed pay award from 1st July 2022.

1.1.2 Assumptions for 2023/24 pay award held centrally – the final settlement will be approved by Corporate Services Committee.

1.1.3 Pressures on Adult Social Care and Children Services.

1.1.4 Health and Safety team to be offset from increase in income from RPR workstream(s).

1.1.5 For Cyclical Works Programme (CWP): Following the meeting with the Joint Resource Allocation Sub Committee (RASC) and Service Committee Chairmen, additional headroom has been created for 2023/24 to address urgent health and safety issues – profiled over two years. Plus, a further £9.5m additional funding allocated (profiled over two years) from 2024/25 is included within the medium term to support the bow wave. Recommendation to release £30m of general fund risk reserves to support CWP backlog (paragraph 25).

1.2 To address inflationary pressures, remove the 2% efficiency saving requirement, using this overall sum plus carry forward underspends from 2022/23 to bolster the inflation contingency. Going forward, flat cash assumptions are no longer sustainable year on year and assumptions include 3% uplift in 2024/25, returning to 2% from 2025/26.

1.3 Fund one-off pressures and opportunities for transformation/invest to save opportunities in 2023/24 outlined in paragraph 24 from forecast carry forward underspends from 2022/23.

1.4 Unfunded additional revenue bids (paragraph 5) to be avoided during 2023/24, unless these can be prioritised from savings or income generated under the Resource Prioritisation & Refresh (RPR) workstreams – plus realign resources to the revised Corporate Plan to new areas requiring investment whilst delivering a sustainable MTFP.

1.5 Increase the rents for social tenants within the Housing Revenue Account as recommended by management from 5% to 7% (paragraph 16).

1.6 Following the meeting with Joint RASC and Service Committee Chairmen, concerns were raised on the urgent health and safety works needed on the Barbican Centre. It is recommended to ringfence £13m from the Major Projects reserve (£13.19m balance on major projects reserve) to support these works subject to business case approval.

1.7 As in previous years, it is recommended the earmarked security reserve retains £1m as a minimum to support future revenue security pressures and is reviewed regularly to ensure sufficient funds are available at all times.

1.8 Mitigating the Police Deficit: City of London Police (CoLP) planned mitigations over and above £12m mitigations already built in 2022/23 budgets, £6.6m in 2023/24 with £4.6m from 2024/25 onwards. Chamberlain's recommendation to increase in BRP of up to 0.2p in the £ in 2023/24 to further support mitigating residual deficits in Police MTFP and pressures under security.

1.9 Approve the overall financial framework and the revised Medium-Term Financial Strategy (paragraph 19-43).

1.10 Approve the City Fund Net Budget Requirement of £160.5m (Appendix A, paragraph 16)

Key decisions:

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

2.0 Council Tax

2.1 To approve an increase of 2% on social care precept, raising circa £170k, in response to on-going pressures in homelessness and adult social care. This is recommended given the pressures within adult social care totalling £200k p.a. (paragraph 46).

2.2 To approve increase of 2.99% on core Council Tax, raising circa £250k p.a. This is recommended to address £1m pressure on children services (for children with special education needs and unaccompanied asylum-seeking children aged between 18 and 25- unfunded) (paragraph 47).

2.3 To note, if both increases are adopted, the 4.99% increase will increase income by £420k and raise the Band D rate by circa £47.51 to £1,003.62 (before GLA precept), much needed to support vulnerable members of society.

2.4 To determine that a fully funded means tested council tax reduction scheme will continue in place for those on low incomes and least able to pay more.

2.5 To determine that the Local Discretionary discount for Care Leavers between the ages of 18 to 25 is continued for 2023/24.

2.6 Determine the amounts of Council Tax for the three areas of the City (the City, the Middle Temple and the Inner Temple to which are added the precept of the Greater London Authority (GLA) - Appendix B.

2.7 Determine that the relevant (net of local precepts and levies) basic amount of Council Tax for 2023/24 will not be excessive in relation to the requirements for a referendum.

2.8 Determine, the current 100% discount awarded to unoccupied and unfurnished and uninhabitable dwellings is continued at zero (0%) for the financial year 2023/24.

2.9 Determine that the premium levied on long-term empty property for 2023/24 of 100%, 200% and 300% on properties that have been empty for 2, 5 and 10 years respectively is continued in 2023/24.

2.10 It is recommended that, having regard to the government guidance issued, the Chamberlain be given the discretion, delegated to the Assistant Director, Shared Services, to reduce or waive the long-term empty premium charge in exceptional circumstances.

2.11 Approve that the cost of highways, street cleansing, waste collection and disposal, drains and sewers, and road safety functions for 2023/24 be treated as special expenses to be borne by the City's residents outside the Temples (Appendix B).

3.0 Business Rates

3.1 To approve an increase of up to 0.2p in the £ in Business Rate Premium raising up to circa £4.2m p.a. Increase in inflation has increased pressure on City Fund – smaller and regular increases of the Premium are much needed to support security on City Fund and Police inflationary pressures (Appendix A, paragraph 21).

3.2 Note that the Non-Domestic Rate multiplier of 51.2p and a Small Business Non-Domestic Rate Multiplier Rate of 49.9p have been set by Central Government for 2023/24 (Appendix A, paragraph 20).

3.3 Note that, in addition, the GLA is levying a Business Rate Supplement in 2023/24 of 2.0p in the £ on properties with a rateable value of £75,000 and above (Appendix A, paragraph 22).

3.4 Delegate to the Chamberlain the award of discretionary rate reliefs under Section 47 of the Local Government Finance Act 1988 (Appendix A, paragraph 21).

4.0 Capital Expenditure

4.1 Approve the Capital Strategy (Appendix F).

4.2 Approve the Capital Contingency Budget for City Fund and the allocation of central funding from the appropriate reserves to meet the £3m contingency to support urgent health and safety new capital bids– release of funding being subject to approval at the relevant gateway and specific agreement of the Resource Allocation Sub Committee at gateway 4(a) (Appendix A, paragraph 33).

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

4.4 Approve the Prudential Code indicators (Appendix D).

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

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

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

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

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

6.0 Chamberlain’s Assessment

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

Main Report

Background

1. This report sets out the revenue and capital budgets for City Fund for the Finance Committee and Court of Common Council to approve.

2. The last few years have been challenging with the global pandemic, war in Ukraine, as well as combatting inflationary pressures and it has been said for much of the global economy, 2023 is going to be a tougher year as the US, Europe and China see their economies slow. As prices continue to rise and higher interest rates are imposed the likelihood of a recession looming in 2023 is high. In addition, the City Corporation is undergoing its own period of significant change in response to these events and its ambition to deliver on its key policy priorities such as its move to net zero and support to major projects. The pressures and risks to the City Corporation's finances are likely to continue into the 2023/24 financial year and there is still a need to manage significant unprecedented range of external challenges, namely:

    - Economists warning of a UK recession during 2023 – as high inflation and rising interest rates slow the pace of growth.

    - Biggest financial challenge for the Corporation is inflation, highly volatile - peaking now at 10.5%, between 6% to 8% 2023/24 and forecast (which may be optimistic) to fall to 2% in 2024/25.

    - Continued impact on global supply chain bottlenecks.

    - Austerity 2.0 is cushioned for the next two years; really bites in 2025/26 with real public sector spending power reductions. This will be unsustainable, and messaging from the local government sector has already started with Treasury.

    - Nationally, there has been a macro shift in the financial burden for local government funding moving to the council taxpayer e.g. the increase in the allowable precept for Policing from £10 to £15 to cover inflationary pressures. Council Tax now provides 50% of local government funding. There are some new monies for Adult Social Care, but half of it is from a 2% precept on Council Tax.

3. More positively, the Fair Funding Review will be politically difficult to implement unless there is more money in the system – potentially impacting the Business Rates growth reset.

4. Bilateral meetings have taken place during the Autumn for departments and service committees currently overspending – 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.

5. Policy and Resources Committee and Finance Committee have messaged clearly that cost pressures should be managed within existing resources. New on-going pressures will need to be managed within local risk budgets; and or through any headroom identified through the Resource Prioritisation Refresh (RPR) workstreams. However, finding sustainable efficiencies will likely require time, capacity, and upfront investment.

6. Tough decisions have been needed to remain within the overall envelope in 2023/24.

7. To mitigate the risks from high inflation/health and safety concerns:
    - A review of Major Capital Projects and business as usual (BAU) capital programmes has reprioritised current spend – for major capital projects: Salisbury Square Development reforecast. The BAU capital programme has been rephased and, in some cases, stopping the schemes. Resource Allocation Sub Committee agreed that there would be no new capital bids for 2023/24 with contingencies held for urgent health and safety works.
    - For revenue pressures additional contingencies are held centrally for pay and prices, however it is recommended underspends from 2022/23 is carried forward to support known one-off pressures i.e. energy.
    - There is significant risk of not addressing the CWP, increasing deterioration in operational properties subsequently posing health hazards and leading to an increase in major capital projects.
    - There is also a significant risk of not addressing the Barbican urgent health and safety works pending full business case.

8. Aggressive assumptions have been made in respect of inflationary pressures, significantly impacting pay and prices. The current upward pressure on inflation is expected to subside over the medium-term as supply chains recover, global demand rebalances, and the effects of energy price increases wear off.

9. Furthermore, impact of a recession in 2023 is unknown – potentially impacting income streams, particularly: rental income from investment properties; event bookings; and events at the Barbican – needs close monitoring.

10. In setting the budget for 2023/24 and the MTFS for future years, consideration has been given to the high degree of uncertainty and therefore risk in determining Local Government funding levels.

11. The Government recently confirmed the Local Government Finance Settlement for 2023/24 and the Policing Minister published the revenue allocations for Police forces for 2023/24. The Local Government finance assumes local authorities use locally levied taxes to support rising pressures, for example in social care, with the exception of a small uplift has been applied to the baseline and additional one-off funding to partly support increases in inflation. This is also the case for the Police funding settlement, where a small increment has been applied with support for additional officer uplift. The Government's assumption is that Policing cost pressures would be covered through the levy on council taxpayers.

12. Revenue streams are likely to be under considerable pressure as the Government intends to change current funding mechanisms to reflect an increased emphasis on need and to reset the current business rates retention system:
    - **One Year Settlement** – the 2023/24 Local Government Finance Settlement is a one-year settlement, no information is available on how the planned increase in grant funding will be distributed to local authorities.
    - The **Fair Funding Review** of local government funding is likely to shift resources away from London.
    - **Business Rates** – danger from a reset which would remove the City's recent growth receipts (forecast at £27m) in 2025/26.

13. The final settlement also approved the extension of the '8 Authority Pool' with 7 neighbouring billing authorities, which will enable the pool partners to keep more of the business rate growth they generate – this pool will cover 4 of the 6 most deprived boroughs. For City Fund this will potentially yield £8m. This pool is an extension for one year only, after which the Corporation intends to return to a pan London Pooling. The additional income is a one-off and it is not recommended to support business as usual (BAU) and is much needed to support the major capital projects (as modelled), the recommendation is to ringfence these funds, to supports the Barbican Centre urgent health and safety works.

14. The forecast includes the £32.6m revenue impact from funding already approved capital programmes across the medium term, with capital receipts reserves standing at £15m by 2026/27.

15. Although the City Fund excluding Police is forecast to be in surplus by £22.8m in 2023/24, it can only be balanced, over the next four years, with the use of general fund reserves and further savings and/or revenue raising by increasing Council Tax and Business Rate Premium. Despite significant savings made over the last decade (most recently 12% in 2021/22), planned savings from the Fundamental Review, and mitigations in place under Police - overall, City Fund including Police faces substantial growing annual deficits over the planning period and the 10-year horizon – estimated at £23m p.a. from 2027/28 onwards.

16. The HRA is under increasing pressure, heavily impacted by inflation and major capital projects. There is a statutory requirement for the HRA budget to be balanced across the MTFP. With inflation expected between 6% and 8% in 2023/24 – increases in costs will put HRA into deficit and there are no reserves available. A 7% increase in rent is permitted. Modelling an increase on pay and prices (in line with City Fund assumptions) and increase in rent to 7% moves 2023/24 into a small surplus of £0.07m. Intelligence from London boroughs indicate that most local authorities will be increasing rents by the full 7%.

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

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

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

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

Overall Financial Strategy

19. The City of London Corporation's overall financial strategy seeks to:
    - manage the on-going effects of a post pandemic, war in Ukraine, and inflation impacting on the economy and income;
    - maintain and enhance the financial strength of the City Corporation through its investment strategies for financial and property assets;
    - pursue budget policies which seek to achieve a sustainable level of revenue spending and create headroom for capital investment and policy initiatives, such as Destination City – renewed vision for the square mile;
    - create a stable framework for budgeting through effective financial planning;
    - promote investment in capital projects which bring clear economic, policy or service benefits;
    - manage the affordability to support major capital projects now and in the future; and
    - financial strategy to be developed following review of the investment asset base and fund income requirements during 2023.

Measures to the 2023/24 budget

20. At its July meeting, Resource Allocation Sub Committee approved the budget envelopes that service committees will use to deliver their services in 2023/24. It is intended that business planning will address how service committees intend to focus their resources to achieve key outcomes in year. RPR will need to realign resources to corporate priorities; for new corporate priorities requiring investment (including pressures highlighted by departments through bilateral meetings) the expectation is for RPR workstreams to create headroom to reallocate funds, rather than being able to deliver further significant savings – supporting the change in the operating model, which includes a review and disposals of operational property, and opportunities for income generation.

21. For City Fund, our local authority fund, the Government has pushed back its reform of Business Rates for another two years to 2025/26, which is very welcome. This means that we have extra retained Business Rates growth for 2023/24 and 2024/25.

22. Tough decisions have been needed to remain within the overall envelope in 2023/24. Although, the following, on-going resourcing is required for:

   - Changes in core underlying assumptions for pay and prices. Agreed pay award from 1st July 2022; and
   - Across the medium term to cover uplifts members will need to consider the recommended inflation uplifts and these to be included in the MTFP and financed:
     - Assumptions for 2023/24 pay award held centrally;
     - Going forward flat cash assumptions are no longer sustainable year on year; and
     - Assumptions include 3% uplift in 2024/25; before
     - Returning to 2% uplift from 2025/26 onwards.

23. **Cost pressures or bids for new activities** have been identified in individual services and by their service committee, these costs need to be funded within the overall envelope or by considering tax setting responsibilities:

   a. In adult and children's' services, principally for children with special education needs and care leavers and unaccompanied asylum-seeking children (aged between 18 and 25). It is proposed that funding is provided through tax setting measures, significantly supporting vulnerable members of society (paragraph 44 to 47).

   b. Funding for a new health and safety team, critical to address statutory responsibilities on health and safety of our service users and staff. Funding will be provided through the income generation workstream under the Resource Prioritisation Refresh (RPR) and an income target has been included in the budget.

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

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

a. Transformation funding to support the cultural change needed under phase 2 of the TOM, and support to progress the workstreams under RPR - sums to be confirmed but likely in the region of £2m to £3m in 2023/24, to be funded from 2022/23 underspends across City Fund and City's Cash (Delegate to the Chamberlain in consultation with RASC Chairman and Deputy Chairman under the carry forward approval process).

b. Short term energy price inflation caused by the war in Ukraine – estimated at £1.3m; prices are expected to return to 'normal' levels in the medium term.

c. Charity Review. Finance Committee approved additional time-limited support to complete the Corporate Charities Review & support the scoping of the Natural Environment Charities Review, this was recommended to be funded from 2022/23 underspends - £0.394m in 2023/24 and £0.120m in 2024/25, split across City Fund and City's Cash.

d. CIO Function. Corporate Services Committee, Finance Committee and Policy and Resources Committee approved, in November 2021, the creation of a new Strategic Investment advisory function working alongside Corporate Treasury and Investment Property, to provide expert advice on the investment strategy/allocation advice between property and financial investments. Corporate Services Category Board approved a two-year contract which commences in January 2023 - £0.45m in 2023/24 and £0.45m in 2024/25.

e. Additional pressure on estate refurbishment for Leadenhall Market and 2nd floor of 31 Worship Street has arisen from the current economic conditions where tenants have not been able to renew the leases. This is subject to Property Investment Board approval and if approved recommendation is to fund from 2022/23 underspends – estimated £0.836m.

f. Electoral services and City Occupier database approved by Policy and Resource in November 2021, totalling £0.068m – essential transformation to support the restructure of the statutory function of the Electoral services, removing duplication of services.

g. The balance to be held to support inflationary pressures which cannot be contained with allocated budgets.

25. There is significant risk of not addressing the CWP, increasing deterioration in operational properties subsequently posing health hazards and adding more pressure on major capital projects. Following the meeting with the Joint

Resource Allocation Sub Committee and Service Committee Chairmen, additional headroom has been created for 2023/24 to address urgent health and safety issues - £4.98m (split: City Fund £2.764m and £2.216m City's Cash – profiled over two years (year 1 - 75%, year 2 - 25%)), an opportunity to catch up on already approved CWP. Plus, a further £15m (split: City Fund £9.5m and £5.5m City's Cash) additional funding allocated profiled over two years (as per 2023/24 allocation) from 2024/25 to support the bow wave. Recommendation to release £30m of general fund risk reserves to support CWP backlog. Robust programme of delivery required, including sufficient resources identified to deliver the programme in a timely manner – potential risk of cost creep.

26. There is also a significant risk of not addressing the urgent health and safety works at the Barbican Centre. This report recommends the balance of £13m from Major Projects Reserves is ringfenced to support these works subject to business case approval.

27. In light of no new bids for the capital programme it is recommended a general contingency is held under the capital programme up to £3m for urgent health and safety capital programmes. If the contingency is approved a business case will be required for approval under the correct governance process.

28. As in previous years, it is recommended the earmarked security reserve retains £1m as a minimum to support future revenue security pressures and is reviewed regularly to ensure sufficient funds are available at all times.

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

30. Delivering the 2023/24 budget will enable us to push ahead on reshaping the City Corporation and re-aligning resources to new Corporate priorities. Key follow up themes for 2023/24 include:
    - Scope for embedding change, building on collaboration - breaking silos, and progressing with service transformation and culture shift as part of the TOM phase 2, and introduction of greater ways of working.
    - Resource Prioritisation Refresh (RPR), supporting the change in the operating model:
        - workstreams – to reprioritise funds aligned to Corporate Priorities, includes a review of operational property, opportunities for income generation, and continuous improvement.
        - Additional pressures identified – expectation RPR workstreams to create headroom to reallocate funds.
    - Disposal of operational property, ensuring a sustainable portfolio fit for the future.
    - Containing the costs of major capital projects and other capital programmes and securing third party capital where possible.

- Barbican renewal - urgent works to be prioritised, plus needs business plan that reduces annual support from City of London (CoL) – to make financial case work, need to review alternative opportunities for funding – CIL, grants, OSPR etc.

Latest forecast position

31. The additional two years of business rate growth retention benefits City Fund by £27m in 2023/24 and £27m in 2024/25 together with the release of risk reserves, producing a surplus of £22.2m (in 2023/24) giving a much-needed boost to the financial position. In addition, an increase in interest rates in Treasury balances has been very beneficial in countering inflationary and other pressures. However, there are significant ongoing inflationary pressures on pay and prices across the Corporation umbrella and needs to be closely monitored. There is potential growth of £8m under the 8 Authority Pool (see paragraph 33 below). Whilst the additional income is very welcome, these are one-off funding, and it is not recommended to support BAU (business as usual) and is much needed to support the major capital projects.

32. The Local Government Financial Settlement intends that taxes are levied locally to support rising pressures, with the exception of additional funding to baseline of £1.62m and one-off funding of £1.88m to partly support increases in inflationary in City Fund.

33. The settlement also approved the extension of the '8 Authority Pool' to 2023/24 with 7 neighbouring billing authorities, which will potentially yield £8m for City Fund. The City of London alongside Brent, Barnet, Enfield, Hackney, Haringey, Tower Hamlets and Waltham Forest, formed a tactical pool in 2022/23 with the aim of keeping the levy payments the City of London and Tower Hamlets make to Government, in London. The impact from forming the 8 Authority Pool in 2022/23 retained £9m additional income in City Fund, compared to the £12m expected. This pool will cover 4 of the 6 most deprived boroughs, which supports the Government's levelling up agenda. This pool is for one year only, after which the Corporation intends to return to a pan London Pooling. Approval was received from the Secretary of State on 6th February to proceed. Income from the pool has not been factored into plans as it is volatile, besides this is one-off funding and should not be applied against on-going costs. It is therefore recommended any gains from the pool is ringfenced to the major capital projects, recommendation in this report suggests this supports the urgent health and safety works on the Barbican Centre.

34. Whilst City Fund (including Police) is in surplus in 2023/24, the forecast very quickly move into deficits in later years. This is predominately due to reset in Business Rates Growth, impact of financing major capital projects and with the increase in Police pressures. However overall, the City Fund is in surplus by £26.9m (taking one year with the next over the 5 years). Despite taking the above measures set out under paragraphs 23-27, City Fund is struggling to accommodate on-going pressures. A reminder, City Fund has a statutory

requirement to remain balanced over the medium-term, another reason to consider the role of tax setting in mitigation. Resource Allocation Sub Committee approved modelling periodic increases in Business Rates Premium into the MTFP.

35. Police have committed to implement a further £6.6m mitigations in 2023/24, this is over and above the circa £12m mitigations already built in and will need to be monitored carefully to ensure deliverability. The Police Settlement has slightly increased by £0.4m (over and above assumptions already in place) but the amount to support the additional officer uplift has been ringfenced and will only be paid over if officer numbers reach target. This will not cover inflationary pressures. The settlement also enables Forces to set up to a £15 precept on Council Taxpayers to cover rising cost pressures. The City Corporation's small residential population does not yield anywhere near the sums provided by local funding for other police forces and therefore the precept mechanism on the council taxpayer is not applied.

36. The Court of Common Council in March 2022 approved an increase in Business Rates Premium by 0.4p in the £, to restore parity in local funding allocations and address the structural deficits which had risen in the Force's finances. A continued rise in inflation on pay and prices has put Policing pressures back into significant deficit by £12.7m across the medium-term. The pay deal in September 2022 on officers and staff added a further pressure of £3.3m on top of the £2m already forecast. It should be noted officer pay rises is nationally set – every 1% increase will add a further £0.7m p.a. It should be noted a significant hike in GLA council tax precept is likely for the Metropolitan Police Force, this will again put CoLP out of kilter with the local funding allocations of other forces, without an increase in the Business Rate Premium – smaller and regular increases are needed.

37. City Fund's overall financial position include significant risks and a great deal of uncertainty. The medium-term plan is shown in the table 2 below. Despite the extra income from retained Business Rates growth; additional funding from government; increases in interest income on treasury balances; and mitigations in place, City Fund finances including Police faces substantial growing annual deficits. The fund is forecast, to move into significant deficits, from 2025/26 onwards due to the inclusion of financing costs of major projects: the Museum of London Relocation Project, Police Accommodation in the Salisbury Square Project together with the increase in Police pressures.

Table 2

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

*After Major Projects financing
**General fund reserve maintained at minimal prudent amount for working capital.
***Major project financing reserve includes adjustments for financing the revenue element of major capital projects which is not included in the surplus/(deficit). Also leasing the £30m risk reserves to support the essential funding needed on cyclical works programme, which is profiled from 2024/25 and included in surplus/(deficits).
****Build Back Better fund reserve includes adjustments for financing the revenue element of climate action.
*****Security Reserve ringfenced to support security pressures.

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

39. Key points to note include:

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

back a report in April 2023 to address the backlog with a recommended option of ring fencing it to deliver as a project. This requires a clear plan including how this is delivered within timescales and move forward with a sustainable capital programme working closely with the RPR – operational property workstream. The MTFP includes existing approvals, an additional amount for 2024/25 for urgent health and safety works, plus £9.5m p.a. (profiled over two years) from 2024/25 onwards, we recommend releasing the £30m general risk reserves; and

c. Significant pressures highlighted by departments through Member bilateral meetings will require close monitoring and mitigations to be put in place. This is also the case for further requests for fundamental review savings to be pushed out – giving time to pin down the TOM.
d. The Police commitment to secure £6.6m additional mitigations in 2024/25 will need to be reviewed to ensure these and prior year savings are sustainable across the medium-term.
e. In parallel with the external threats, the City Fund revenue budget will start to come under increasing pressure from major projects financing costs and opportunity costs – through loss in rental income/asset growth.
f. It should be noted the latest forecast position under City Fund has been updated since the report to the Joint Resource Allocation Sub Committee and Service Committee Chairmen. These changes have reduced the overall surplus over the MTFP by £5.0m and have impacted the following areas:
    - Interest income on treasury balances updated with latest information which has had a favourable impact on City Fund balances; but adverse impact from:
    - Headroom created for CWP – urgent health and safety works in 2024/25
    - Policing pressures updated with latest information approved by Police Authority Board.

Police

40. The CoLP is under increasing pressure forecasting £12.7m deficits across the MTFP, despite having implemented circa £12m mitigations already built in and have committed to implement a further £6.6 mitigations in 2023/24. The Police budget is facing significant medium-term pressures at a time of increasing demand on Police services. While the 2023/24 Police Funding Settlement has made some provision for CoLP officer pay award – July 2022, it is £1.8m less than was assumed in the Police MTFP (net of additional grant contribution from Home Office). The Police Settlement has slightly increased by £0.4m from assumptions already included but the amount to support the additional officer uplift has been ringfenced and dependent on performance in maintaining the year 3 officer uplift target.

41. CoLP is unable to sustain inflationary pressures over and above the small increase in the funding settlement and mitigations in place – further mitigations will impact on services and inability to maintain the officer uplift, which will impact ringfenced funding. Government’s assumption is that Policing cost pressures would be covered through taxes locally.

42. The Police Settlement enables Forces to set up to a £15 (increased by £5 from prior years) precept on Council Taxpayers to cover rising cost pressures. The City Corporation's small residential population does not yield anywhere near the sums provided by local funding for other police forces.

43. The Rate Payers consultation took place on 6th February 2023 where the Chairman of Policy and Chairman of Finance, alongside the Commissioner presented a compelling narrative to ratepayers in support of an increase in Business Rate Premium. The responses from those that attended was not unduly hostile.

44. **Council Tax**: Given the pressures to City Fund, Members will wish to consider council tax increases. Local authorities are permitted to levy a social care precept of 2% and a further uplift of Council Tax by 2.99% within the referendum threshold. These have been modelled in the 2023/24 budget. In this context, Members may wish to consider:
    - Reminder of paragraph 11 – where Local Government financial settlement has been set with the intentions for maximum taxes are levied locally in order to support rising pressures.

    - Current intelligence suggests that most authorities, including those at the lowest end of the Council Tax league table, are considering increases of up to 4.99%, including the social care precept. There is a risk that the Corporation will stand out if it does not increase and will move closer to the bottom of the table.

    - There is a cumulative benefit in the medium-term.

    - It could reduce any penalisation in the fair funding review, where an implied council tax level might be assumed (above our current level) which could result in a loss of funding.

    - Those on lowest incomes will be eligible for council tax relief (Council Tax Reduction Scheme). The City continues to operate a means tested 100% relief scheme.

    - The Council Tax for the current year, 2022/23, is £956.11, expressed at band D and excluding the GLA precept of £118.46 or comparative purposes.

45. The City has seen increasing cost pressures in social care, tackling homelessness, and children services (for children with special education needs and unaccompanied asylum-seeking children aged between 18 and 25 – unfunded). **The recommendation is, therefore, to levy an Adult Social Care precept of 2% as well as increase the core Council Tax by 2.99%**.

46. The Adult Social Care precept of 2% would generate around £170k. An increase of 2.99% in council tax, would generate around £250k. For comparative purposes, Westminster band D excluding GLA precept is currently £468.54 (£864.13 including the GLA precept); Wandsworth, £470.46 (£866.05 including

the GLA precept); and Hammersmith and Fulham £831.96 (£1227.55 including the GLA precept).

47. Despite receiving additional uplift in grant funding of £0.37m, this does not come close to closing the gap on pressures experienced within adult social care and children services at £1.2m. Increasing council tax by 4.99% will still leave a cost pressure of £0.41m on overall City Fund Finances. Not increasing taxes will increase the cost pressure on City Fund finances to £0.83m and will need to be reprioritised within the existing resources.

48. The steer from the Joint Resource Allocation Sub Committee and Service Committee members was supportive unanimously on this matter. In making this decision, Members may wish to consider the points in paragraph 46 above.

49. **Business Rates Premium** - The premium on City businesses was last increased in 2022/23 from 0.8p to 1.2p in the £, to restore parity in local funding allocations and address the structural deficits which has risen in the Force's finances. Given the pressures on security and Policing, Members may wish to consider increasing the Business Rate Premium up to 0.2p in the £, raising up to circa £4.2m p.a. in particular to enable the provision of vital policing services as set out in Appendix A, paragraphs 9-15 to be sustained and enhanced.

50. There is a statutory requirement to balance City Fund (including Police), and currently City Fund is only balanced due to the delay in reset in Retained Business Rates growth and increase in interest income from treasury balances. These increases are **not** permanent and do not support on-going pressures, therefore if we do not increase the BRP by 0.2p now, City Fund will not be able to address significant deficits in later years and only pushes the problem further out with anticipated deficits of circa £23m p.a. from 2027/28 (assuming everything stays the same). Smaller and regular increases are much needed, without new significant savings targets, changes to major capital project assumptions and/or service impact.

51. Key assumptions used in the forecast have been set out in Appendix A.

A strategic response to continuing challenges

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

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

Robustness of Estimates and Adequacy of Reserves and Contingencies

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

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

- provision has been made for all known liabilities, together with indicative costs (where identified) of capital schemes yet to be evaluated but continue to monitor risks arising from a looming recession during 2023, and maintain a contingency fund carried forward from 2022/23 underspends. In addition, recommendation is to release the £30m of general fund risk reserves to support the growing backlog of cyclical works on our operational properties;
- the estimates and financial forecast have been prepared at this stage on the basis of the Corporation remaining debt free until such time as external borrowing may be needed to bridge the gap for major capital projects (the Museum of London relocation and the Combined Courts project);
- prudent assessments have been made regarding key assumptions;
- new no capital bids for 2023/24, instead an opportunity to catch up on delivering the current approved capital schemes (circa £300m – including capital programmes funded from external contributions). Process is in place seeking to ensure that capital expenditure is contained within affordable limits and that it can be demonstrated that each project is of the highest corporate priority;
- although the City Fund financial position is vulnerable to inflationary pressures and a potential recession, impacting - income, rent levels and student numbers, it should be noted that:
    - the City Surveyor has carried out an in-depth review of rent incomes; and
    - an increase in interest rate on Treasury balances has been very beneficial in countering inflationary and other pressures;
- a strong track record in achieving budgets gives confidence on the robustness of estimates;
- balancing 2023/24 with 'one-off' measures will give more time to implement phase 2 of the Target Operating Model - move to service transformation and culture shift, plus ensuring permanent year on year savings; and
- resource prioritisation & refresh workstreams will realign existing resources to new corporate priorities, where this is not possible to create headroom to reallocate funds – noting finding sustainable efficiencies will require time, capacity ad upfront investment.

56. An analysis of usable City Fund Reserves is set out in Appendix C. Depletion of City Fund reserves is a consideration for the medium-term: although reserve balances are forecast to remain healthy in 2023/24, the potential call on reserves to support revenue and capital expenditure beyond 2023/24 reinforces the need for further efficiencies and income generation.

57. In assessing the adequacy of contingency funds, the Chamberlain has reviewed the allocation and expenditure of contingency funds over the past four years and concluded that the estimates are robust. This takes account of the Finance Committee contingencies, the Policy and Resources Committee contingency and the Policy Initiatives Fund. In each of the past four years the provision of funds has been more than sufficient resulting in an uncommitted balance for each contingency fund in each year. On this basis the existing contingency provision will remain unchanged for 2023/24. A full analysis of contingency fund provision and expenditure is provided in Appendix H.

Risks- Summary

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

Within the City Corporation's control:

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

Outside the City Corporation's control:

- Economists warning of a UK (global) recession during 2023, impact on income streams is unknown, particularly: rental income, event bookings, and events at the Barbican – needs close monitoring;
- Significant inflationary risks, highly volatile, not only impacting pay and prices there is a continued impact on global supply chain bottlenecks;
- Business Rates income - volatility around the growth forecasts and appeals, are dependent on full occupation of new builds and potential changes to office demand as in a post pandemic world;
- Austerity 2.0 cushioned for the next two years; really bites in 2025/26 with real public spending power reductions;
- Macro-shift from central funding to local funding; and
- Fair Funding review which could affect government support to fund services.

Equalities Implications

59. During the preparation of this report, all Chief Officers were asked to consider whether there would be any potential adverse impact of the various budget policy proposals on equality of service. This was with particular regard to service provision and delivery that affects people, or groups of people, in respect of disability, gender and racial equality. An update will be provided to the Finance Committee.

Conclusion

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

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

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

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

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

Appendices

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

Sonia Virdee
Financial Services Director
M: 07511 047554
E: sonia.virdee@cityoflondon.gov.uk

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Committee(s)	Dated:
Finance Committee - For decision Policy and Resources - For information Court of Common Council – For decision	21 February 2023 23 February 2023 09 March 2023
Subject: 2023/24 City's Cash Budgets and medium-term financial plan	**Public**
Report of: The Chamberlain	**For Decision**
Report author: Neilesh Kakad – Chief Accountant	

Summary

This report covers the 2023/24 budget and medium-term financial outlook for City's Cash and Guildhall Administration. The report should therefore be read in conjunction with the City Fund report on your Committee's agenda.

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

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

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

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

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

Recommendations

Members are asked to:

1.0 Note the latest revenue budgets for 2022/23 (paragraphs 17 to 24).

2.0 Note the overall budget envelope for City Cash 2023/24 revenue budgets.

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

2.1.1 Agreed pay award from 1st July 2022.

2.1.2 Assumptions for 2023/24 pay award held centrally – the final settlement will be approved by Corporate Services Committee.

2.1.3 Health and Safety team to be offset from increase in income from Resource Prioritisation Refresh (RPR) workstreams (split across City Fund and City's Cash).

2.1.4 For Cyclical Works Programme (CWP): Following the meeting with the Joint Resource Allocation Sub Committee and Service Committee Chairmen, additional headroom has been created for 2023/24 to address urgent health and safety issues – City's Cash £2.216m – profiled over two years. Plus, a further £5.5m p.a. additional funding allocated (profiled over two years) from 2024/25 is included within the medium term to support the bow wave. Robust programme of delivery required, including sufficient resources identified to deliver the programme in a timely manner – potential risk of cost creep.

3.0 To address inflationary pressures, remove the 2% savings requirement, using this overall sum plus carry forward underspends from 2022/23 to bolster the inflation contingency. Going forward, flat cash assumptions are no longer sustainable.

4.0 Fund one-off pressures and opportunities for transformation in 2023/24 outlined in paragraph 7 from forecast carry forward underspends from 2022/23.

5.0 Approve the overall financial framework and the revised Medium-Term Financial Strategy (paragraphs 3-16).

5.1 Unfunded additional revenue bids: To be avoided during 2023/24 - 2026/27 with the Resource and Priorities Refresh (RPR) being tasked with reprioritising current spend in line with new Corporate prioritises.

5.2 Department carry forwards from 2022/23 to be minimised, but with a general contingency to be held from 2022/23 underspend to address 2023/24 one-off pressures and transformation opportunities.

6.0 Approve the 2023/24 Capital and Supplementary Revenue Project Budgets for City's Cash amounting to £58.2m (including the contribution to Crossrail) (paragraph 25).

7.0 Approve the allocation of central funding of up to £19.4m for City's Cash to meet the cost of 2023/24 approved capital schemes. Release of such funding being subject to approval at the relevant gateway and specific agreement of the Resource Allocation Sub-Committee at Gateway 4(a). In addition, a contingency to be held under the capital programme of up to £3.0m to address urgent health and safety capital schemes. No new capital bids to be received in 2023/24 (paragraph 26-30).

8.0 Delegate authority to the Chamberlain to determine the final financing of capital and supplementary revenue project expenditure.

9.0 Endorse this report for onward approval to the Court of Common Council.

Main Report

Background

1. The primary purpose of this report is to summarise the latest budgets for 2022/23 and the proposed budgets for 2023/24 for City's Cash, which have all been prepared within agreed policy guidelines and allocations, for submission to the Court of Common Council in March.

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

through RPR workstreams.

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

Overall Financial Strategy

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

4. The medium-term financial strategies and budget policies for City's Cash are set out in Appendix 1. City Fund's medium-term financial strategy is included in the separate City Fund report.

Current Position

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

Budget Response

6. Whilst savings have been implemented via the 12% reduction in budgets and the Fundamental Review Programme, yielding a £5.4m reduction in costs, the external environment, especially the impact of inflation, would make further reductions in spend challenging along with significant increases in income generation. The budget approach for 2023/24 has been to stabilise the position, acknowledging the headwinds in play, with a net 2% uplift in local risk budget, whilst also looking to reprioritise spend to priority areas via the Resources Priorities Refresh (RPR) Programme, which will seek to address resourcing pressure within the overall envelope of funds available.

7. In addition, subject to consultations with the Chairman and Deputy Chairman of Resource Allocation and Sub Committee, it is proposed that the projected underspend from the current year budget (November 2022 estimate at £10.2m), should be carried forward to support the following areas:

    a. Transformation funding to support the cultural change needed under phase 2 of the TOM, and support to progress the workstreams under RPR - sums to be confirmed but likely in the region of £2m to £3m in 2023/24, to be funded from 2022/23 underspends across City Fund and City's Cash.

    b. Short term energy price inflation estimated at £1m caused by the war in Ukraine; prices are expected to return to normal levels in the medium term.

    c. Coronation Costs. Civic Affairs Committee have requested a budget of £0.4m for events around the King's Coronation. Policy and Resources Committee is sympathetic provided funding can be found from existing resources.

    d. Charity Review. Finance Committee approved additional time-limited support to complete the Corporate Charities Review & support the scoping of the Natural Environment Charities Review, this was recommended to be funded from 2022/23 underspends – split across City's Cash and City Fund (£0.394m in 2023/24 and £0.120m in 2024/25).

    e. CIO Function. Corporate Services Committee, Finance Committee and Policy and Resources Committee approved, in November 2021, the creation of a new Strategic Investment advisory function working alongside Corporate Treasury and Investment Property, to provide expert advice on the investment strategy/allocation advice between property and financial investments. Corporate Services Category Board approved a two-year contract which commences in January 2023 - £0.45m in 2023/24 and £0.45m in 2024/25.

    f. The balance to be held to support inflationary pressure which cannot be contained with allocated budgets.

Latest forecast position

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

Table 1

CITY'S CASH

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

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

9. Annual drawdowns in excess of assumed growth in financial assets are needed to cover exceptional items such as capital programmes and Crossrail contributions. Over the period, the cumulative draw down on financial investments is £388.2m (including the planned £50m to finance Crossrail payments, and £154.8m for the capital programme but excluding non-cash items i.e. depreciation). Overall net asset on the balance sheet will reduce by £573.6m over the medium-term, driven by the financing requirements of the major projects, which are currently assumed to be met from disposal of investment properties. Balance Sheet forecasting indicates this sum is just about sustainable over the medium-term, assuming natural growth in investments, thereby increasing net assets by £406m over 10 years.

10. However, the gain in future financial investments is unable to support the longer term draw down of circa £35m p.a. (including future capital and cyclical works programmes) and therefore requires careful rebalancing of portfolios over the medium to longer term. This also includes the full impact of major projects – the need to look at the operating models, for example Markets consolidation and how this impacts the longer-term sustainability of City's Cash. A financial strategy is to be developed following review of investment asset base and fund income requirements during 2023.

11. Resource Allocation Sub Committee approved in principle no new capital bids for 2023/24 at its July meeting, with £3m contingency held for urgent health and safety capital programmes. Giving an opportunity to catch up on delivering

existing approved programmes. The forecast includes already approved capital programmes plus £3m contingency, financed through disposal of investment properties or securities; and the revenue costs of financing Major Projects.

12. Major Projects: Three major projects have been forecast under the medium-term financial plan. It is currently assumed these projects will be financed through borrowing (£450m private placement already in place); planned capital receipts; plus, a drawdown on non-financial investments. Draw down on non-financial investments for Major Projects impacts on the rental income which currently supports the City’s Cash revenue expenditure, which have been included the in forecasts. Based on these assumptions, there is an interim requirement for internal borrowing utilising City Fund general cash balances – pending receipts from disposal of investment properties. Interest payments to City Fund have been forecasted based on losses to City Fund from investing cash balances. Nonetheless, wider thinking is now needed on how best to secure 3rd party capital investment on our major projects and our asset base to relieve the pressure on our own capital resources. The major projects are listed below:

- Museum of London Landlord works;
- Fleet Street Estate – combined court (transferred from City Fund in 2021/22).
- Markets consolidation programme – Business case approved to move 2 markets to Dagenham Docks and sale of existing sites – amended to exclude income and expenditure from moving New Spitalfields market; includes impairment of markets consolidation in year 2027/28; also assumes no funding from Homes England/3rd party funding.

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

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

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

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

Additional Revenue Requests

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

CITY'S CASH

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

Table 2

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

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

18. City's Cash net expenditure is £9.2m higher comparing the latest 2022/23 budget with the original budget. Other main movements comprise of 2021/22 carry forwards of £11.5m and additional income from interest on cash balances of £3m.

19. The budget for 2023/24 reduces by £9.9m when comparing the 2023/24 Original budget to the 2022-23 Latest.

Table 3

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

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

GUILDHALL ADMINISTRATION

Overall Budget Position

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

Table 4

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

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

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

24. Appendix 3 shows the budgets by committee.

Capital and Supplementary Revenue Project Forecast Expenditure and Funding

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

Table 5

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

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

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

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

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

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

Risk

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

Within the City's control:

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

Outside the City's control:

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

Conclusion

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

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

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

Appendices

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

Neilesh Kakad
Chief Accountant
T: 0207 332 1381
E: neilesh.kakad@cityoflondon.gov.uk

Sonia Virdee
Financial Services Director
M: 07511 047554
E: sonia.virdee@cityoflondon.gov.uk

City's Cash Medium Term Financial Strategy/Budget Policy

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

- ensure that ongoing revenue expenditure is contained within revenue income over the medium term and sufficient surpluses are generated to finance capital investment on City's Cash services;

- continue to seek property investment opportunities to enhance income/seek capital appreciation during the year, subject to any financing being met from the City's Estate Designated Sales Pool; and

- sell either property or financial assets, which would need to be in addition to property disposals required to meet the financing requirements of the Designated Sales Pool, to meet City's Cash cash-flow requirements.

CITY'S CASH Budget

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

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

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

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

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

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

GUILDHALL ADMINISTRATION

1. Shown by Committee is the table below:

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

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

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

Committee(s)	Dated:
Streets and Walkways Sub Finance Planning & Transportation Court of Common Council	14th February 2023 21st February 2023 7th March 2023 27th April 2023
Subject: Annual On-Street Parking Accounts 2021/22 and Related Funding of Highway Improvements and Schemes	**Public**
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	**n/a**
Does this proposal require extra revenue and/or capital spending?	**N**
If so, how much?	**n/a**
What is the source of Funding?	**n/a**
Has this Funding Source been agreed with the Chamberlain's Department?	**n/a**
Report of: The Chamberlain	**For Information**
Report author: Simon Owen, Chamberlain's Department	

Summary

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

The purpose of this report is to inform Members that:

- the surplus arising from on-street parking activities in 2021/22 was £10.699m;
- a total of £6.172m was applied in 2021/22 to fund approved projects; and
- the surplus remaining on the On-Street Parking Reserve at 31st March 2022 was £51.652m, which will be wholly allocated towards the funding of various highway improvements and other projects over the medium term.

Recommendation

Members are asked to:

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

Main Report

Background

1. Section 55(3A) of the Road Traffic Regulation Act 1984 (as amended), requires the City of London in common with other London authorities (i.e. other London Borough Councils and Transport for London), to report to the Mayor for London on action taken in respect of any deficit or surplus in their On-Street Parking Account for a particular financial year.

2. Legislation provides that any surplus not applied in the financial year may be carried forward. If it is not to be carried forward, it may be applied by the City for one or more of the following purposes:

   a) making good to the City Fund any deficit charged to that Fund in the 4 years immediately preceding the financial year in question;

   b) meeting all or any part of the cost of the provision and maintenance by the City of off-street parking accommodation whether in the open or under cover;

   c) the making to other local authorities, or to other persons, of contributions towards the cost of the provision and maintenance by them, in the area of the local authority or elsewhere, of off-street parking accommodation whether in the open or under cover;

   d) if it appears to the City that the provision in the City of further off-street parking accommodation is for the time being unnecessary or undesirable, for the following purposes, namely:

      - meeting costs incurred, whether by the City or by some other person, in the provision or operation of, or of facilities for, public passenger transport services;

      - the purposes of a highway or road improvement project in the City;

      - meeting the costs incurred by the City in respect of the maintenance of roads at the public expense; and

      - for an "environmental improvement" in the City.

   e) meeting all or any part of the cost of the doing by the City in its area of anything which facilitates the implementation of the Mayor's Transport Strategy, being specified in that strategy as a purpose for which a surplus can be applied; and

   f) making contributions to other authorities, i.e. the other London Borough Councils and Transport for London, towards the cost of their doing things upon which the City in its area could incur expenditure upon under (a)-(e) above.

3. In the various tables of this report, figures in brackets indicate expenditure, reductions in income or increased expenditure.

2021/22 Outturn

4. The overall financial position for the On-Street Parking Reserve in 2021/22 is summarised below:

	£m
Surplus Balance brought forward at 1st April 2021	47.125
Surplus arising during 2021/22	10.699
Expenditure financed during the year	(6.172)
Funds remaining at 31st March 2022, wholly allocated towards funding future projects	**51.652**

5. Total expenditure of £6.172m in 2021/22 was financed from the On-Street Parking Reserve, covering the following approved projects:

Revenue/SRP Expenditure:	**£000**
Highway Resurfacing, Maintenance & Enhancements	(2,029)
Barbican Podium Waterproofing - Phase 2	(744)
Off-Street Car Parking Contribution from Reserves	(688)
Concessionary Fares & Taxi Card Scheme	(442)
West Smithfield Area Public Realm & Transportation	(286)
Climate Action Strategy – Pedestrian Priority	(171)
Bank Junction Improvements (All Change at Bank)	(120)
City Streets COVID 19 – Phase 3	(92)
St Paul’s Gyratory	(63)
Climate Action Strategy – Cool Streets & Greening	(53)
Cleaning Maintenance Lord Mayors Show	(46)
Aldgate Maintenance for Open Spaces	(40)
COVID Response	(25)
Dominant House Footbridge – Future Options	(19)
Special Needs Transport	(11)
City Wayfinding Signage/Legible London	(11)
Minories Car Park – Structural Building Report	(6)
London Wall Car Park Waterproofing and Repairs	(2)
Traffic Enforcement CCTV	(1)
Total Revenue/SRP Expenditure	**(4,849)**
Capital Expenditure:	
Baynard House Fire Safety	(621)
Bank Junction Improvements (All Change at Bank)	(411)
Climate Action Strategy – Pedestrian Priority	(138)
City Wayfinding Signage/Legible London	(77)
Bank Junction Interim Safety Scheme	(22)
Holborn Viaduct & Snow Hill Pipe-Subways	(15)
Street Lighting Project/Strategy	(13)
HVM Security Programme	(13)
Climate Action Strategy – Cool Streets & Greening	(12)
Traffic Enforcement CCTV	(1)
Total Capital Expenditure	**(1,323)**
Total Expenditure Funded in 2021/22	**(6,172)**

6. The surplus on the On-Street Parking Reserve brought forward from 2020/21 was £47.125m. After expenditure of £6.172m funded in 2021/22, a surplus balance of £4.527m was carried forward to future years to give a closing balance at 31st March 2022 of £51.652m.

7. Currently total expenditure of some £97.8m is planned over the medium term from 2022/23 until 2026/27 (as detailed in Table 1), by which time it is anticipated that the existing surplus plus those estimated for future years will be fully utilised.

8. The total programme covers numerous major capital schemes including funding towards the Barbican Podium Waterproofing; Bank Junction Improvements (All Change at Bank); Climate Action Strategy Cool Streets & Greening and Pedestrian Priority; Holborn Viaduct & Snow Hill Pipe-Subways Repairs; Baynard House Fire Safety; Traffic Enforcement CCTV; Minories Car Park Structural Building Report; West Smithfield Area Public Realm & Transportation Project; St Paul's Gyratory; Dominant House Footbridge Repairs; London Wall Car Park Waterproofing, Joint Replacement & Concrete Repairs; Fire Safety at the Car Parks; Lindsey Street Bridge Strengthening; and Beech Street. The progression of each individual scheme is, of course, subject to the City's normal evaluation criteria and Standing Orders.

9. The programme also covers ongoing funding of future revenue projects, the main ones being Highway Resurfacing, Enhancements & Road Maintenance Projects; Concessionary Fares & Taxi Cards; Traffic Review Order; Contributions to the Costs of Off-Street Car Parks; Special Needs Transport; Cleansing Maintenance for the Lord Mayors Show; and Annual Maintenance of Aldgate

10. In addition to the currently agreed allocations of On-Street Parking surplus monies, a newly formed Priorities Board chaired by the Town Clerk will review all future new eligible bids for surplus funds before recommending successful bids to Members of Resource Allocation Sub Committee for decision. This new mechanism has been designed to ensure surplus monies are allocated to eligible projects in an efficient and speedy process to meet spending priorities.

11. A forecast summary of income and expenditure arising on the On-Street Parking Account and the corresponding contribution from or to the On-Street Parking surplus, over the medium-term financial planning period, is shown below:

Table 1 On-Street Parking Account Reserve Projections 2021/22 to 2026/27	**2021/22 Actual £m**	**2022/23 Forecast £m**	**2023/24 Forecast £m**	**2024/25 Forecast £m**	**2025/26 Forecast £m**	**2026/27 Forecast £m**	**Total £m**
Income	14.5	13.6	12.6	13.0	13.5	13.8	81.0
Expenditure (*Note 1*)	(3.8)	(3.5)	(4.0)	(4.1)	(4.3)	(4.4)	(24.1)
Net Surplus arising in year	**10.7**	**10.1**	**8.6**	**8.9**	**9.2**	**9.4**	**56.9**
Capital, SRP and Revenue Commitments	(6.2)	(14.3)	(23.7)	(39.5)	(7.7)	(12.6)	(104.0)
Net in year contribution (from)/ to surplus	**4.5**	**(4.2)**	**(15.1)**	**(30.6)**	**1.5**	**(3.2)**	**(47.1)**
(Deficit) / Surplus cfwd at 1st April	47.1	51.6	47.4	32.3	1.7	3.2	
(Deficit) / Surplus cfwd at 31st March	**51.6**	**47.4**	**32.3**	**1.7**	**3.2**	**0.0**	

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

12. A reduction in income is forecast from 2022/23 onwards for a number of years, mainly due to suspension of enforcement at Beech Street, ongoing long term works and changes to Bank Junction, future projections of motorist's compliance and CCTV enforcement suspension at Throgmorton Street. The suspension at Throgmorton Street is due to a major closure which is expected to continue until February 2024. Further savings from operation and enforcement costs on the new parking contracts awarded from 1st April 2022 have been phased into future expenditure projections.

Conclusion

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

Background Papers

14. Road Traffic Regulations Act 1984; Road Traffic Act 1991; GLA Act 1999 sect 282.

15. Final Accounts 2021/22.

Report author
Simon Owen
Chamberlain's Department
T: 020 7332 1358
E: *simon.owen@cityoflondon.gov.uk*

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Committee(s): Finance Committee Corporate Services Committee Policy & Resources Committee	**Dated:** 21 February 2023 1 March 2023 23 March 2023
Subject: Target Operating Model (TOM) – Interim update report	**Public**
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	**All**
Does this proposal require extra revenue and/or capital spending?	**No**
If so, how much?	**N/A**
What is the source of Funding?	**N/A**
Has this Funding Source been agreed with the Chamberlain's Department?	**N/A**
Report of: Chief Strategy Officer	**For Information**
Report author: Alice Reeves Town Clerks Department	

Summary

Implementation of the Target Operating Model (TOM) continues within City Corporation, as do efforts to implement the budgetary reductions approved alongside the TOM. The interim report summarises where the TOM programme has reached as at the end of 2022, where savings have been identified, what activity is remaining, and any lessons learned to date. The TOM programme, and departmental restructures associated with this, are expected to finish by the end of 2023. This is an interim report, a final report will follow later this year.

Recommendation(s)

Members are asked to:

- **Note** that the TOM programme has not yet finished, and is anticipated to complete by the end of 2023
- **Note** that some permanent finance savings have been made, and that the 12% savings (6% for DCCS) and TOM savings are still completing in some parts of the organisation
- **Note** what the TOM programme has achieved to date, what has been delivered and where gaps remain
- **Note** any lessons learnt from the process of implementing the TOM
- **Note** this is an interim report: a final report will follow later in 2023

Main Report

Background

1. The TOM programme was approved by the Court of Common Council in December 2020. It was intended to transform City Corporation leadership and organisational structures, with the intention of enabling City Corporation to become more agile and efficient. The programme also required efficiency savings of 12% to be made (except Bridge House Estate where no savings were required and DCCS which required savings of 6%). With new structures in place once the TOM is embedded, the intention was that the organisation would be able to focus on transformational change.

2. The TOM programme was originally due to complete by the end of March 2022, however, due to the complexity and scale of the programme, this has taken longer. It is now anticipated to draw to a close by the end of 2023.

3. The original programme objectives for the TOM were set out as follows:
    a. Ability to respond with purpose, focus and agility to challenges and opportunities
    b. A simplified organisational structure and a reduction in management layers
    c. Join up corporate departments and service areas to streamline our operations
    d. Provide greater autonomy for our institutions and build on our collective strengths
    e. Increased collaboration achieving maximum value and impact
    f. Evaluate and improve ways of working, processes and technology, clarifying accountabilities, ownership and efficiency
    g. Make financial savings and be on the path to achieve a balanced financial plan

Context

4. TOM programme Member and Officer governance processes were created to provide assurance, alignment and oversight. Organisational Design (OD) principles were developed and agreed to ensure the TOM Programme delivered its goals. Officer governance provides scrutiny on individual departmental restructure plans to ensure compliance with OD principles (or agree exceptions) and provide oversight of the 12% cost savings. Member governance takes place through scrutiny of departmental restructure plans by individual Committees, including agreement by Corporate Services Committee (or Establishment Committee as was) given potential workforce implications including risk of redundancy, redeployment, recruitment and equality duties. Governance mechanisms will remain in place for the duration of the programme.

5. In addition to the TOM, the Court of Common Council approved a general budgetary reduction of 12% against 2021/22 budgets, with 6% for the Department of Social Care and Children Services (DCCS). Efforts have been made across the Corporation to identify sustainable savings. The 12% budget

reductions applied to 2021/22 budgets: totalling £18m (£9m City Fund, £4m City's Cash, and £5m Guildhall Admin). Of this total £13.9m permanent savings have been realised, with a further £2.6m savings achieved through temporary measures such as holding vacancies, as departments complete their TOM.

6. To deliver the TOM four workstreams were originally set up:
    a. Tier 1 restructure, talent & leadership
    b. Organisational design
    c. Enabling functions
    d. Ways of working, institutions, behaviours & culture

7. The Tier 1 restructure has been implemented, with fewer direct reports in place of the Town Clerk and Chief Executive and a diverse senior leadership group in place. The Executive Leadership Board has been in place since 2021 as the top tier leadership group for the organisation. The Senior Leadership Forum is due to relaunch in 2023. In addition to the top tier restructure, work on developing talent and leadership objectives is planned.

8. The TOM programme also defined different areas of City Corporation as service (outward, customer-facing) or enabling (cross-cutting, support) functions, with departmental restructuring led by Chief Officers. There was no review of opportunities for hub and spoke, centralisation or conscious decentralisation of business areas.

9. The ways of working, behaviours and culture workstream focussed primarily on institutions and exploring themes such as autonomy and independence. Bridge House Estates (BHE) has become an institution, with increased independence. In practical terms this has driven down bureaucracy and increased agility, while it ostensibly retains its City Corporation identity. London Metropolitan Archives was not granted increased independence as part of their TOM process, but moved under the newly created Deputy Town Clerk Department alongside other corporate enabler teams/functions.

10. Corporate culture received limited focus as structures and financial targets were prioritised. The Senior Leadership Forum was used to help inform and steer change, but was not sustained, and progress compounded by the delay in stabilising the HR function (a pivotal driving force to both help lead and enable culture change whilst simultaneously going through the TOM) and permanent appointment of a Chief People Officer.

Current Position

11. The table below provides a high-level overview of where in the organisation TOM activity has been completed and the departments or institutions where activity is still underway, with provisional completion dates.

Area	TOM Status
Comptroller and City Solicitor’s	Completed 2021
Innovation & Growth	Completed 2021
City Surveyor’s	Phase 1 completed 2022; Phase 2 implemented from December 2022
Deputy Town Clerk functions	Completed 2022
Community & Children’s Services	Completed 2021
Chamberlain’s	Completed 2022; recruitment following implementation underway
Remembrancer’s	Completed 2021
Chief Operating Officer’s	Partially completed 2022, with Human Resources in implementation phase
Environment	Phase 1 completed 2022 Phase 2 midway through process with proposals agreed by Committees; staff consultation launched on 25 January; implementation to follow with completion expected mid/late-2023.
Bridge House Estates	Phase 1 completed 2022 (creation of Leadership Team), including increased autonomy; phase 2 under review, proposals expected in Q1 2023, with completion by late 2023.
City of London School City of London Girls School City of London Freemen’s School	Phase 1 completed 2021 Phase 2: Proposals for shared services between City of London School, City of London School for Girls and City Junior School under development (stage 1), expected completion and implementation by September 2023.
Barbican	Phase 1 completed 2022; second phase being scoped
Guildhall School of Music and Drama (GSMD)	Completed 2022
City of London Police (CoLP)	Developing proposals for CoLP Corporate Services; anticipated completion end 2023
London Metropolitan Archive	Completed 2022

Outcomes

12. Because the TOM programme was sequenced as delivering department by department this created the perverse incentive of reinforcing silos within the organisation – opposite of what was originally intended. It is not possible to reverse or rectify this before the end of the programme given the majority of departments have already completed, but is something that will need to be considered further as part of the corporate culture and transformational change work.

13. The TOM programme was intended to create new structures and implement the OD principles from which would flow the programme objectives described above. At this point it is too soon to measure the outcomes of the programme, however, the final report will contain more context on how we measure that the organisation is fit for purpose moving forward, once the TOM is business as usual.

14. The report does not distinguish between TOM savings (staffing cost savings) and the 12% savings (general savings) as this is not possible until TOM activity is complete. An update on this will be provided in the final TOM report due in the summer. Given the change in the financial situation since the TOM savings were set out, further cost savings options and measures are being identified through the RPR programme. These are separate from TOM.

15. Perceptions on the success of the TOM vary across the organisation from highly successful delivering a new, diverse, leadership team and new departmental structures, to a disruptive process that has not achieved what it set out to do. Much is still required to meet the original TOM objectives. Some of this will not be possible to complete within the timeframe of the programme. This is noted in this paper, and will be covered in more detail in the final TOM paper due later in the year.

16. Where restructuring plans have been agreed, recruitment takes time to complete, so associated benefits of the TOM will take time to realise – in some cases beyond when the programme and its principles have become business as usual.

Proposals

17. Members of Policy & Resources Committee and Finance Committee to note the current status of the TOM programme and outstanding activities that are anticipated to complete by the end of the year. This is an interim report that covers activity to date – a final report will follow Summer 2023. Lessons learnt to date will be shared widely (where relevant).

Corporate & Strategic Implications – The TOM is delivering a more consistent and updated corporate and leadership structure for the organisation. It brings departments to a starting point to deliver transformational change, however, it does not deliver this in and of itself. The TOM has successfully delivered new leadership structures, but further work is needed for culture change to happen.

Financial implications – TOM savings are still being realised. The general 12% savings applied to budgets totalling £18m (£9m City Fund, £4m City's Cash and £5m Guildhall Admin). The TOM savings target (linked to staffing reductions) agreed by Court of Common Council in 2020/21 was £4.5m (£3m City Fund and £1.5m City's Cash). At the time this decision was made, it was not possible to estimate what the TOM savings would be and allocate a target to departments as each department has a different cost base. The TOM target is therefore a range with a minimum value of £4.5m and is part of the overall 12% reduction totalling £18m. In addition to savings, some new and strengthened functions were proposed that required investment (e.g. EDI, Chief Strategy Officer and office of the Chair of Policy and Resources). The overall detail of the costs and savings for the TOM will not be available until TOM activity is complete – an update will be provided in the final TOM report.

Resource implications – Programme management resource ceased in March 2022, so programme support is limited to ensuring governance processes are functioning. This should not affect delivery by the end of 2023.

Legal implications - None

Risk implications – The longer the programme delivery aspect of the TOM process takes, the longer it will take for the organisation to focus on transformational change and realise the benefits of TOM.

Equalities implications – Departmental restructuring plans were required to detail EIA implications and, where relevant, PSED assessments and actions.

Climate implications - None

Security implications - None

Conclusion

18. The TOM has been a wide-ranging and complex programme transforming City Corporation structures. Most areas of the organisation have had new structures agreed and are recruiting to posts; some are due to complete during 2023. At this stage the organisation will have fully implemented the OD principles.

19. When completed, the programme will have delivered new leadership structures and coherent organisational design principles for the whole of City Corporation.

20. Cost savings linked to the TOM are still in the process of being realised, and are on track to be delivered by the end of the programme.

21. The TOM itself will not deliver culture change or transformational change – further thinking of how the success of the programme will be measured, and whether the organisation is fit for purpose will follow in the final report

Appendices

- Appendix 1 – TOM Interim Update Report

Background Papers

Previous report to Committee on this subject:
Non-Public report of the Establishment Committee - Court of Common Council – 3 December 2020 (available on request from the Town Clerk's Department)

Alice Reeves
Assistant Director Corporate Performance & Analysis
Town Clerks Department
T: 07834 385 625
E: alice.reeves@cityoflondon.gov.uk

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Committee:	Date:
Finance Committee	**10th February 2023**
Subject: Independent Complaints Panel Cost	**Public**
Does this proposal require extra revenue and/or capital spending?	**N/A**
Report of: The Chamberlain	**For Information**
Report author: Mavis Amouzou-Akue, Chamberlains	

Summary

This report has been produced in answer to the question asked by Member in the Public session of the Finance Committee held on the 24th of January 2023.

Following the abolition of the Members Standards Committee, complaints against members are now heard by a panel of independent persons. A Member asked for information on the costs to date of the Independent panels set up to resolve grievances brought by members against members.

The total cost of all eight cases to date is £39,338 – Please see table below for total cost breakdown by case. Please note that this does not include full allocation of all officer time, but includes costs for time that has been recorded by senior officers.

Cases	Duration	Stage Reached	Total Cost £
Member v Member	Feb 22	Assessment	9,615
Member v Member	Apr-Dec 22	Appeal	16,859
Member v Member	N/A	N/A (insufficient info)	293
Member v Member	Sept 22	Assessment	1,938
Member v Member	Nov 22- ongoing	Hearing	7,416
Member v Member	Jan 23	Assessment	1,914
Member v Member	N/A	N/A (assumed withdrawn)	331
Member v Member		Assessment pending	973
Grand Total			**39,339**

Recommendation- Members are asked to note the total cost of the Independent panel for 8 cases to date.

Mavis Amouzou-Akue
Senior Accountant: Chamberlain's Department
Mavis.Amouzou-Akue@cityoflondon.gov.uk

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Committee(s): Finance Committee	Dated: 21 February 2023
Subject: Central Contingencies 2022/23	**Public**
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	n/a
Does this proposal require extra revenue and/or capital spending?	N
If so, how much?	n/a
What is the source of Funding?	n/a
Has this Funding Source been agreed with the Chamberlain's Department?	n/a
Report of: The Chamberlain	**For Information**
Report author: Laura Yeo, Financial Services Division	

Summary

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

Recommendation(s)

Members are asked to:

- Note the Central Contingencies 2022/23 uncommitted balances.

Main Report

Background

1. Service Committee budgets are prepared within the resources allocated by the Policy and Resources Committee, and with the exception of the Policy and Resources Committee, such budgets do not include any significant contingencies. The budgets directly overseen by the Finance Committee therefore include central contingencies to meet unforeseen and/or exceptional items that may be identified across the City Corporation's range of activities. Requests for allocations from the contingencies should demonstrate why the costs cannot, or should not, be met from existing provisions.

2. In addition to the Central Contingencies, the Committee has a specific City's Cash Contingency of £125,000 to support humanitarian disaster relief efforts both nationally and internationally.

Current Position

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

2022/23 Central Contingencies – Uncommitted Balances 9 February 2023			
	City's Cash £'000	City Fund £'000	Total £'000
Central contingencies			
2022/23 Provision	950	800	1,750
2021/22 Pending brought forward	234	608	842
Total Provision	**1,184**	**1,408**	**2,592**
Previously agreed allocations	(680)	(748)	(1,428)
Pending request on the agenda	0	0	0
Total Commitments	**(680)**	**(748)**	**(1,428)**
Uncommitted Balances	**504**	**660**	**1,164**
Specific - contingencies			
National and International Disasters			
Total Provision	125	0	125
Previous allocations	(100)	0	(100)
Uncommitted Balance	**25**	**0**	**25**

4. Since the last report to Committee in January, an allocation from the National and International Disasters fund for a sum of £50,000 was approved under urgency towards the DEC Turkish/Syria Earthquake Appeal.

5. At the time of writing this report there are no requests for funding on the agenda.

6. In the case of a request for additional funding for a project that affects all three funds, the Bridge House Estates Board would approve its portion of any such joint project. All requests specific to BHE only are considered solely by the BHE Board.

Conclusion

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

Appendices

- Appendix 1 - Allocations from 2022/23 Contingencies

Laura Yeo
Senior Accountant
Financial Services Division
Laura.Yeo@cityoflondon.gov.uk

Committee(s)	**Dated:**
Finance Committee	21st February 2023
Subject: Report of (public) Action taken under DA or Urgency procedures since the last meeting of the Committee	**Public**
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	**N/A**
Does this proposal require extra revenue and/or capital spending?	**~~Y~~/N**
If so, how much?	**N/A**
What is the source of Funding?	**N/A**
Has this Funding Source been agreed with the Chamberlain's Department?	**N/A**
Report of: Town Clerk	**For Information**
Report author: 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: Turkey/Syria Earthquake Appeal

Background

The City of London holds a contingency fund in its City's Cash budget, allocated to the International Disasters Fund (IDF) administered by the Finance Committee.

A report on use of this fund was presented to Finance Committee on 19 January 2021 where it was noted:

a) The strong criteria applied by the Disaster Emergency Committee (DEC) for the selection and monitoring of UK aid charities;
b) The ability of the Central Grants Unit (CGU) to provide recommendations of appropriate charities to support, including due diligence reviews;
c) That donations given as restricted to a specific appeal or purpose are required under charity law to be spent directly on that purpose.

When a DEC appeal is not launched, a donation could be made to an individual charity carrying out humanitarian relief in the area. It is acknowledged that the transparent governance controls applied by the DEC means that Finance Committee can be confident in giving direct to the individual charities that are members of the DEC, should they believe this to be the most appropriate use of the Corporations' emergency donations budget.

The IDF currently has an annual budget of £125,000 annually and has made 2 donations so far in 2022/23 totalling £50,000. A total of £75,000 is left in the budget for this financial year.

Turkey & Syria Earthquake Appeal

A devastating 7.8 magnitude earthquake struck south-eastern Turkey near the border with Syria in the early hours of Monday 6 February 2023. The earthquake was so strong that it was felt hundreds of miles away in Lebanon, Iraq and Israel. Just hours later with rescue efforts underway, as second, 7.7 magnitude earthquake also hit the region.

Reports suggest that over 5000 people have been killed by the Disaster so far, with the death toll increasing by the hour. Over 7000 people have been reported injured and many are still trapped under destroyed buildings. Search and rescue efforts are being hampered by ongoing aftershocks, as well as snow and bad winter storms. With the temperature in some areas below freezing, many people are at risk out in the cold.

The full extend of the damage is not clear. Hundreds of buildings have collapsed, and homes have been destroyed. Right now, the priority is rescuing people from the rubble, but bridges, roads and hospitals have been damaged and power is down, making it difficult to reach those in need. In Syria particularly, year of conflict have already devastated local infrastructure, making it harder to access the machinery and tools needed for rescue efforts.

DEC Appeal

The DEC launched a fundraising campaign on Thursday 9th February 2023 to support all its International Aid Partners working on the ground to coordinate support where it is needed most. DEC Partners are already on the ground supporting with search and rescue efforts, providing basic relief items, including blankets and tents so far. Alongside basic items blood shipments are being organised in anticipation of the need for blood transfusions over the coming days.

RESOLVED – that the Town Clerk, in consultation with the Chairman and the Deputy Chairman of the Finance Committee agreed a donation of £50,000 to the Disaster Emergency Committee to support the coordination of Aid Efforts in Turkey and Syria in response the devastating Earthquake.

Contact:
John Cater
Senior Committee and Member Services Manager, Town Clerk's Department
020 7332 1407

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