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Audit and Risk Management Committee

Date: **MONDAY, 13 MARCH 2023**

Time: 10.00 am

Venue: **COMMITTEE ROOMS, GUILDHALL**

Members:
Alderman Alexander Barr (Chair)
Alderman Prem Goyal (Deputy Chairman)
Gail Le Coz (Deputy Chairman)
Deputy Rehana Ameer
Deputy Randall Anderson
Deputy Christopher Boden
Deputy Henry Colthurst (Ex Officio Member)
Paul Martinelli
Alderman Bronek Masojada
Judith Pleasance
Karen Sanderson (External Member)
Ruby Sayed
Paul Singh
Naresh Hari Sonpar
Dan Worsley (External Member)

Enquiries: **Ben Dunleavy**
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https://www.youtube.com/@CityofLondonCorporation/streams

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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 previous meeting held on 16 January 2023.

   For Decision
   (Pages 5 - 14)

4. **OUTSTANDING ACTIONS OF THE COMMITTEE**

   Member are asked to note the Committee’s Outstanding Actions List.

   For Information
   (Pages 15 - 16)

5. **COMMITTEE WORK PROGRAMME**

   Member are asked to note the Committee’s Work Programme.

   For Information
   (Pages 17 - 24)

Governance

6. **EXTERNAL MEMBER - RE-APPOINTMENT**

   The Town Clerk to be heard.

   For Decision

External Audit

7. **AUDITOR'S ANNUAL REPORT ON THE CITY OF LONDON CORPORATION: CITY FUND**

   Report of the External Auditor (Grant Thornton).

For Information
(Pages 25 - 60)

Internal Audit

8. **INTERNAL AUDIT UPDATE**

Report of the Chamberlain.

For Information
(Pages 61 - 68)

Risk Management

9. **RISK MANAGEMENT UPDATE**

Report of the Chief Strategy Officer.

For Information
(Pages 69 - 106)

10. **DEEP DIVE CR09 HEALTH, SAFETY AND WELLBEING**

Joint Report of the Chamberlain and the Chief Strategy Officer.

For Discussion
(Pages 107 - 112)

11. **RESOLUTION REGARDING GSMD RISKS**

Resolution of the Board of Governors of the Guildhall School of Music and Drama to the Audit and Risk Management Committee.

For Information
(Pages 113 - 114)

Other

12. **TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2023/24**

Report of the Chamberlain.

For Information
(Pages 115 - 158)

13. **PROJECT GOVERNANCE**

The Commercial Director to be heard.

For Information

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

15. **ANY OTHER BUSINESS THAT THE CHAIR CONSIDERS URGENT**

16. **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 the Schedule 12A of the Local Government Act.

For Decision

Part 2 - Non-Public Agenda

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

To agree the non-public minutes of the previous meeting held on 16 January 2023.

For Decision
(Pages 159 - 168)

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

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

AUDIT AND RISK MANAGEMENT COMMITTEE

Monday, 16 January 2023

Minutes of the meeting of the Audit and Risk Management Committee held at Guildhall, EC2 on Monday, 16 January 2023 at 10.00 am

Present

Members:
Alderman Alexander Barr (Chair)
Alderman Prem Goyal (Deputy Chairman)
Deputy Rehana Ameer
Deputy Randall Anderson
Paul Martinelli
Alderman Bronek Masojada
Karen Sanderson (External Member)

Officers:

Caroline Al-Beyerty	-	Chamberlain's Department
Matthew Lock	-	Chamberlain's Department
Karen Atkinson	-	Chamberlain's Department
Dionne Corradine	-	Town Clerk's Department
Neilesh Kakad	-	Chamberlain's Department
Julia Megone	-	Chamberlain's Department
Kehinde Haastrup-Olagunju jnr	-	Town Clerk’s Department
Nathan Omane	-	Chamberlain's Department
Tabitha Swann	-	Town Clerk's Department
Tatianna Wanyanga	-	Town Clerk's Department

Also in attendance

Tina Allison	Crowe (External Auditors)
James Hay	Crowe (External Auditors)
Paul Dossett	Grant Thornton (External Auditors)
Sophia Brown	Grant Thornton (External Auditors)

1. **APOLOGIES**
   Apologies for absence were received from Deputy Christopher Boden, Gail Le Coz (Deputy Chair), Judith Pleasance, Ruby Sayed, Naresh Sonpar and Dan Worsley.

2. **MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA**
   There were no declarations.

3. **MINUTES OF THE PREVIOUS MEETING**

In reply to a question from a Member, the Chamberlain confirmed that the Committee would be informed of any changes to the accounts.

The public minutes and non-public summary of the meeting held on 22 November were approved as a correct record.

4. **OUTSTANDING ACTIONS OF THE COMMITTEE**

A Member asked if officers were content with the progression of the closed action. The Head of Internal Audit responded that this had been based on the best information available at the time. The Chamberlain provided an update to say that there had been a meeting between the various funding partners which had gone well. The Member said that they were happy with the direction of travel, but felt that the Committee should have been informed of the change in circumstances. The Chairman agreed and asked officers to take this away for the future.

5. **TERMS OF REFERENCE REVIEW**

Members received a report of the Town Clerk relative to the Annual Terms of Reference review.

A Member said that they would like to see an overarching statement included in the terms of reference to explain the purpose of the Committee. The Chairman asked the Committee to grant delegated authority so that this matter could be pursued.

A Member said that the proposed revisions to the terms of reference did not mention an annual Internal Audit Plan. She felt that while the Committee receives reports, seeing a plan would help Members assurance on the level of Internal Audit activity over the year. She wondered whether this was something that could also be included in the terms of reference In reply, the Head of Internal Audit said that the Internal Audit team no longer worked to an annual plan, and was adopting a more agile and iterative approach, with a rolling programme of work. He added that peers in other organisations were also taking this approach. The Chairman asked if it would be possible to add a reference to this iterative programme of work within the terms of reference.

A Member cautioned that it was important that the terms of reference did not become too prescriptive. While it was important to be clear that the Committee's remit meant that it oversaw internal audit, it was not necessary to 'lock in' the methods of doing this.

A Member said that it was important that the Committee ensured that, at a macro level, risks across the organisation were looked at on a regular cycle, while retaining time for ad-hoc activity. They felt this was hard to do if there was not a plan in place. They would like to see a plan that included both.

The Chamberlain said there were two issues being discussed: the responsibility of Committee members under the Committee's terms of reference, and the methods by which the Head of Internal Audit discharged their duty. She said that part of the latter was to provide the Chamberlain and the Committee with assurance that the City Corporation had robust systems of financial control. She suggested that the terms of reference could include a reference to the

Committee's assurance on the robustness of planning. With regards to work planning, the Chamberlain said that an agile audit plan would be a key strength in providing this assurance. While it was important that Internal Audit did look at all systems within the organisation, there were more nuanced risks which would need to be picked up as and when. Members agreed that it was appropriate for the Committee to receive high level assurance rather than the operational details of Internal Audit's work.

A Member asked how the Committee would receive assurance about the level of coverage over a period of time. The Head of Internal Audit replied that detailed plans for the Committee could prove restrictive, and that it might be better to provide the committee with an outline of the broad areas on which Internal Audit would be providing assurances. The Chairman requested the Head of Internal Audit to consider how this could be included in the terms of reference, and asked that it should be circulated to all Members as part of the delegated authority agreement.

The Bridge House Estates and Charities Finance Director confirmed for Members the current process by which the Bridge House Estates Board had a reference in place with the Audit and Risk Management Committee, which requested that the latter Committee review the Bridge House Estates Annual Report and provide comment to the Board, as was included as a later agenda item.

RESOLVED, that – Members:

- approve the revisions to:
  - The Committee's terms of reference as shown in Appendix 1, and recommend the revisions to the Policy and Resources Committee, for onward submission to the Court;
  - The Committee workplan as shown in Appendix 2, and the cycle of meetings; and
  - The role of the Nominations Sub Committee and its terms of reference, as shown in Appendix 3.
- Delegate authority to the Town Clerk, in consultation with the Chairman and Deputy Chairman, to approve any further changes to the terms of reference in advance of its submission to the Policy and Resources Committee.

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

Members received a report of the Chamberlain relative to the City's Cash financial statements for 2021-22.

The Chamberlain introduced the report, and Members noted the following points:

- There were no significant matters arising from the audit report.
- There were some outstanding queries which the Chamberlain and Crowe were working on

- The financial statements had been delivered one month late. A constructive meeting had been held with Crowe on how to resolve this issue going forward.

A Member said that the statements showed that the City Corporation ran a consistent operating deficit, with a reliance on increased value in capital to remain solvent. They asked if this was a sustainable way to run the organisation. The City Corporation had historically aimed for to break even in income and expenditure, but the significant amount of spend required for the Markets Co-Location Programme and the enabling works required as part of City Corporation's landlord responsibilities for the Museum of London project needed to be drawn down from the balance sheet. The Chamberlain considered this to be a reasonable action when viewed as a going concern. The Finance Committee had responsibility for this strategy, and considered it closely along with the Policy and Resources Committee. The Chamberlain undertook to circulate a paper to that had gone to Policy and Resources in October 2022 which provided an assessment of the affordability of major projects. The Chamberlain said that she felt the most prudent position had been taken.

A Member asked if the risks surrounding this approach were present on the risk register. A Member, also the Deputy Chairman of the Finance Committee, said that the risk was covered by CR35 City Cash. They felt that some reasonably prudent use of capital for expenditure was acceptable, but it was important to remember that there were limits and that the City's finances were in the middle of a pivot from assets providing reasonable returns, to the assets with less predictable returns. They felt that it was important to focus on the serious risk that this created.

The Chairman said that it was likely that the period of extraordinary financial returns was probably coming to an end, and that the risks around City's Cash had not been historically recognised in this context. The Chamberlain replied that the strong performance of the City Corporation's balance sheet provided a starting point for the affordability for the capital spend. It was important to consider how much could be appropriately drawn down, and what it should be used for. For example, the City Corporation had an aging estate which required essential maintenance work, where it would be more expensive in the long run to not spend anything now. The Chamberlain had previously flagged the need for the Court to consider how many years it would take to return to a break even position on City's Cash, which had helped inform the Court's decision in March 2022 to take a medium to long-term view on the finances.

Members noted the highlights of the report from the External Auditors.

The Chairman asked the External Auditors if they were comfortable with the processes surrounding the management override of controls. In reply, officers from Crowe said that they had found the right behaviours in this area.

The Chairman said that it was disappointing to see that several Members of the Court had not completed their related parties declarations. The Chamberlain agreed, and said that there had been IT issues when the request to submit these had gone out to Members. She said it would be helpful to have the backing of the Chairman and the Committee to help encourage Members to complete these. A Member asked if co-opted Members to Committees should also be recorded. The Chamberlain undertook to look into this and provide an answer.

A Member asked why it was not possible to identify the assets and liabilities in the teachers pension scheme. The Chamberlain replied that it was not a scheme administered by the City Corporation.

A Member asked for further information about the resourcing issues in the Chamberlain's Department. The Chamberlain replied that the Department had been a victim of its own success, as accountants within Corporate Accounting had progressed to positions elsewhere in the organisation. This required external recruitment to fill the vacancies. While half of the senior vacancies had been filled, the City Corporation faced a competitive jobs market in this area. Recent departures had pushed the Finance Team into the red risk on knowledge retention, but interim arrangements had been established and supplier expertise brought in.

RESOLVED, that – Members:

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

7. **BRIDGE HOUSE ESTATES ANNUAL REPORT AND FINANCIAL STATEMENTS 2021/22**

Members received a Joint Report of the Bridge House Estates (BHE) & Charities Finance Director (representing The Chamberlain) and the Managing Director, Bridge House Estates relative to the Bridge House Estates Annual Report and Financial Statements for 2021-22.

The BHE & Charities Finance Director reminded Members of the standing reference made to the Audit and Risk Management Committee by the BHE Board to review and recommend the BHE Annual Report and Financial Statements.

Members noted the highlights from the report.

The Chairman asked if BHE was spending more than its income or if it was using its capital appreciation. In reply, the BHE & Charities Finance Director said that the returns BHE received on its financial investments were not split between income and capital growth, with the overall return being added to the balance sheet value of these investments as a result. The financial investments that BHE held were mainly backing its income reserves, the full value of which were available for BHE to spend in line with Charity Commission requirements to utilise income reserves. The current basis on which BHE held investments to support its endowment fund meant that it could not access that capital growth. However, BHE was currently in the final stages of receiving approval to its Supplemental Royal Charter, which would grant it a new power to enable it to access the latter funds. A policy on this will be presented to the BHE Board and the Court of Common Council for approval.

The Chairman said that he would have liked to have seen greater emphasis in the report on the uniqueness of BHE as a charity, and that it is a top ten UK charity by asset value. The BHE & Charities Finance Director responded to say that being in the top ten was not an aim or objective of BHE. She added that BHE's value would reduce as it made further grant commitments. A Member said that while the exact ranking did not matter, it was a way of communicating the size of the charity to outsiders and benchmarking it against other charities. The Chamberlain added that there were different metrics on which BHE's size could be measured. A Member, also Deputy Chairman of the BHE Board, said that he would take the concerns of the Audit and Risk Management Committee back to the BHE Board.

A Member asked if there was any work of BHE that had any impact on or relationship with the Destination City programme. The BHE & Charities Finance Director replied that Tower Bridge had been heavily involved with the Golden Key launch event for Destination City. However, Destination City as a programme did not specifically fit with the objects of BHE, though there may be some areas where the two could work together.

The External Auditors provided Members with an oversight of their work with BHE. It was noted that they had not found any issues.

RESOLVED, that – Members:

- Consider the contents of the audit management report issued by Crowe;
- Recommend approval of the BHE Annual Report and Financial Statements for the year ended 31 March 2022 to the BHE Board; and
- Authorise the Managing Director of BHE and the BHE and Charities Finance Director (representing the Chamberlain), in consultation with the Chair and Deputy Chair of the BHE Board, to approval of any material change to the financial statements required before the signing of the audit opinion by Crowe.

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

Members received a report of the Bridge House Estates and Charities Finance Director (representing the Chamberlain) relative to the Sundry Trusts Annual Report and Financial Statements 2021/22.

RESOLVED, that – Members:

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

9. **CITY FUND AUDIT PROGRESS REPORT AND SECTOR UPDATE**

Members received a report of the External Auditors (Grant Thornton) providing an audit progress report and sector update.

A Member asked if there had been any changes from the approach of the previous External Auditors, and how they intended to use work undertaken by the Internal Audit team. In reply, officers from Grant Thornton said that the significant areas they were looking at were probably similar to those that had been considered by the previous auditor, though some of the methods may vary. They were working carefully with the Internal Audit team to outline their requirements and the nature of their requests. Grant Thornton did not specifically rely on Internal Audit's work, but did review that team's work to inform their risk assessment and planning.

RESOLVED, that – the report be received and its contents noted.

10. **CITY OF LONDON CORPORATION - CITY FUND AUDIT PLAN**

Members received a report of the External Auditors (Grant Thornton) relative to the City Fund audit plan.

The Chairman asked how prevalent fraud at this level was for local authority schemes. In reply, officers from Grant Thornton said that there were two types of fraud: extraction fraud and expenditure fraud. The former, where an individual would defraud the local authority for personal gain, was fairly common but the material scale was relatively low. In contrast, fraudulent recognition of expenditure and manipulation of financial position was unusual in a local authority context, as the nature of their funding and the available reserves meant that slight variances in budget spending were generally not an issue as long as the reserves remained strong. When it was seen, it was normally in local authorities whose reserves were running down. They would not expect to see it in a local authority, and did not expect to see it at the City Corporation.

RESOLVED, that – the report be received and its contents noted.

11. **CITY OF LONDON PENSION FUND - AUDIT PLAN**

Members received a report of the External Auditors (Grant Thornton) relative to the City of London Pension Fund audit plan.

RESOLVED, that – the report be received and its contents noted.

12. **INTERNAL AUDIT UPDATE**

Members received a report of the Chamberlain providing an update on Internal Audit activity.

A Member asked for clarification on what was meant by 'follow-up outcomes in period' on the Internal Audit Dashboard. The Head of Internal Audit said that it related to recommendations on which the Internal Audit team had undertaken follow-up work, and the outcome of testing. They said they could explore methods of sharing the detail of the recommendations with the Committee, perhaps by raising exceptional recommends or areas where they felt it was necessary for the Committee to be alerted. The Member felt that it would be most appropriate for the Committee to be informed on exceptional items.

A Member asked if the Committee would see any summary of what Internal Audit had covered in the year so far, so it could see the bigger picture of the work. In reply, the Head of Internal Audit said that their Annual Report to the Committee would include a 'backward look' of the work done in the year, and undertook to consider how this could be done on a cumulative basis.

A Member asked how long the red recommendations had been outstanding, and if there were any concerns on addressing them. The Head of Internal Audit undertook to address this in his next update to the Committee.

The Chairman asked how the Head of Internal Audit was able to retain a holistic perspective on the overall work of his team. He replied that the report updates he provided to the Committee allowed him a regular chance to assess the work.

The Chairman asked the Head of Internal Audit if they felt there had been a marked change in corporate culture over the last few years in officers receptiveness to the work of Internal Audit. In reply, the Head of Internal Audit said that they felt there was a strong working relationship with colleagues across the organisation. Taking forward an audit review was generally received well. Findings from audit reviews could be challenged and there was sometimes defensiveness from management; this was partly due to the robust nature of their reports. They had never had to escalate an issue around engagement. The Chief Strategy Officer added that they had raised the point on the difference between healthy challenge and constructive dialogue versus unhelpful challenge at the Executive Leadership Board so they could reinforce this distinction with Officers.

RESOLVED, that – the outcomes of the completed Internal Audit work are noted.

13. **RISK MANAGEMENT UPDATE**

Members received a report of the Chief Strategy Officer providing an update on the corporate and top red departmental risk registers.

Members noted that the adverse political development risk had changed, and that this would be picked up at the next Chief Officer Risk Management Group meeting, with the risk owners to return to the next Committee meeting. The Chairman said that was not convinced that the target risk was truly effective considering the political climate and the general election due tin 2024, and felt it was worth further examination.

A Member asked if the new departmental risk BBC Buildings 020 LTHW Pumps should be considered for upgrade to the corporate risk register, given the large financial and reputational risk to the City Corporation and the Barbican Centre if the pumps failed. Officers undertook to investigate and return to the Committee.

At the request of the Chairman, officers undertook to look into whether there should be greater commonality between the departmental risks for the three private schools.

RESOLVED, that – Members note:

- The report and the corporate and top red departmental risk registers outlined in this report.
- The changes to the corporate and the top red departmental risk registers, including:
    - CR10 Adverse Political Developments current risk score has decreased from Amber 12 to Amber 8 (4x2 - impact major, likelihood unlikely). The total number of corporate risks has remained at 14.
    - One risk (BBC Buildings 020 LTHW) has been added to and one risk (COO-MKT-WM 004 Wholesale Markets Traffic Management) de-escalated from the red departmental register. The total number of red departmental risks has therefore remained at 24.
- Following discussion at the Committee meeting in November:
    - Table 3 in this paper now shows risk creation dates and the date risks went onto the corporate risk register as additional background.
    - Work on a new ‘people’ recruitment and retention risk is continuing and will be taken to the next Chief Officer Risk Management Group for review.

14. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
There were no questions.

15. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**
There were no items of other business.

16. **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 the Schedule 12A of the Local Government Act.

17. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**
The non-public minutes of the meeting held on 22 November 2022 were approved as a correct record.

18. **ESTABLISHING A CHARITY RISK MANAGEMENT PROTOCOL**
Members received a report of the Managing Director of Bridge House Estates relative to the Charity Risk Management Protocol.

19. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
There were no questions in the non-public session.

20. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**
There was no items of other business in the non-public session.

The meeting ended at 11.48 am

Chairman

Contact Officer: Ben Dunleavy
ben.dunleavy@cityoflondon.gov.uk

AUDIT AND RISK MANAGEMENT COMMITTEE – Outstanding Actions – January 2023

Items from meeting held 22 November 2023		
ITEM	**Action**	**Officer and target date**
10. Deep Dive Safeguarding	Invite the new Town Clerk to attend a meeting	Town Clerk - tbc
12. Any Other Business	Ensure that existing risk appetite levels are reviewed, along with broader stance on risk appetite and handling moving forwards. Ensure that a section on risk appetite is added to the information in the Annual Governance Statement moving forwards	Chief Strategy Officer – March 2023 Chief Strategy Officer – February 2023
15. Non-public Questions	Arrange for the Commercial Director to attend a meeting to discuss general project governance Update – at item 13 on the agenda	Town Clerk – March 2023

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Audit and Risk Management Committee

Work Programme – Linked to CIPFA Audit Committees Position Statement 2022

Remaining Meetings for 2022/23:

13/03/2023	
Work Item	**Link to CIPFA Position Statement**
External Member reappointment	In relation to audit committee membership and the appointment of co-opted independent Members
Internal Audit Update Report (information) Regular (approx. quarterly) update from the Head of Internal Audit, covering: ▪ key findings from work completed during the period since the last Committee update (including recommendation follow-up) ▪ status update for work in progress ▪ intended programme of work for the period up to the next Committee update	In relation to the authority's internal audit functions: ▪ **oversee its independence, objectivity, performance** and conformance to professional standards ▪ **support effective arrangements for internal audit** ▪ **promote the effective use of internal audit within the assurance framework.**
Internal Audit – External Quality Assessment (information) Report summarising the outcome from the EQA of the Internal Audit Service, assessing conformance to the Public Sector Internal Audit Standards.	In relation to the authority's internal audit functions: ▪ **oversee** its independence, objectivity, performance and **conformance to professional standards** ▪ support effective arrangements for internal audit ▪ promote the effective use of internal audit within the assurance framework.

Corporate Risk In-Depth Review (information) Report of the Head of Internal Audit covering findings from the programme of Corporate Risk Assurance Work undertaken by Internal Audit in consultation with the Corporate Strategy and Performance Team. Corporate Risks are reviewed on a rolling basis as minimum coverage, noting that the sequencing may be determined by proximity of risk, changing risk profile or other relevant factors.	**Consider the effectiveness of the authority's risk management arrangements.** It should understand the risk profile of the organisation and seek assurances that active arrangements are in place on risk-related issues, for both the body and its collaborative arrangements.
Risk Management Update (information) Annexes included: ▪ Full Corporate Risk Register (first meeting of new municipal year) ▪ Summary report of corporate risks ▪ Summary report of red departmental risks	Consider the effectiveness of the authority's risk management arrangements. **It should understand the risk profile of the organisation and seek assurances that active arrangements are in place on risk-related issues, for both the body and its collaborative arrangements.**
External Auditors Annual Report on the City of London Corporation: City Fund Report of the External Auditors providing an interim report for 2021/22.	Contribute to the operation of efficient and effective external audit arrangements, supporting the independence of auditors and promoting audit quality.
Treasury Management Strategy Statement and Annual Investment Strategy 2023/24	Support the maintenance of effective arrangements for financial reporting (The Court of Common Council nominates the Audit and Risk Management Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.)
Project Governance	Support a comprehensive understanding of governance across the organisation

12/05/2023	
Work Item	**Link to CIPFA Position Statement**
Internal Audit Update Report (information) Regular (approx. quarterly) update from the Head of Internal Audit, covering: ▪ key findings from work completed during the period since the last Committee update (including recommendation follow-up) ▪ status update for work in progress ▪ intended programme of work for the period up to the next Committee update	In relation to the authority's internal audit functions: ▪ **oversee its independence, objectivity, performance** and conformance to professional standards ▪ **support effective arrangements for internal audit** ▪ **promote the effective use of internal audit within the assurance framework.**
Counter Fraud and Investigations 12 Month Report (information) Report summarising the outcomes from Counter Fraud and Investigation activity for the 12 months from April to March.	Monitor the effectiveness of the system of internal control, including arrangements for financial management, ensuring value for money, supporting standards and ethics and **managing the authority's exposure to the risks of fraud and corruption**.
Corporate Risk In-Depth Review (information) Report of the Head of Internal Audit covering findings from the programme of Corporate Risk Assurance Work undertaken by Internal Audit in consultation with the Corporate Strategy and Performance Team. Corporate Risks are reviewed on a rolling basis as minimum coverage, noting that the sequencing may be determined by proximity of risk, changing risk profile or other relevant factors.	**Consider the effectiveness of the authority's risk management arrangements.** It should understand the risk profile of the organisation and seek assurances that active arrangements are in place on risk-related issues, for both the body and its collaborative arrangements.

Risk Management Update (information) Annexes included: ▪ Full Corporate Risk Register (first meeting of new municipal year) ▪ Summary report of corporate risks ▪ Summary report of red departmental risks	Consider the effectiveness of the authority's risk management arrangements. **It should understand the risk profile of the organisation and seek assurances that active arrangements are in place on risk-related issues, for both the body and its collaborative arrangements.**
Head of Internal Audit Annual Opinion (information) Annual report of the Head of Internal Audit providing an overall opinion on the adequacy and effectiveness of the Internal Control Environment, Risk Management and Governance arrangements, as required by the Public Sector Internal Audit Standards.	Monitor the effectiveness of the system of internal control, including arrangements for financial management, ensuring value for money, supporting standards and ethics and managing the authority's exposure to the risks of fraud and corruption.
Annual Report of the Committee (decision) To be prepared following a self-evaluation of the effectiveness of the Committee, to be approved by the Committee before presentation to the Court of Common Council.	Report annually on how the committee has complied with the position statement, discharged its responsibilities, and include an assessment of its performance. The report should be available to the public.

10/07/2023	
Work Item	**Link to CIPFA Position Statement**
Internal Audit Update Report (information) Regular (approx. quarterly) update from the Head of Internal Audit, covering: ▪ key findings from work completed during the period since the last Committee update (including recommendation follow-up) ▪ status update for work in progress ▪ intended programme of work for the period up to the next Committee update	In relation to the authority's internal audit functions: ▪ **oversee its independence, objectivity, performance** and conformance to professional standards ▪ **support effective arrangements for internal audit** ▪ **promote the effective use of internal audit within the assurance framework.**
Internal Audit Charter (information) Report of the Head of Internal Audit, setting out the Internal Audit Charter. The Public Sector Internal Audit Standards require an annual review of the Charter.	In relation to the authority's internal audit functions: ▪ **oversee its independence, objectivity**, performance and **conformance to professional standards** ▪ **support effective arrangements for internal audit** ▪ **promote the effective use of internal audit within the assurance framework**.
Corporate Risk In-Depth Review (information) Report of the Head of Internal Audit covering findings from the programme of Corporate Risk Assurance Work undertaken by Internal Audit in consultation with the Corporate Strategy and Performance Team. Corporate Risks are reviewed on a rolling basis as minimum coverage, noting that the sequencing may be determined by proximity of risk, changing risk profile or other relevant factors.	**Consider the effectiveness of the authority's risk management arrangements.** It should understand the risk profile of the organisation and seek assurances that active arrangements are in place on risk-related issues, for both the body and its collaborative arrangements.

Risk Management Update (information) Annexes included: ▪ Corporate Risk register above appetite ▪ Summary report of corporate risks ▪ Summary report of red departmental risks	Consider the effectiveness of the authority's risk management arrangements. **It should understand the risk profile of the organisation and seek assurances that active arrangements are in place on risk-related issues, for both the body and its collaborative arrangements.**
Draft Annual Governance Statement (decision) In accordance with the Accounts and Audit Regulations (2015), the Committee should review and feed into the Annual Governance Statement. Note that this is a requirement only for City Fund activity.	Support a comprehensive understanding of governance across the organisation and among all those charged with governance, fulfilling the principles of good governance.

11/09/2023	
Work Item	**Link to CIPFA Position Statement**
Internal Audit Update Report (information) Regular (approx. quarterly) update from the Head of Internal Audit, covering: ▪ key findings from work completed during the period since the last Committee update (including recommendation follow-up) ▪ status update for work in progress ▪ intended programme of work for the period up to the next Committee update	In relation to the authority's internal audit functions: ▪ **oversee its independence, objectivity, performance** and conformance to professional standards ▪ **support effective arrangements for internal audit** ▪ **promote the effective use of internal audit within the assurance framework.**

Internal Audit Conformance with Public Sector Internal Audit Standards (information) Report of the Head of Internal Audit following completion of an assessment of conformance with the Public Sector Internal Audit Standards, the standards require an annual self-assessment supported by a periodic External Quality Assessment.	In relation to the authority's internal audit functions: ▪ oversee its independence, objectivity, performance and **conformance to professional standards** ▪ support effective arrangements for internal audit ▪ promote the effective use of internal audit within the assurance framework.
Corporate Risk In-Depth Review (information) Report of the Head of Internal Audit covering findings from the programme of Corporate Risk Assurance Work undertaken by Internal Audit in consultation with the Corporate Strategy and Performance Team. Corporate Risks are reviewed on a rolling basis as minimum coverage, noting that the sequencing may be determined by proximity of risk, changing risk profile or other relevant factors.	**Consider the effectiveness of the authority's risk management arrangements.** It should understand the risk profile of the organisation and seek assurances that active arrangements are in place on risk-related issues, for both the body and its collaborative arrangements.
Risk Management Update (information)	Consider the effectiveness of the authority's risk management arrangements. **It should understand the risk profile of the organisation and seek assurances that active arrangements are in place on risk-related issues, for both the body and its collaborative arrangements.**
Counter Fraud and Investigations 6 Month Report (information) Report summarising the outcomes from Counter Fraud and Investigation activity for the 6 months from April to September.	Monitor the effectiveness of the system of internal control, including arrangements for financial management, ensuring value for money, supporting standards and ethics and **managing the authority's exposure to the risks of fraud and corruption**.
Terms of Reference of the Committee (information) Annual review of the Terms of Reference of the Committee, giving due regard to relevant legislation and professional guidance.	Consider the arrangements in place to secure adequate assurance across the body's full range of operations and collaborations with other entities.

Meeting 5 – Suggested timing: December but determined by preparation dates	
Work Item	**Link to CIPFA Position Statement**
Draft Bridge House Estates Accounts (decision) Annual Review of the Financial Statements for the Bridge House Estates.	Be satisfied that the authority's accountability statements, including the annual governance statement, properly reflect the risk environment, and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives. Support the maintenance of effective arrangements for financial reporting and review the statutory statements of account and any reports that accompany them. Consider the opinion, reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control, and monitor management action in response to the issues raised by external audit. Contribute to the operation of efficient and effective external audit arrangements, supporting the independence of auditors and promoting audit quality.
Draft City's Cash Accounts (decision) Annual review of the Financial Statements for City's Cash	
Draft City Fund Accounts (decision) Annual review of the Financial Statements for City Fund	

Auditor's Annual Report on the City of London Corporation: City Fund

2021/22: Interim Report

March 2022

Contents

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Executive summary

Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 2021/22 is the second year of reporting under the current Code. BDO were the Corporation's previous auditors for the City Fund, and made no formal recommendations in their Auditor's Annual Report for 2020/21. 2021/22 is the first year Grant Thornton have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our conclusions are summarised in the table below.

Criteria	Risk assessment	2021/22 Auditor Judgment
Financial sustainability	No risks of significant weakness identified.	No significant weaknesses in arrangements identified, but two improvement recommendations have been made.
Governance	No risks of significant weakness identified.	No significant weaknesses in arrangements identified, but four improvement recommendations have been made.
Improving economy, efficiency and effectiveness	No risks of significant weakness identified.	No significant weaknesses in arrangements identified, but three improvement recommendations have been made.

No significant weaknesses in arrangements identified or improvement recommendation made.

No significant weaknesses in arrangements identified, but improvement recommendations made.

Significant weaknesses in arrangements identified and key recommendations made.

Financial sustainability

We have identified that there were arrangements in place for delivering a balanced budget during 2021/22 and have not identified any significant weaknesses in arrangements to ensure the Corporation manages risks to its financial sustainability. However, there remain significant challenges in closing gaps in the Corporation's MTFS. Like all local authorities, the Corporation is facing significant financial uncertainties. The level of organisational change and savings yet to be delivered is significant. It is essential that the Corporation is able to deliver the planned changes and realise the associated financial benefits to ensure it remains financially sustainable. We have made two improvement recommendations in relation to this.

Governance

We have not identified any areas of significant weakness in the Council's governance arrangements with regard to managing risk, setting ethical standards, internal control and decision making We have made improvement recommendations with regard to internal audit planning and external assessment, effective programme resourcing of the TOM, and promoting the gifts and hospitality policy.

Improving economy, efficiency and effectiveness

We have not identified any areas of significant weakness in arrangements with regard to improving economy, efficiency and effectiveness. We have made improvement recommendations that the Corporation should introduce a consistent approach to the use of unit cost benchmarking, ensure the new Corporate Performance Framework is introduced, and the new ERP system implementation is appropriately resourced and scrutinised.

Opinion on the financial statements and use of auditor's powers

We bring the following matters to your attention:

Opinion on the financial statements

Auditors are required to express an opinion on the financial statements that states whether they : (i) present a true and fair view of the Council's financial position, and (ii) have been prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22

BDO are yet to conclude their audit of the 20/21 City fund and Pension Fund. Our work on the 21/22 Pension Fund is substantially complete. Our work on the City Fund is underway and we will be presenting our findings to date to the Audit and Risk Management Committee on 13 March 2023. Our findings are set out in further detail on page 31.

Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly

We did not issue any Statutory Recommendations.

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Public Interest Report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We did not issue a Public Interest Report.

Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

We did not make any applications to the Court.

Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

We did not issue any Advisory Notices.

Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

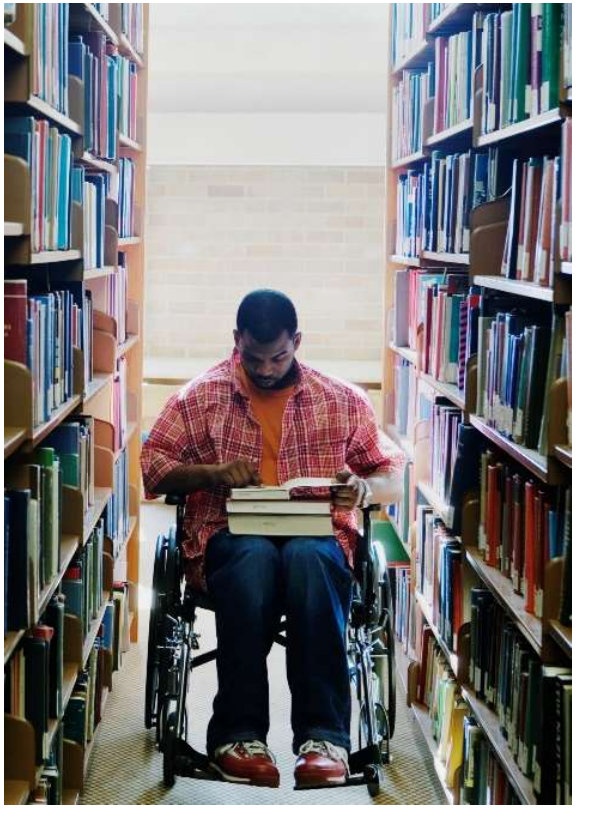
We did not apply for a Judicial Review.

Securing economy, efficiency and effectiveness in the Council's use of resources

All councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



Financial Sustainability

Arrangements for ensuring the council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).

Governance

Arrangements for ensuring that the council makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Council makes decisions based on appropriate information.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Our commentary on the Council's arrangements in each of these three areas, is set out on pages 7 to 30.

Key Committees and Sub-Committee

A note on key committees and sub-committees

There are many committees, sub-committees and boards in place that oversee the work of the Corporation and its various institutions. Those summarised here are ones that have particular relevance to the scope of our VfM work. There are also service based committees such as Community and Children's Services, Culture, Heritage and Libraries, and Corporate Services.

Committee / Board	Key responsibilities
The Court of Common Council	The Corporation's primary decision-making assembly. It is also the Police Authority for the City of London.
Finance Committee	Responsible for ensuring that the Corporation achieves value for money in all its activities.
Policy and Resources Committee	Responsibilities include the Corporation's governance arrangements, recommending its strategic priorities, agreeing policy, allocating overall resources and directing the Corporation's economic development initiatives.
Capital Buildings Board	Responsible for the management and oversight of major capital building projects (i.e. those projects with an estimated budget of £100 million or more) together with other such projects which have been referred to it.
Investment Committee	Responsible for the strategic oversight and monitoring of the performance of the Corporation's investments which are managed through three separate Boards, namely the Financial Investment Board, Property Investment Board and Social Investment Board.
Audit and Risk Management Committee	Oversees the Corporation's systems of internal control and makes recommendations to the Finance Committee relating to the approval of the Annual Statements of Accounts.
Resources Allocation Sub-Committee	Determines resource allocation in accordance with the Corporation's strategies undertaken on behalf of the Policy and Resources Committee.

Committee / Board	Key responsibilities
Independent Panel	An Independent Panel composed of independent persons, to receive allegations of misconduct, determine whether to investigate, present findings to the Court, and hear any appeal.
Efficiency and Performance Sub-Committee (replaced by a working party during 2022/23)	Reporting to Finance Committee, it has responsibility for monitoring and oversight of the Efficiency and Sustainability Plan and of departmental Economy, Efficiency and Effectiveness Health Checks.
City of London Police Authority Board	To make sure the City of London Police runs an effective and efficient service, ensure value for money in the way the police is run, and to set policing priorities taking into account the views of the community.
Operational Property and Projects Sub-Committee	Established in May 2022. Making proposals to the Policy and Resources Committee for projects to be included in capital/supplementary revenue programme, and scrutiny of VfM on all Corporation and City of London Police procurement contracts above agreed thresholds. Prior to this the role was undertaken by three sub-committees: Corporate Assets Sub-Committee, Procurement Sub-Committee and Projects Sub-Committee. The role within key responsibilities was for the Projects Sub Committee to recommend to RASC and scrutinise VFM as noted.

Financial sustainability (1)

We considered how the Council:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

2021/22 Budget

The City Fund 2021/22 budget and Medium-Term Financial Strategy (MTFS) was reported to and agreed by the Court of Common Council on 4 March 2021 following approval of the budget envelopes for service committees made by the Resources Allocation Sub-Committee in December 2020. The medium-term financial position was summarised as follows:

Surplus / (Deficit)	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
City Fund	32.9	-0.1	-16.6	-17.3	-17.1
Fundamental Review Savings	0	0.9	4.7	9.3	11.8
12% Savings	0	7	7	7	7
Social Care Precept	0	0.2	0.2	0.2	0.2
City Fund Forecast Position	32.9	8	-4.7	-0.8	1.9
Contribution to Build Back Better Fund	0	-3.9	-3.1	-5.6	-5.6
City Fund Surplus / (Deficit)	32.9	4.1	-7.8	-6.4	-3.7

Once planned savings and the social care precept (at 3%, council tax was otherwise frozen) were taken into account the City Fund was forecast an £8m surplus for 2021/22, with approximately half of this to be used to contribute to the Corporation's build back better fund, to be used initially to support the Corporation's climate action strategy. The surplus was largely possible due to additional growth to business rate retention income of £27m for the year, following a delay to the government's planned business rates reset.

The City Fund has two key income streams, rental and investment income. Key risks to achieving the 2021/22 surplus were highlighted as being the ongoing impact of Covid-19 including loss of commercial and rental income, and in particular the Barbican Centre, requiring £7m of support for continuing lost income.

Detailed stress testing and scenario analysis was carried out on key income assumptions to assess the overall financial health of the Corporation's City Fund, including more pessimistic assumptions on retained business rates income and rental income. This was mitigated by including an additional £30m in earmarked reserves, which was ringfenced from the major projects reserve as a general risk reserve, with general reserves holding £20m.

Financial sustainability (2)

Budget 2020/21 (Cont'd)

The MTFS also considered medium-term funding and resource pressures and applied a general budgetary reduction of 12% for 2021/22, apart from social care and children's services which applied a 6% budgetary reduction, in order to set a balanced budget. At that time the Corporation had not yet identified savings to meet the full extent of the financial gap across the medium-term and the report noted that further work will be needed to identify savings that meet the full extent of the financial gap over the medium-term.

As well as the 12% budget reduction the MTFS included savings arising from an earlier Fundamental Review of services and which were approved in 2019/20. The 2021/22 budget includes workforce analysis and reflected ongoing structural changes as a result of implementing a new Target Operating Model (TOM) which is due to reshape services and deliver efficiencies and savings that had not concluded during 2020/21. TOM savings contribute to the 12% savings budgetary reduction. We discuss the Corporation's approach to savings later in this section.

Notwithstanding the planned savings the MTFS did not forecast a balanced budget for each of the five years of the medium-term financial strategy, without the use of general fund reserves.

Local government is facing a high degree of uncertainty over its future funding, and the MTFS of the Corporation acknowledged this risk. In particular that the government funding settlement was for only one year (2021/22) and planned government reviews of local government finance may have a detrimental impact on the Corporation's revenue funding, in particular if the Fair Funding Review results in a shift of resources away from London, and if the planned business rates reform removes the Corporation's growth in receipts over the medium term.

Outturn 2021/22

The 2021/22 City Fund outturn position was an overall underspend of £2.9m against a revised budget of £66.3m net expenditure. The revised budget was an increase of £2m (3.1%) compared with the original budget, with the main reasons for this variance relating to the ongoing impact of Covid-19, pension strain and the timing of supplementary revenue projects. The key variances of the outturn when compared to the revised budget related to:

- An increase in insurance commissions, dividend and grant income.
- Delays to IT projects to 2022/23.
- Reducing in income from events as a result of Covid-19 restrictions
- Increase in Town Clerk departmental expenditure due to security requirements and a shortfall in income
- Slippage in cyclical work programmes caused by Covid-19 resulting in reduced expenditure by the City Surveyor's department.

The outturn report noted that whilst departments managed to find the 12% savings targets with one off savings during 2021/22, such as not recruiting to vacant posts, a number of departments still needed to identify permanent savings to meet their 12% target for future years. If they fail to do so, there is a risk that these savings will not be sustainable in the medium-term.

Budget 2022/23

Local government funding uncertainty remained when the Corporation set its budget for 2022/23. The City Fund 2022/23 Budget Report and MTFS was approved by the Court of Common Council on 10 March 2022. The Resource Allocation Sub-Committee advised that 2022/23 should be a year of consolidation to "bed down" the 12% savings and take stock on the planned Fundamental Review savings.

The government had further delayed its planned Business Rates reset to 2023/24, which the Corporation has forecast means that the £27m business rates growth will be retained for 2022/23. The City Fund also benefitted from one-off government funding of £1.88m in 2022/23 and an overall surplus for the City Fund of £10.7m was forecast for the year. However, despite the additional income, the medium-term for City Fund finances, including Police, are described as being on a financial "knife edge" with significant deficits forecast across the remainder of the MTFS as summarised below:

Surplus / (Deficit)	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
City Fund	13.4	10.7	-13.4	-8.5	-4.3
City Fund Police Deficit	0	-3.9	-10.6	-8.4	-10.5
City Fund Surplus / (Deficit)	13.4	6.8	-24	-16.9	-14.8

The City Fund deficit is largely caused by the expected reset in retained business rates growth in 2023/24. The Police deficit is due to increased service demands such as combatting cyber threats, protest activity and combating increasing violence and disorder.

Financial sustainability (3)

Budget 2022/23 (Cont'd)

The financial planning cycle included some sensitivity analysis and "stress testing" of assumptions in particular on pay inflation. However, we were advised that this type of analysis was more limited than in prior years due to a changed risk profile and reduced capacity in the finance team.

Plans to bridge funding gaps and identify achievable savings

As already noted, during 2019/20 a Fundamental Review took place with the aim of aligning spending with the Corporation's Corporate Plan (2018-23) and to strengthen financial discipline at a time of declining financial resources, with the aim of applying these resources more effectively and identifying opportunities to increase income and make savings over the medium term. Savings assumptions were included in the MTFS (2020/21 to 2024/25) however the Resource Allocation Sub-Committee approved the re-phasing of Fundamental Review savings due to the impact of the pandemic during 2020/21.

In addition to the Fundamental Review savings, the Corporation has as already noted incorporated a general budgetary reduction of 12% for 2021/22, apart from social care and children's services which applied a 6% budgetary reduction, in order to set a balanced budget. This budgetary reduction excluded the City of London Police, Guildhall and School of Music and Drama who had their own, separate savings targets of 12%. The intention is that these savings are recurring and they are aligned to the Corporation's move to a new Target Operating Model (TOM). The TOM programme is intended to transform the leadership and organisational structures, and enable the Corporation to become more agile and efficient.

The TOM programme was originally due to completed by the end of March 2022, however, due to the complexity and scale of the programme, the impact of the pandemic, and the need to have new chief officers recruited to posts, it is now anticipated to complete by the end of 2023. No overall costing was made for the new structure to be delivered by the TOM, or where budget would be found beyond absorption into existing funding, or temporary funding through transformation funds. Savings are monitored by departments and whether they are recurring or temporary, but are not split between City Fund and City Cash when being reported.

As at 18 February 2022 a total of £6m net savings had been identified for 2021/22 of which £3.2m were permanent (recurring) savings. As at 31 December 2022 a total of £18.2m savings had been identified for delivery, and £13.8m permanent savings had been delivered, with £4.3m savings identified still to be delivered. There had also been £2.6m of temporary savings delivered, but as they were non-recurring do not feature in the permanent savings delivered total. The budget structure will need to be translated into the new TOM structure during 2022/23, and the Corporation is not able to quantify a permanent split between TOM pay and non-pay savings until all departments transition into their new structure.

During the course of our review we were advised that a resource priorities refresh (RPR) has been instigated during 2022/23 to identify new savings, new sources of income, and reprioritise exiting budgets to Corporation priorities..

Whilst the Corporation has a good track record of delivering to savings targets and balancing its budget, the approach to savings has included the use of unallocated savings lines and the use of non-recuring or one off savings to meet generally applied savings targets. The restructures and associated head count reductions have impacted on some enabling services and the Corporation will need to ensure that there is appropriate capacity in place for the planned changes and associated savings can be delivered.

Improvement recommendation 1: The Corporation must ensure that it identifies outstanding savings targets and delivers permanent savings in line with the Fundamental Review, TOM programme, and the 12% general budgetary reduction.

Medium-Term and Reserves

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. This statement was included in the 2021/22 Budget Report and MTFS. The statement notes that risks have been considered and financial assumptions are prudent, including in relation to income levels. Provision has been made for all known liabilities and indicative costs for capital schemes that have not yet been evaluated, and the financial forecasts are based on the Corporation remaining debt free until such time as borrowing may be needed. Balancing 2022/22 budgets with "one off" measures was seen as providing more time to implement the new TOM and creation of a build back better fund.

Depletion of City Fund reserves is a consideration for the medium-term: although reserve balances were forecast to remain healthy in 2021/22, the potential call on reserves to support revenue and capital expenditure beyond 2021/22 reinforced the need for future savings and income generation.

The Chamberlain 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 2021/22.

The Section 25 report of the Chamberlain in relation to the 2022/23 Budget and MTFS sets out the same position, with the addition that zero-based budgeting is planned to realign existing resources to new corporate priorities.

Financial sustainability (4)

Medium Term and Reserves (cont'd)

The table below summarises the estimated reserve positions as set out in the budget papers for 2021/22 and 2022/23.

Usable Reserves	Estimated Opening Balance 1 April 2021 (£m)	Estimated Closing Balance 31 March 2022 (£m)	Estimated Opening Balance 1 April 2022 (£m)	Estimated Closing Balance 31 March 2023 (£m)
Revenue				
General Fund	20.0	20.0	20.0	20.0
Earmarked	136.4	130.8	198.3	147.1
Housing Revenue Account	- 0.4	- 0.5	0.6	0.8
Total Revenue	**156.0**	**150.3**	**218.9**	**167.9**
Capital				
Capital Receipts Reserve	102.4	73.4	157.1	118.8
Capital Grants Unapplied	20.7	6.6	30.6	19.8
HRA Major Repairs Reserve	0.2	0.2	0.3	0.3
Total Capital	**123.3**	**80.2**	**188.0**	**138.9**
Total Usable Reserves	**279.3**	**230.5**	**406.9**	**306.8**

General Fund reserves are set at £20m and maintained to provide a prudent level of working capital. The most significant element of earmarked reserves is the major project financing reserve with an April 2021 balance of £94.3m which included £30m to mitigate the worst case scenario planning on rental income risks. This £30m was retained in 2022/23 with the position to be reassessed in December 2023.

Organisational Resilience

As noted previously in this section, the Corporation has been taking considerable steps in delivering two key change programmes to generate savings and manage medium-term funding gaps:

- Fundamental Review: to strengthen financial discipline at a time of declining financial resources, with the aim of applying these resources more effectively and identifying opportunities to increase income and make savings over the medium term.
- TOM programme to transform the leadership and organisational structures, generate savings, and enable the Corporation to become more agile and efficient.

The senior leadership of the Corporation are consistent in their financial sustainability messages, such as "the financial envelope is the financial envelope". However, whilst transformation in some services has been delivered at considerable speed, neither programme has yet been fully implemented and both have experienced delays. The TOM programme is contributing to the 12% general budgetary reductions and is largely concerned with reducing the Corporation's headcount. Whilst the Corporation is taking action to ensure its medium-term financial sustainability, we note that in some cases the approach is "top slicing" or "salami slicing" of budgets used historically appears to be at odds with the stated aim of better aligning resources to the Corporations strategic priorities. The Corporation has recognised the need for resource alignment, which forms part of the RPR. Departments and services have not in all case been able to identify required savings, with unidentified savings lines in some budgets, utilising temporary measures such as not recruiting to vacant posts.

Notwithstanding the above, the Corporation has introduced additional measures such as the resource priorities refresh (RPR) during 2022/23 to identify new savings, new sources of income and to reprioritise resources to corporate priorities. Plans had been considered to undertake a zero based budgeting exercise to align resources to strategic priorities which we understand are no longer progressing. As already noted, the Resource Allocation Sub-Committee advised that 2022/23 should be a year of consolidation to "bed down" the 12% savings and take stock on the planned Fundamental Review savings.

The Corporation has already recognised that some key enabling services, such as HR and IT, have required re-investment in capacity alongside TOM restructuring and our work has identified potential capacity constraints in other enabling services, alongside recruitment and retention challenges that local government and other sectors and industries are currently facing. The Corporation has commissioned an external review of grades, pay, terms and conditions, to take a more systematic approach to an emerging trend of paying market supplements to attract staff to certain roles. In addition the TOM programme and resultant loss of some employees creates a risk to maintaining corporate knowledge.

It will be critical that the Corporation maintains its organisational resilience so that it is able to fully deliver the planned transformation programmes and associated savings, conclude its review of operational property, and realise the strategic objectives of all these changes, and ensure medium-term financial sustainability.

Improvement recommendation 2: The Corporation should consider how it can better align the increasing number of programmes and initiatives that are designed to improve financial sustainability, and ensure that it retains the capacity to deliver overall savings targets.

Financial sustainability (5)

Capital Programme and Treasury Management

The City Fund 2021/22 budget and Medium-Term Financial Strategy (MTFS) agreed by the Court of Common Council on 4 March 2021 included the Corporation's Capital Strategy, Treasury Management Statement and Investment Strategy.

The Capital Strategy (2021/22 to 2024/25) is an overarching document which sets the policy framework for the development, management and monitoring of capital investment. The strategy was developed in line with the Prudential Code, focuses on core principles that underpin the Corporation's capital programme, is integrated with the MTFS, and aligns with the priorities set out in the Corporation's Corporate Plan and other key strategy documents such as those covering the investment in estates.

A key consideration of the Capital Strategy is the affordability of the capital programme in terms of the MTFS. The commissioning and procuring for capital schemes should comply with the requirements set out in the Corporation's Standing Orders, Financial Regulations and Procurement Code.

The capital programme was summarised as follows:

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	Later Years £m	Total £m
City Fund	123.9	245.1	233.7	232.5	176.2	84.4	1,095.8

The two major capital projects relating to the City Fund (and also City Cash) are the Museum of London relocation and the Salisbury Square Development. For the City Fund, the Corporation planned to utilise its temporary cash balances in lieu of external borrowing to fund capital expenditure. A programme of property disposals was planned to fund the City Fund major projects in preference to external borrowing. The updated capital strategy for 2022/23 to 2025/26 included an additional major capital project relating to the City Fund: Barbican Centre renewal.

The Strategy notes that these present a significant challenge to the finances of the organisation, requiring a step change in the previously debt-free status of City's Cash and possibly City Fund. The revenue impact of interest payable on external borrowing results in significant revenue pressures, together with the additional statutory City Fund requirement for a Minimum Revenue Provision (MRP) towards the repayment of principal if City Fund were to borrow. The final decision on progression of the major projects is based on the business cases and identification of a sustainable funding strategy. The updated Capital Strategy for 2022/23 to 2025/26 has removed the risk of City Fund losing debt-free status.

An Asset Management Service Board Review (AMSBR) has been undertaken to review the Corporation's operational estate. The recommendations of the AMSBR have been incorporated in the Corporate Property Asset Management Strategy and led to the development of individual Asset Management Plans. The intention is to better align Asset Management Plans with the business planning cycle, and with other strategies such as workforce, capital and investment. There are plans to facilitate a detailed 'Asset Challenge' to ensure targeted investment in operational assets that are fit for purpose. This was ongoing at the time of our review, and should also provide a means for identifying underutilised assets to be considered for alternative use or disposal.

An Operational Property Review is also ongoing, overseen by the Operational Property and Projects Sub-Committee, which first met in May 2022, to improve the consistency of property related information and support prioritisation of asset related expenditure and ensuring appropriate funding is in place to maintain the Corporation's operational assets. This forms part of the RPR previously mentioned.

The Treasury Management Statement and Investment Strategy sets out how the Corporation's cash flow is adequately planned with surplus monies to be invested in low risk counterparties or instruments in line with the Corporation's low risk appetite. The strategy also sets out the approach to the funding of capital expenditure, including any internal borrowing needs, and ensure the Corporation can meet its longer-term cash flow planning and capital spending obligations. The strategy is compliant with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management as revised in November 2017.

The City Fund has a positive Capital Financing Requirement (CFR). The CFR is the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. The City Fund had no external debt, and is maintaining an under-borrowed position which is forecast to increase. This means that the capital borrowing need is being managed within internal resources. The strategy notes this approach is prudent because it helps the City Fund to minimise borrowing costs in the near term and because it leads to lower investment balances which reduces counterparty risk. Against these advantages the Corporation is conscious of the increased exposure to interest rate risk that is inherent in internal borrowing, and so caution will be adopted by treasury operations. The Chamberlain monitors interest rates in financial markets and adopts a pragmatic approach to changing circumstances.

Financial sustainability (6)

Capital Programme and Treasury Management (Cont'd)

During Autumn 2022 the Corporation reviewed its capital programme to ensure appropriate funding was available, in particular in light of significant inflation impacting on construction related expenditure. This has been reported to the Resources Allocation Sub-Committee, who have prioritised funding allocations and made decisions on whether to pause or stop some capital projects. During 2023/24 the Corporation plans to not take on any new capital project bids to prioritise delivery of already approved projects.

We have not identified any significant weaknesses in relation to the Corporation's capital programme and treasury management arrangements.

Conclusion

In conclusion, we have identified that there were arrangements in place for delivering a balanced budget during 2021/22 and have not identified any significant weaknesses in arrangements to ensure the Corporation manages risks to its financial sustainability.

However, there remain significant challenges in closing gaps in the Corporation's MTFS. Like all local authorities, the Corporation is facing significant financial uncertainties. The level of organisational change and savings yet to be delivered is significant. It is essential that the Corporation is able to deliver the planned changes and realise the associated financial benefits to ensure it remains financially sustainable.

We have made two improvement recommendations set out on the following pages.

Improvement recommendations

Financial sustainability

Recommendation 1	The Corporation must ensure that it identifies outstanding savings targets and delivers permanent savings in line with the Fundamental Review, TOM programme, and the 12% general budgetary reduction.
Why/impact	The criticality of achieving savings plan targets to meet the MTFS funding gap.
Summary findings	The MTFS does not currently balance across the medium-term without the use of reserves. There have been delays in implementing the Fundamental Review and TOM programme and it is critical that the Corporation is able to identify and deliver permanent savings to the values agreed so that financial sustainability, along with the strategic objectives of the changes are realised.
Management Comments	The Corporation is committed to delivering the flight path savings already planned. This includes ensuring year on year permanent savings are delivered. Furthermore, the Resource Planning Refresh workstreams will look to either create headroom for new pressures, increase untapped income generation opportunities, and make savings through the operational property review.

The range of recommendations that external auditors can make is explained in Appendix B

Improvement recommendations

Financial sustainability

Recommendation 2	The Corporation should consider how it can better align the increasing number of programmes and initiatives that are designed to improve financial sustainability, and ensure that it retains the capacity to deliver overall savings targets.
Why/impact	New savings related initiatives are being introduced when existing savings programmes have not been fully delivered.
Summary findings	There are a number of savings targets in the MTFS (Fundamental Review, TOM and 12% budgetary reductions) that are at varying stages of delivery. Alongside this newer initiatives are being introduced such as the resource priorities refresh and zero based budgeting. There is a risk that in having multiple programmes and initiatives they will not be aligned , focus will be lost, which will adversely impact on the ability of the Corporation to meet the strategic objectives of the change programmes and achieve financial sustainability.
Management Comments	The Corporation's focus is to ensure the existing planned savings are delivered first and foremost. Where Fundamental Review savings are planned across the MTFP and unidentified savings are yet to be achieved, Chief Officers are being challenged through member led bilateral meetings and officer led star chambers to ensure these are prioritised and to ensure there is a departmental plan to deliver against these. Unseen/unavoidable/new pressures aligned to the new corporate prioritise still need to be addressed. This is led through the RPR. The Chamberlain and Financial Services Director is working closely with the Chief Strategy Officer and her team to ensure savings already embedded are addressed in the first instance.

The range of recommendations that external auditors can make is explained in Appendix B

Governance (1)

We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

Risk Management

The Risk Management Policy and Strategy was endorsed by the Audit & Risk Management Committee (A&RMC) in May 2021. The Committee provides assurance to the Corporation's highest decision making body, the Court of Common Council, on the effectiveness and management of strategic and operational risks facing the Corporation. The Corporation's risk appetite seeks to minimise taking any unnecessary risks and to reduce risk to an acceptable level to a public body and is defined as "the amount of risk and organisation is willing to accept"

The strategy sets out the framework by which risks is managed at all levels of the organisation with a clear allocation of roles and responsibilities for all members and officers of the Corporation.

We note that as part of the drive to strengthen its risk management process, which has been led by the Chairman of A&RMC, and to embed its risk management culture throughout the Corporation oversight of risk management moved on 1 April 2022 from the Internal Audit Team to the Corporate Strategy and Performance Team under the new Chief Strategy Officer (CSO). This was in line with the TOM changes to introduce an integrated approach to corporate strategy, planning, risk management and performance. The CSO also oversees the preparation of the Annual Governance Statement (AGS).

The Risk Management Strategy clearly outlines the risk management roles and responsibilities; a summary overview of Risk Management Responsibilities is included in the strategy along with individuals roles and responsibilities

The Corporation's risks, including strategic risks, are recorded in the Corporation's electronic risk management system in line with the risk management framework.

A&RMC has undertaken nine informal risk management challenge sessions across all Corporation activities (not just the City Fund) and deep dives into corporate risks to review risks and mitigations, which is an example of effective challenge from elected members. We have not identified any significant weaknesses in relation to risk management arrangements.

Internal Audit and Internal Control

The Corporation has approved and adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government. The governance framework comprises the systems and processes by which the Corporation is directed and controlled. The system of internal control is a significant part of that framework and is designed to manage all risk to a reasonable level.

The code of corporate governance covers both the local authority and police authority roles of the Corporation, and links together a framework of policies and procedures, including standing orders, financial regulations, scheme of delegation, members code of conduct and a code of conduct for employees.

The Corporation has an in-house internal audit function in place to monitor and assess the effective operation of internal controls. The work of Internal Audit, Counter Fraud and Investigation team is overseen by the A&RMC which receives monthly updates on the progress of intermetal audit reviews. The 2021/22 Internal Audit Plan was agreed by this committee in January 2021. However, our review has identified that, although the Corporation had a Internal Audit Plan for the start of the 2021/22 year this was not fully delivered. However, we recognise that internal audit plans can change and need to take account of emerging risk, priorities and resources available.

Governance (2)

Internal Audit and Internal Control (Cont'd)

The A&RMC also considered Internal Audit's Annual Report on the 2021/22 in May 2022. The Head of Internal Audit's overall opinion was that, for the areas reviewed during the year, the Corporation had 'adequate and effective systems of internal control in place to manage the achievement of its objectives.'

The delivery of the audit plan was adapted during the year to reflect that the Internal Audit function was working with a reduced level of resources due to the changes resulting from the TOM programme, which resulted in three auditor posts being deleted, reducing capacity of the team. At the time of our review, the post of Principle Auditor was still vacant. Assurance was given by the Head on Internal Audit in the 2021/22 Annual Internal Audit Report to A&RCM that this did not impact on the ability to provide an annual opinion.

Improvement recommendation 3: The Corporation should consider developing a formal risk based approach to its programme of Internal Audit work at the start of the year when formalising the annual internal audit plan to ensure that key risk areas are reviewed and there is high level oversight of its planned reviews.

The report presented to A&RMC in May 2022 showed that 36 final Internal Audit reports were issued during 2021/22, covering Finance, Key Systems, IT, Major Programmes, Risk Management, Safety Management, Social Care, Corporate Priorities and Grants. Overall, the report states that four internal audit reviews returned limited assurance ratings, and we note that management accepted and had responded to the recommendations made in the action plan for each service.

The internal audit function is bound by the Public Sector Internal Audit Standards (PSIAS) to ensure they operate effectively and provide a quality service. PSIAS require that compliance with its provisions is externally assessed every five years. The last review for compliance against the internal audit standards was completed in 2017/18, and confirmed the service complied with requirements. Since that time annual self-assessments, consistent with PSIAS also confirmed ongoing compliance. However, the planned external assessment which was due to take place during quarter one of 2022/23 has been deferred to quarter one of 2023/23, dependent on the availability of the external reviewer.

Improvement recommendation 4: The Corporation should prioritise undertaking the External Quality Assessment in 2022/23 against the Public Sector Internal Audit Standards so that compliance is confirmed and any improvements are identified.

The Internal Audit Counter Fraud and Investigation team is responsible for the investigation of allegations of fraud and corruption. The Corporation has an Anti-Fraud and Corruption Strategy which is available from the Corporation's website. The strategy dates to 2019 and outlines the Corporation's commitment to minimising the risk of loss to the organisation resulting from fraud and corruption originating both internally and externally.

The Strategy is designed to encourage prevention, promote detection, ensure effective investigation where suspected fraud or corruption has occurred and prosecute offenders where appropriate. Ownership of this Strategy and corporate oversight for fraud and irregularity is maintained by the A&RMC. The Committee received six monthly fraud update reports, regarding the investigation caseload and details of proactive anti-fraud activities planned and undertaken. Employees of the Corporation are expected to be aware of and understand the City's rules and regulations and have a duty to report their concerns when they suspect a fraud or irregularity.

The Strategy was due to be formally reviewed in 2022/23 but we note that due to other priorities a formal review will now take place during 2023/24. The annual report of the Anti Fraud and Investigations service was presented to A&RMC in May 2022. In total, 31 investigations were completed during 2021/22. There was an increase in cases relating to social housing fraud within the year due to the relaxion of lockdown rules and investigation officers were able to conduct their on site investigation activity.

The Corporation is committed to maintaining the highest standards from both members and officers and any fraud or whistleblowing complaints and concerns raised are taken seriously and investigated. Internal Audit is responsible for maintaining a confidential and secure register of all concerns raised through the Whistleblowing Policy which was reviewed in March 2022. We note that during 2021/22, there were six whistleblowing referrals in accordance with the policy, four were concluded during 2021/22 and two cases were concluded in May and September 2022 respectively. The four concluded cases were referred by Internal Audit to relevant line management, for example one being a complaint about a potential health and safety breach. The one which was concluded in May 2022 involved a review relating to a breach of the Procurement Code. No specific action was required to the Code as the review found that the incident related to how the code was implemented by the officer concerned.

Governance (3)

Internal Audit and Internal Control (Cont'd)

The Fraud team's mid-year report to A&RMC reported that in the first half of 2022/23 there was one disclosure relating to a whistleblowing allegation of a breach of the Corporation's gifts and hospitality policy. The case was investigated and this confirmed two officers had been in breach of the policy. In one case this was due to unfamiliarity with the policy, and the other due to difficulty accessing the necessary form on the intranet due to it being password protected. The gifts and hospitality policy is managed by HR, declaration forms to register gifts and hospitality are password protected on the intranet so that only nominated users have access. We note that internal audit did not carry out any further work on the arrangements of accessing the gifts and hospitality on-line declaration forms. The promotion of key code of conduct policies, such as that relating to gifts and hospitality, could improve awareness and compliance.

Improvement recommendation 5: The Corporation should ensure that all staff are aware of the requirements of the Gifts & Hospitality policy, and have access to declaring gifts and hospitality, and consider the delivery of refresher training.

The A&RMC oversees the Corporation's systems of internal control. Our review of ARMC papers indicated that there was often detailed challenge by members on key areas such as the Corporation's Governance Review proposals.

The A&RMC met six times during 2021/22, and attendance of permanent committee members was high over this period. Members of this Committee come from a range of backgrounds and experience, and provide technical and professional expertise. The Committee is comprised of thirteen members and three external representatives who are non-members of the Court of Common Council and have no voting rights. The external representatives bring significant experience and expertise to the Committee and provides an appropriate level of challenge.

Members of A&MRC seek additional assurances, such as through specific deep dives of corporate risks of which eight were considered by the A&RMC during 21/22, for example on the Information Management Programme, Climate Action Strategy, Safeguarding Risk and Resilience Risk.

To help support effective decision making, the Corporations Risk Management Policy and Strategy is presented to the A&RMC on an annual basis for review and endorsement.

The 2021/22 AGS has been prepared to reflect CIFPA's AGS evaluation criteria and comparable local authority AGSs have been reviewed, to benchmark the quality and presentation of the Corporation's AGS. This was undertaken on the recommendation of members following their review of the prior year AGS.

Our review of the 2021/22 AGS does not highlight any significant weaknesses in governance arrangements. However, we have identified three improvement recommendations which are set out on pages 20 to 22.

Informed Decision Making

The Corporation's decision making arrangements operate on a committee-based system. The Court of the Common Council is the primary decision-making body of the Corporation and membership is non-party political, which is unique in local government. Members are elected by the wards of the City every four years.

Corporate Plans are in place for the City Fund (Corporate Plan 2018-23) and City Police (City of London Police Corporate Plan 2018-23) which set out the respective visions of the two bodies and the framework for the delivery of strategic priorities. The Corporate Plan sets out twelve key outcomes under the key focus areas of: contributing to a flourishing society, shaping outstanding environments and supporting a thriving economy.

The City Corporation has approved and adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government.

In carrying out our work and through discussions with senior officers we are not aware of any instances of decision making that is unlawful or of non-compliance with the Constitution or regulatory standards.

In September 2019 the Policy and Resources Committee proposed undertaking a comprehensive review of the Corporation's governance arrangements. This review was undertaken by Lord Lisvane who reported in February 2020. The Court of Common Council agreed initial changes resulting from this review in December 2021 which created a revised committee structure including an Independent Panel, a Competitiveness Advisory Board and an Emergency Committee. The implementation of the Lisvane review is ongoing and should the Corporation approve all the proposals identified by the review the overall number of bodies within the formal committee structure would reduced from the 135 to 78.

We have not found any significant weaknesses in relation to informed decision making, but note that following the Lisvane review, there is ongoing debate in the Corporation about the number of committees, sub-committees and boards, with a particular focus on the role of members, levels of delegated authority, and the potential for greater empowerment of senior officers to improve their effectiveness. This will be a policy decision for the Corporation.

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Governance (4)

Appropriate Standards

The Corporation has in place Member and Officer Protocols alongside Member and Employee Codes of Conduct, which aim to promote high standards of governance and ethical behaviour. The Corporation's Codes of Conduct are clearly set out, and are accessible to members and officers, and to the public via the Corporation's website. The Code of Conduct was last reviewed in June 2020 and is due to next be reviewed during 2023-24.

The Lisvane review included a recommendation to abolish the Standards Committee and Standards Appeals Committee, which the Corporation approved. The functions of these committees were replaced by an Independent Panel made up of nine independent persons who consider any complaints relating to breaches of the members code of conduct any resulting recommendations are automatically referred to the Court of Common Council.

The Independent Persons do not have a decision making role but have a delegated authority to present to Court certain recommendations of the Panel.

We have not found any significant weaknesses in the arrangements in place to ensure appropriate standards are upheld and are appropriately managed.

TOM Programme Governance

Governance for the TOM programme, which is the principal organisational transformation activity being delivered by the Corporation, is based on two officer committees. The TOM Steering Group was established to define the scope of the programme. The TOM Design Advisory Board (DAB) manages day-to-day governance of the programme. The DAB's role includes confirming that proposals meet agreed design principles, and assurances that savings proposed are appropriately categorised.

Member governance of the programme has taken place in three stages:

- Approval of organisation design principles and the officer governance approach (in early 2021).
- Reporting to individual Committees responsible for departments and institutions, with final approval of proposals being made by the Corporate Services Committee.
- Finance Committee and Corporate Services Committee monitoring the achievement of TOM savings and the impact of the changes.

The programme has been sequenced to focus initially on the restructure of the top two tiers of officers, which was largely completed by Summer 2021.. The chief officers then progressed the wider TOM restructure of services and enabling functions.

The culture and people workstreams have been deferred until restructuring has concluded, due to the complex nature of developing and implementing the TOM across the Corporation and a limitation of resources in HR and in the TOM programme team. The TOM programme team was disbanded when funding ceased at the end of March 2022 despite TOM work still ongoing.

Following the restructuring of top tier officer roles, an Executive Leadership Board (ELB) was established as the senior officer leadership group for the Corporation, with membership comprised of the Town Clerk and Chief Executive, Chief Officers and institutional heads. A new Town Clerk and Chief Executive started in role during early February 2023.

A Senior Leaders Forum (SLF) was established at the same time as ELB to provide a quarterly forum for tier one and two officers, including those within institutions. Its strategic intentions were to connect leaders across the Corporation and enable communication on plans across the organisation, and to help shape strategy, initiatives and decisions before these are escalated to ELB. A number of sessions had taken place by summer 2022, at which stage the SLF was paused and a review is underway to improve and refine how this group operates.

Improvement recommendation 6: Given the importance of the TOM programme to the Corporation and it's ongoing implementation, the Corporation should consider reinstating the TOM programme team to provide appropriate capacity and co-ordination of the programme.

Capital Programme

The Corporation has a significant and ambitious capital programme and oversight for this is shared between the Capital Building Board, the Resources Allocation Sub-Committee and the Operational Property and Projects Sub-Committee. At the time of our work these arrangements were under review. The Resources Allocation Sub-Committee monitors all approved and centrally funded capital expenditure and releases funding in line with a gateway approval process. The Operational Property and Projects Sub-Committee has oversight of all business as usual (BAU) capital programmes regardless of funding. The Capital Buildings Board monitors spend in relation to major capital projects – those with spend of over £100m alongside any other projects which have been referred to it. The Court of Common Council approves all capital projects, based on the recommendations of the Policy and Resources Committee.

Two major projects were ongoing during 2021/22 relating to the City Fund and City Cash:

- The Salisbury Square development: the creation of new police and courts head quarters.
- The Museum of London relocation

Governance (5)

Capital Programme (Cont'd)

The Capital Buildings Board also has oversight of major capital projects relating exclusively to City Cash, including the markets relocation project and the Guildhall redevelopment.

A new major capital project relating to City Fund was included within the MTFP 2022/23, subject to business case approval for Barbican Centre renewal.

The Capital Buildings Board is moving to a more frequent cycle of meetings – from bi-monthly to monthly, to allow for more timely decision making.

We have not found any significant weaknesses in the governance arrangements in place for the capital programme.

City of London Police IT Service

The Corporation provides IT services to the City of London Police delivered via a combination of directly employed staff, and in partnership with Agilisys and a number of other third party contractors. An Internal Audit review was undertaken in December 2021 to examine the controls in place which found that there was no Service Level Agreement or shared service agreement in place. In addition, the review found that there is an absence of clear arrangements for monitoring the performance and service delivery of the IT provision between the two bodies. We note that arrangements, in the form of an action plan, have been put in place to respond to the recommendations.

Data Security

Seventy-six data breaches were reported to the Corporation's Compliance Team during 201/22. Of these:

- Sixty-six were caused as a result of human error. This could have included leaving personal data in an unsecure location, or sending personal data to an incorrect recipient or including personal data in excess of what is needed.
- Five breaches were caused as a result of a technical issue.
- The other breaches were highlighted as a result of issues experienced by third party companies who process personal data either on behalf of or in relation to the Corporation.

Of these breaches two incidents were reported to the Information Commissioner's Office (ICO). In both cases the ICO was satisfied with the actions the Corporation had taken and no further actions were required.

Budget Setting and Monitoring

The financial planning cycle for 2021/22 included a series of bilateral meetings where the Chairs of the Policy and Resources and Finance Committees, their deputies, the Chamberlain, Town Clerk, and Financial Services Director met with chief officers and the relevant Committee Chair to discuss their financial plans, and scrutinise and challenge growth assumptions and savings opportunities. There was a particular focus on high risk spending departments.

There was a Resources Allocation Sub-Committee away day to work through financial planning options, before the draft budget was finalised and the MTFS was presented to the Resources Allocation Sub-Committee, then Finance Committee, before being presented and approved by the Court of Common Council.

During the year representatives of the finance team in the Chamberlain's department meet with chief officers to review their progress on identifying and delivering savings and delivering annual budgets. Budget monitoring reports are reviewed each quarter by the Finance Committee and relevant departmental committees.

A protocol is in place that means any year-end overspends by a department need to be met within following year budgets, unless an exception is approved by the Chamberlain in consultation with the Chair and Deputy Chair of the Resources Allocation Sub-Committee. (who are the Chairs of the Policy and Resources and Finance Committees). A similar protocol applies to carrying forward year-end underspends.

Conclusion

Overall, we found no evidence of significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks. We have made four improvement recommendations which is set out on the following pages.

Improvement recommendations

Governance

Recommendation 3	The Corporation should consider developing a formal risk based approach to its programme of Internal Audit work at the start of the year when formalising the annual internal audit plan to ensure that key risk areas are reviewed and there is high level oversight of its planned reviews.
Why/impact	Having a formal internal audit plan based on the level of resources the internal audit function has at the start of the financial year would ensure that the Corporation has assurance that the planned work would be delivered.
Summary findings	The Internal Audit Plan defines the level of work that is to be carried out throughout the year. These plans can be flexible and subject to change within the year due to competing priorities, we note that the Corporation had changed its internal audit plan in 21/22 due to limited resources and priority was given to those reviews which would directly inform the annual opinion.
Management Comments	A formal process for developing the programme of Internal Audit work is in place. Whilst the standards require planning at least on an annual basis, we operate an ongoing approach to planning (minimum of 3 months with Audit and Risk Management Committee receiving this forward look within every internal audit update, which is sometimes as often as every 2 months). In practice the internal audit team are reviewing the programme of work on a weekly basis which aligns with guidance from the professional institute.

The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

Governance

Recommendation 4	The Corporation should prioritise undertaking the completion of the External Quality Assessment in 22/23 against the Public Sector Internal Audit Standards so that improvements can be identified and implemented in a timely manner.
Why/impact	The last external assessment was undertaken in 2017-18 by the Corporation.External assurances provide a view on and recommendations for improvements that ensure Internal Audit, and the Corporation committees, continue to be effective in their role.
Summary findings	An external assessment against the standards must be completed at least every five years and the Corporation has deferred this assessment from 22/23 to the following year due to resource issues.
Management Comments	Completion of the EQA already is a priority. The assessment will be completed in Q1 of 2023/24.

The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

Governance

Recommendation 5	The Corporation should ensure staff are aware of the requirements of the Gifts & Hospitality policy and consider rolling out specific refresher training.
Why/impact	The Corporations Code of Conduct polices which includes both Members and Officers Gifts & Hospitality Policy requires that staff act with integrity and honesty and awareness of these policies are crucial to demonstrate that there are effective governance arrangements in place.
Summary findings	The mid year Fraud investigation that came through the Corporations Whistleblowing Channel concluded that the two staff involved were unaware on how to register the hospitality event they were offered.
Management Comments	The Deputy Town Clerk is happy to support a new initiative that supports the awareness of the Gifts and Hospitality policy across staff and members. We will work with HR to make the declaration user friendly and look into training options.

The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

Governance

Recommendation 6	Given the importance of the TOM programme to the Corporation and it's ongoing implementation, the Corporation should consider reinstating the TOM programme team to provide appropriate capacity and co-ordination of the programme.
Why/impact	The TOM programme is intended to transform the leadership and organisational structures, and enable the Corporation to become more agile and efficient. It remains a key transformation and savings programme. A lack of central programme resource puts successful conclusion of the programme at risk.
Summary findings	The TOM programme team was disbanded when funding ceased at the end of March 2022 despite TOM programme work still ongoing.
Management Comments	The TOM programme is reaching the end of its structural redesign activity and implementation. Members have agreed to close the TOM programme in summer 2023 recognising that some of the structural changes, albeit agreed, will continue to be implemented to the end of 2023. The focus on culture and transformational change is growing in momentum through (amongst other initiatives), the People Strategy and development of a corporate vision and values, led by the new Town Clerk. Additional resourcing of the TOM would be more effectively deployed in to delivering activity in these areas that are now key to delivering long-term organisational change, efficiency and effectiveness.

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The range of recommendations that external auditors can make is explained in Appendix B.

Improving economy, efficiency and effectiveness (1)

Page 48

We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

Performance Management

In March 2022 the Executive Leadership Board agreed to refocus previous activity on its Corporate Performance Framework (CPF) that had been put on hold due to an internal review. The review found that the performance indicators then in place may be of value to some areas of the organisation where they relate to specific work programmes. However, collectively they fell short of providing overarching strategic performance indicators for the Corporation. The CPF lacked any way of delivering strategic oversight of organisational activity and it didn't provide a means of visualising organisational activity or progress over time.

The Corporation recognise that a shift is needed towards performance indicators focussed on outcomes which need to be SMART (specific, measurable, achievable, relevant and timebound) and performance data should be presented in a more visualised way to make it more accessible and better inform strategic decision making. The updated CPF will be designed for continuous improvement, with ongoing feedback on content encouraged. This work is being developed in tandem with the new Corporate Plan to ensure alignment of performance with the Corporation's strategic priorities.

Our work identified that there is a recognition to improve performance information within the Corporation, with plans to develop this during 2023/24.

Improvement recommendation 7: The Corporation should ensure that the proposed redesign of the Corporate Performance Framework includes key performance indicators in alignment with the objectives of the Corporate Plan.

Use of Financial and Performance Information

The Efficiency and Performance Sub-Committee reports to the Finance Committee and has responsibility for monitoring and oversight of the Efficiency and Sustainability Plan and of departmental Economy, Efficiency and Effectiveness (EEE) health checks. The role of the Sub-Committee is designed to help embed a VFM culture within the Corporation's business planning processes and periodically review the performance of each Chief Officer. The Sub-Committee was established in April 2011 and last met in February 2022, with four subsequent meetings being cancelled. During 2022/23 it was agreed by the Finance Committee that the sub-committee would be replaced by a working group consisting members of the Finance Committee and senior officers.

A series of deep dives, were undertaken relating to individual departments and were reported to the Efficiency and Performance Sub-Committee in February 2022. These included progress on both the Fundamental Review and Target Operating Model savings. In total eight deep dive reviews were undertaken, considering how efficiently departments are performing and how risks are being managed.

The deep dive report relating to the Chamberlain's Department noted plans to upskill finance staff to increase strategic and professional impact and present financial data in more visual and less tabular format.

Financial performance is a standing agenda item on chief officer monthly meetings, and departmental and service committees receive quarterly financial performance updates as do the Resources Allocation Sub-Committee and Finance Committee.

Improving economy, efficiency and effectiveness (2)

Use of Financial and Performance Information (cont'd)

The May 2022 Finance Committee received an update on the Chamberlain's Business Plan which set out Key Performance Indicators (KPIs) relating to 2021/22:

- At the end of 2021/22 the level of business rates collected was 95% compared to 94% in 2020/21 and 97% in 2019/20.
- Council Tax collection had an in-year collection rate of 96% compared to 94% in 2020/21 and 98% in 2019/20.
- Commercial rent collection was 84% for the year compared to the 98% pre-pandemic target.

The report noted the ongoing impact of the pandemic on income collection rates, and that whilst not yet back to pre-pandemic levels, the rates for 2021/22 were better than anticipated.

The new Chief Strategy Officer is developing an improved range of KPIs, recognising inconsistencies across the Corporation, which will include a review of data sources available and business intelligence capabilities to analyse data. The new ERP system, which is discussed separately in this section, is anticipated to provide improved management information, for example on people related data.

Qualitative sources of performance data are used by some services, such as feedback from resident forums.

Benchmarking data is not used comprehensively across the Corporation, and there was a consensus from senior stakeholders we met during our review that benchmarking could be better used to identifying areas of improvement. Where benchmarking is used data relating to non-local authorities is sought, for example private sector legal costs to compare against the Corporation's legal services costs, and benchmarking the Barbican with other arts centres.

We have undertaken our own financial benchmarking using 2020/21 Revenue Outturn (RO) and 2022/23 Revenue Account (RA) data, which is the most recently available at the time of our review. We compared the Corporation's unit costs to its ten statistical nearest neighbours. The Corporation's unit costs benchmarks very high for the following service blocks when compared to the benchmark group: environment and regulatory services, planning and development services, housing services, children's social care, adult social care, public health, cultural and related services, and central services. These variation may be because of different policy choices or due to differences economies of scale due to the statistical nearest neighbours being London borough councils.

The Corporation should consider such benchmarking and satisfy itself on whether there is any learning from others, due for example to different delivery models in use, or more generally if there are opportunities to support the identification of efficiencies or service improvement.

Improvement recommendation 8: The Corporation should review the position to determine if there is potential for efficiencies within these service blocks, or if they are comfortable with the comparative unit costs due to variations in statistical nearest neighbours' priorities, as part of their acknowledged interest in the greater use of benchmarking.

New ERP System

The Corporation is introducing a new Enterprise and Resource Planning (ERP) system, with the business case being approved during 2020. The new system will replace the current HR, payroll and finance systems (Midland HR and Oracle) with a single ERP solution for the Corporation and its institutional departments. The new system should improve financial and related reporting information, and remove current work around solutions. The new system, importantly, will support the organisational culture and behaviour changes aligned to the new TOM, including greater agility in the provision of financial insight and advice.

The Society for Innovation, Technology and Modernisation (SOCITM) has been engaged to provide support to the design of the new system. Following the design stage there was a pause in project delivery to ensure key roles were filled, including a programme director, to review assumptions in the original business case in light of changed economic circumstances, and to review the system design to ensure it was aligned to the TOM and supported planned service transformation.

A Steering Group has been established with members appointed from key committees to provide oversight of a Project Board. A go live date for the introduction of the new system has not yet been confirmed and at the time of our review the procurement stage was underway.

The implementation of a new ERP system is costly, complex and time consuming. Delivered successfully it will help enable the Corporation's TOM programme benefits realisation, improve financial reporting information, remove duplication and introduce more standardised processes. It will also enable a cultural change with services moving towards greater "self-service" requiring effective budget management skills, whilst enabling services will change from their current role, to provide more strategic and targeted advice and support to services, including Finance Business Partners.

Improvement recommendation 9: The Corporation must ensure that it continues to provide appropriate capacity, skills, and oversight to the implementation of the new ERP system to ensure it's delivery realises the anticipated organisational benefits.

Improving economy, efficiency and effectiveness (3)

External regulators

The most recent Ofsted inspection of Children's Services was undertaken in March 2020 and the Corporation received Outstanding judgments for:

- The impact of leaders on social work practice with children and families.
- The experiences and progress of children in care and care leavers.

A judgement of Good was received for the experiences and progress of children who need help and protection. The Children's Social Care and Early Help Service Development plan for 2202/23 sets out progress on the Ofsted findings noting that the actions put in place have all been completed.

We have reviewed the annual letter from the Local Government and Social Care Ombudsman for 201/22, which showed that in 100% of cases the Ombudsman was satisfied the Corporation had successfully implemented their recommendations.

Procurement

From April 2021 the Chief Operating Officer took over responsibility from the Chamberlain's department as the central service for the Corporation's procurement operations and is responsible for City Procurement. The Operational Property and Projects Sub-Committee is responsible for overseeing the performance and development of City Procurement. However, major decisions regarding policy and financial approval will be referred to the Policy and Resources, the Court of Common Council or other Committees for approval wherever necessary. The Strategic Resources Group and Senior Officer Board oversees procurement performance and policy development.

The Corporation's procurement code is supported by the a procurement strategy with the strategy being seen as a key driver to enhance the Corporation's access to more commercial opportunities to meet the Corporation's ambitious plans to "maintain London's position as a globally renowned centre for financial and professional services, commerce and culture by developing a range of major capital investments that will enhance the Square Mile's reputation and role."

The current City Procurement Strategy 2020-2024 has been developed to be aligned to the outcome of the Fundamental Reviews and the Corporate Plan. It was approved prior to the introduction of the TOM programme. The strategy sets out four key targeted outcomes with an ambition for the Corporation to become "best in class" in procurement provision. The targeted outcomes are:

- Key people across the organisation are upskilled in commercialism, contract management and procurement.
- Sustainable cost assurance is guaranteed for the future,
- Opportunities to leverage responsible outcomes are maximised.
- Services provide what is needed and are easy to use, via an enhanced self-service offering and a streamlined and more timely processes.

The procurement code and strategy are supported by a set of policies and procedures included in the Corporation's Financial Regulations, Standing Orders, Project Procedures, and Scheme of Delegation.

A whistleblowing incident reported in 2021/22 confirmed a breach the Procurement Code but there was no evidence to support claims that this was a one-off failure of controls.

Overall, we have not identified any significant weaknesses in procurement arrangements and there is no evidence of the Corporation failing to operate a fair procurement exercise for a significant contract.

Organisational Capabilities

As already noted, the Corporation recognises the need to improve business intelligence skills and capabilities to support plans for improving corporate KPIs and the new ERP system should provide improved financial management information.

The Fit for the Future programme in the Chamberlain's department is designed to improve the skills, experience and capacity of the finance team so that it is better able to meet finance business partner requirements in supporting organisational transformation and provide the necessary project and commercial advice. The capital team are currently working with an external provider who are providing skills transfer in relation to major projects.

It is also recognised that service departments need to be more consistent in their project management and financial management capabilities, and the latter will be particularly important once the new ERP system is in place. We have already made an improvement recommendation in relation to the new ERP system.

Improving economy, efficiency and effectiveness (4)

Key partnerships

Beyond the Corporation's statutory duties, it is also responsible for a wide portfolio of work and institutions both inside and outside the "square mile" of the City of London. The Corporation:

- oversees a number of City of London institutions such as the Guildhall School of Music, the Barbican Centre and three independent schools.
- is responsible for the management of public spaces such as Hampstead Heath and Epping Forest, a number of markets (Billingsgate, Smithfield and New Spitalfields) and housing and schools outside of the Corporation's boundary.
- is also responsible for the City of London Police and has a key role in promoting the City of London internationally.

Not all these institutions and responsibilities relate to the City Fund.

The City of London Police worked in partnership with the then Clinical Commissioning Group and the NHS during 2021/22 to provide a Mental Health Street Triage service, a service that has been in operation since 2017. The 2021/22 City of London Police annual report noted that during the year the service had helped to avoid 77% of police encounters ending in a detention under the Mental Health Act. Positive engagement with people in mental health crisis after initial police contact was trialled over a twelve month period which significantly reduced return rates of persons in distress.

Overall, we have not identified any significant weaknesses in arrangements relating to key partnerships.

Conclusion

Overall, we found no evidence of any significant weaknesses in the Council's arrangements for improving economy, efficiency and effectiveness. We have made three improvement recommendations which are set out on the following pages.

Improvement recommendations

Improving economy, efficiency and effectiveness

Recommendation 7	The Corporation should ensure that the proposed redesign of the Corporate Performance Framework includes key performance indicators in alignment with the objectives of the Corporate Plan.
Why/impact	The new Corporate Performance Framework is being updated to ensure that the Corporation's performance can be measured against its strategic priorities with a focus on key outcomes.
Summary findings	The Corporation has recognised that a shift is needed towards performance indicators focussed on outcomes which need to be SMART (specific, measurable, achievable, relevant and timebound) and performance data should be presented in a more visualised way to make it more accessible and better inform strategic decision making.
Management Comments	The Corporate Performance Framework needs to work effectively across all levels of the organisation, using management information, key corporate data and contextual analysis. As part of the Corporate Plan refresh, lessons have been learnt on measuring outcomes from the previous Corporate Plan and activity is taking place to improve management information systems and data capture, so that the new corporate plan will include clear, measurable outcomes and targets.

The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

Improving economy, efficiency and effectiveness

Recommendation 8	The Corporation should review its unit cost benchmarking position to determine if there is potential for efficiencies within these service blocks, or if they are comfortable with the comparative unit costs due to variations in statistical nearest neighbours' priorities, as part of their acknowledged interest in the greater use of benchmarking.
Why/impact	Learning from other councils by using unit cost benchmarking may help identify new areas for efficiencies/ savings or improving service delivery.
Summary findings	The Corporation does not use financial benchmarking consistently and it is accepted that this position needs to change.
Management Comments	The Corporate Performance Framework needs to work effectively across all levels of the organisation, using management information, key corporate data and contextual analysis. As part of the Corporate Plan refresh, lessons have been learnt on measuring outcomes from the previous Corporate Plan and activity is taking place to improve management information systems and data capture, so that the new corporate plan will include clear, measurable outcomes and targets.

The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

Improving economy, efficiency and effectiveness

Recommendation 9	The Corporation must ensure that it continues to provide appropriate capacity, skills, and oversight to the implementation of the new ERP system, to ensure it's delivery realises the anticipated organisational benefits.
Why/impact	The new ERP system will be complex to deliver but is critical to improving financial and other management information. Appropriate capacity and skills must be made available to maximise a successful implementation and ensure appropriate scrutiny.
Summary findings	The implementation of a new ERP system is costly, complex and time consuming. Delivered successfully it will help enable the Corporation's TOM programme benefits realisation, improve financial reporting information, remove duplication and introduce more standardised processes. It will also require a cultural change across the organisation.
Management Comments	One of the reasons for pausing the ERP programme in the first instance was due to staff shortage and has been added to the programme's Risk Register which is regularly monitored by the Programme Board. The Corporation understands appropriate capacity and skills is needed and will continue to have this high on the agenda.

The range of recommendations that external auditors can make is explained in Appendix B.

Opinion on the financial statements

Audit opinion on the financial statements

BDO LLP are yet to give an opinion on the 2020/21 City Fund accounts and Pension Fund. We have commenced work on the 2021/22 accounts and have largely progressed the Pension Fund audit. A sperate report on this will be provided to the Audit and Risk Management Committee. Work on the City Fund audit is also well underway and a progress update will be provided to the Committee.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. This work includes performing specified procedures under group audit instructions issued by the National Audit Office. This work has yet to commence.

Preparation of the accounts

The Corporation provided a good set of draft accounts after the national deadline in line with a number of other authorities due to capacity constraints. This did not prove to be a significant issue as the audit work on 2020/21 was still underway.

Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair.
- Prepared in accordance with relevant accounting standards.
- Prepared in accordance with relevant UK legislation.

Appendices

Appendix A – Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Corporation's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Corporation will no longer be provided.

The Corporation is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Appendix B – An explanatory note on recommendations

A range of different recommendations can be raised by the Corporation's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	No	N/A
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	Pages 13-14, 20-23 & 28-30.

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Committee(s)	Dated:
Audit and Risk Management Committee	13/03/2023
Subject: Internal Audit Update	**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: Matt Lock	

Summary

This report provides an update on Internal Audit activity since the last update provided to the January meeting of this Committee. The report summarises work completed up to 22 February 2023; 4 substantive Internal Audit reviews have been completed. Work is in progress at various stages for 11 Audit reviews.

Follow-up reviews have been undertaken in respect of 2 Audits.

Recommendation(s)

Members are asked to:

- Note the outcomes of completed Internal Audit work

Main Report

Background

1. This report provides an update on the work of Internal Audit since the January Committee, specifically, an overview of the outcomes from completed Internal Audit reviews.

Work Completed Since the November Committee Update

2. Final Audit Reports have been issued in respect of 4 Audit Reviews since the last update to this Committee, 1 Moderate and 3 Limited Assurance opinions were provided. The overall outcomes from the recently completed Audit reviews are summarised in the following table, with further information provided in relation to the Limited Assurance opinions:

		Recommendations Made		
Audit Assignment	**Assurance Rating**	**Red**	**Amber**	**Green**
Chief Operating Officer - Compliance with Corporate Project Management Procedure	Limited	2	0	0
Guildhall School - P-Card Compliance Checks	Moderate			
Corporate Health and Safety – Second Line of Defence Barbican Estate - Key Controls	Limited Limited			

Compliance with Corporate Project Management Procedure:

3. The purpose of the audit was to provide assurance that recent amendments to delegated approval thresholds (to the City Surveyor) have not adversely impacted compliance with the (Corporate) City of London Project Procedure. The review focussed on:

   - Establishing current delegated approval thresholds
   - Examination of a sample of sub £5m Investment Property Group (IPG) projects to establish compliance with the Project Procedure
   - Assessment of the effectiveness of the approval and authorisation given under delegated authority in ensuring compliance with the City of London Project Procedure.

4. The review found that the delegated authority had, incorrectly, been interpreted as authority to dispense with the City of London Project Procedure the consequence of which is non-conformance, hence the Limited Assurance opinion. It should be noted that there have only been two projects initiated under this delegated authority and, as a result of the Internal Audit, expectations have now been clarified and are understood by all relevant parties. The impact of this Limited Assurance opinion on the Head of Internal Audit opinion on the adequacy of the overall control environment is negligible, although this does indicate weaknesses in the relation to project and programme oversight at a corporate level.

Corporate Health and Safety – Second Line of Defence

5. The purpose of the audit was to obtain assurance that adequate arrangements exist in relation to second line of defence activity, specifically that relevant functions:

   - Seek assurance that operational health and safety risks are being appropriately identified, assessed, recorded, monitored and escalated to the Health and Safety Committee for corporate attention
   - Monitor the extent to which health and safety risks escalated for corporate attention are being managed effectively
   - Provide assurance to the City's executive leadership team and Members on the extent to which the health and safety risk management framework is operating effectively

6. The audit confirmed that there is no effective second line of defence in operation in respect of health and safety assurance, undermining the ability to ensure that a safe and healthy workplace is in place. A Limited Assurance opinion has been provided in respect of the arrangements in practice.

7. A number of opportunities to strengthen the second line arrangements had been identified by management prior to the review and Internal Audit established that range of measures are being implemented to address these, for example development of a new Corporate Health and Safety Business Plan and updating Member and Officer governance arrangements. Whilst assurance cannot be provided that the second line activities in operation adequately support effective risk management, Internal Audit considers that the new designs represent an appropriate response to issues raised and that this is focused on addressing the fundamental gaps and inefficiencies.

8. Recommendations have been made to further strengthen the second line of defence. As part of its rolling programme of assurance work in respect of Health and Safety, Internal Audit will undertake a review in 2023-24 to evaluate the impact of implementation of the proposed second line of defence designs.

9. Internal Audit has also undertaken an in depth review of the management of Corporate Health, Safety and Wellbeing Risk (CR09), identifying clear opportunities for improvement; the findings of this review are also reported to this Committee as a separate agenda item (**Corporate Risk – Deep Dive Review: CR09 Health, Safety and Wellbeing**).

<u>Barbican Estate – Key Controls</u>

10. This Internal Audit was undertaken at the request of the Department of Community and Children's Services Senior Leadership Team, the purpose of the review was to assess the adequacy of the controls (in terms of both design and application) in respect of the following:

    - Management of overtime, including the arrangements for fair allocation of overtime and robust review and approval of hours claimed
    - Arrangements for engaging agency staff, including timesheet approval
    - Stores and car park lettings administration to maximise receipt of income
    - Inventory, stock control, ordering, issuing and general management of the cleaning material store to ensure the effective use of resources and minimise the risk of loss or theft

11. The audit confirmed that, despite considerable efforts being made in some areas to follow set processes and maintain records and management information in respect of activities, the controls within these processes are largely ineffective. Fundamental weaknesses exist in all areas examined which serve to undermine efficient service delivery and there are indications that this may be negatively impacting working culture and staff morale.

12. The Leadership Team are working with a third-party organisation to review the service operating model, the issues raised by Internal Audit will be considered as part of this process. A follow-up review will be completed in due course to reassess the control environment.

13. A summary the Internal Audit work recently completed and in progress is included as Appendix 1 to this report. This includes information in relation to the overall status of Internal Audit recommendations made. The dashboard also incorporates a statement as to the overall opinion on the adequacy of the internal control environment based on work completed, at present, it is the Head of Internal Audit's opinion that, overall, this is adequate, although 2nd line assurance activity needs strengthening.

14. The Committee previously asked to see more information in relation to the cumulative outcomes of completed Internal Audit work, the forward programme of planned activity and analysis in relation to open Audit recommendations, this is also shown in Appendix 1 as an extension to the Internal Audit Dashboard.

Corporate & Strategic Implications

15. The work of Internal Audit is designed to provide assurance as to the adequacy of the City of London Corporation's systems of internal control and governance. This programme of activity is aligned with the Corporate Plan, Corporate Risk Register and Departmental Top Risks.

Conclusion

16. While Internal Audit work identifies areas for improvement within the systems and processes examined, the findings of Audit work have been well received by Management and appropriate actions have been identified to resolve the control weaknesses raised.

Appendices

- Appendix1 – Internal Audit Dashboard

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Internal Audit Dashboard

Indicative Overall Assurance Opinion: Internal control environment is considered overall to be adequate, 2nd line activity needs strengthening

Work completed since last Committee Update

Final Audit Reports Issued

Chief Operating Officer	Compliance with Corporate Project Management Procedure	Limited Assurance
Guildhall School	P-Card Compliance Checks	Moderate Assurance
Corporate Health and Safety	Second Line of Defence	Limited Assurance
Barbican Estate	Key Controls	Limited Assurance

Follow-up Reviews: **2**

Committee Updates: **5**

Corporate Risk Assurance:
CR09 – Health, Safety and Wellbeing

Audit Reviews in Progress:

- City of London Freemen's School – Key Controls
- Guildhall School – Safeguarding
- Corporate Wide – Purchase Order Compliance
- Corporate Wide – Modern Slavery
- Data Protection – Second Line of Defence Activity
- Corporate Wide – IT Provision – Gaps and Duplication
- Town Clerk's - Electoral Services
- City of London Police – Premises Expenditure
- City of London School – Key Controls
- City of London School for Girls – Key Controls
- City Junior School – Key Controls

Follow-up outcomes in period

Total Recommendations Reviewed: 5	
5 Implemented	0 Outstanding

All Open Recommendations: 83

11 Red	50 Amber	9 Green

Date Prepared: 21/02/2023

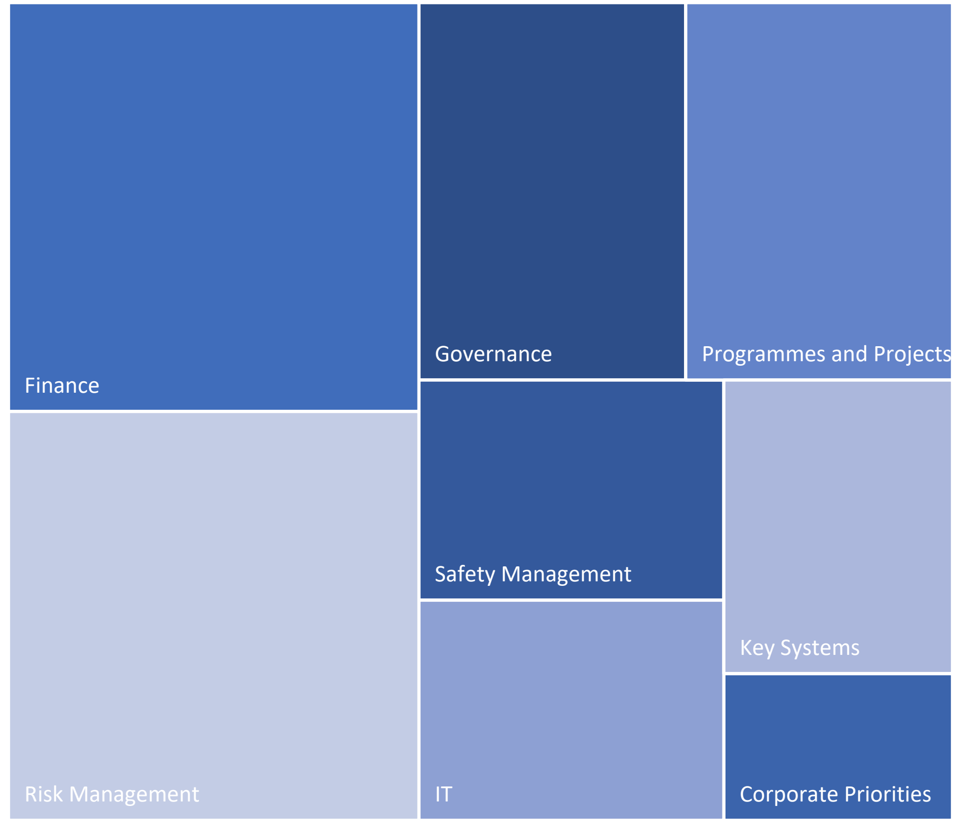
Cumulative Dashboard (from 01/04/2022)

Assurance Ratings Provided

Recommendations Raised: 68

Corporate Risk Assurance Reviews:
CR09 – Health, Safety and Wellbeing
CR29 – Information Management
CR17 – Safeguarding
CR02 - Loss of Business Support for the City
CR10 - Adverse Political Developments

Distribution of Assurance Work



Follow-up Reviews Completed: **53**

Committee Updates Provided: **25**

Internal Audit Forward Programme of work

Short-term/work nearing completion

- City of London Freemen's School – Key Controls
- Guildhall School – Safeguarding
- Corporate Wide – Purchase Order Compliance
- Corporate Wide – Modern Slavery
- Data Protection – Second Line of Defence Activity

Approx 2 weeks work

Medium-term/work in progress

- Corporate Wide – IT Provision – Gaps and Duplication
- Town Clerk's - Electoral Services
- City of London Police – Premises Expenditure
- The Aldgate School – Key Controls
- City of London School – Key Controls
- City of London School for Girls – Key Controls
- City Junior School – Key Controls
- Guildhall School – UUK Compliance
- Guildhall School – Grant Validation
- Corporate Risk Assurance Work
- City of London Police - Employees

Estimated for completion in March, April and May 2023

Approx 3 months work

Intended Audit Reviews

- Town Clerk's – Member Expenses
- Planning – Governance Arrangements
- Corporate Risk Assurance Work
- City of London Police:
  - Key Financial Controls
  - Income Generation and Income Collection
  - FoI Request Management
- Barbican and Guildhall School Alliance
- Barbican Centre:
  - EDI
  - Culture/Visitor Experience
  - Programming
- Guildhall School:
  - Medium Term Financial Planning
  - Savings Plans/Budget Management
- Corporate – P-card Compliance
- Corporate – Accounts Receivable
- Libraries – Key Controls
- Corporate - Payroll Compliance

Minimum 6 months work

Internal Audit Recommendation Analysis

83 Open Recommendations (note this includes 9 recommendations in relation to a 3rd party review of Safeguarding Governance Arrangements, currently at 1st Follow-up stage

Breakdown of open recommendations

Follow-up not yet due: 25		
5 Red	18 Amber	2 Green

1st follow-up completed: 30		
6 Red	20 Amber	4 Green

2nd follow-up completed: 12		
0 Red	5 Amber	7 Green

3rd follow-up completed: 7		
0 Red	7 Amber	0 Green

A schedule of all outstanding recommendations can be accessed here: outstanding recommendations

Aged Analysis:

Year	Number of Outstanding Recommendations	Number of Audit Reviews
2018-19	9	1
2019-20	5	2
2020-21	26	7
2021-22	11	5
2022-23	32	9
Total	83	

Committee(s): Audit and Risk Management Committee	Dated: 13/03/2023
Subject: Risk Management Update	**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/A**
If so, how much?	**N/A**
What is the source of Funding?	**N/A**
Has this Funding Source been agreed with the Chamberlain's Department?	**N/A**
Report of: Chief Strategy Officer	**For Information**
Report author: Tabitha Swann, Head of Corporate Strategy and Standards	

Summary

This report provides the Committee with an update on the corporate and top red departmental risk registers since last reported to the Committee in January 2023. Further details can be found in the appendices listed at the end of this report.

Recommendation

Members are asked to note:

- The report and the corporate and top red departmental risk registers outlined in this report, including the changes to the registers as follows:

    - The number of corporate risks has increased by one to 15 with the addition of a new corporate risk **CR39 Recruitment and Retention** (risk rating of Red 16, 4x4 - impact major, likelihood likely).

    - **CR36 Protective Security** has reduced its risk rating from red to amber (Amber 12, 4x3 - impact major, likelihood possible).

    - The number of red departmental risks has increased by one to 25 with the addition of five risks to the register since the last written update and the de-escalation of four risks to amber (details in the report below).

Main Report

Background

1. The corporate and red departmental risks are reported to this Committee on a quarterly basis to enable the Committee to exercise its role in the monitoring and oversight of risk management within the City of London Corporation (CoLC).

2. The corporate and red departmental risk registers were reviewed by the Chief Officers Risk Management Group on 27 February 2023 as Senior Officers accountable for CoLC risk management actions, decisions and outcomes. The Executive Leadership Board was subsequently briefed on 28 February 2023.

Current Position

All Risks

3. Table 1 below shows the overall number and risk ratings of all risks recorded on the Pentana Risk system as of 27 February 2023 compared with 3 January 2023 (the figures last seen by the Committee).

Risk rating (RAG)	**Feb 2023**	Jan 2023	**Difference**
Red	**69**	71	-2
Amber	**265**	254	+11
Green	**122**	131	-9
Total	**456**	456	0

Table 1: February 2023: Overall Risk Numbers by RAG Rating on Pentana

4. Table 2 below shows the breakdown of the rated red, amber and green risks by risk level as of 27 February 2023 compared to 3 January 2023.

Risk rating	**Red**		**Amber**		**Green**	
Risk level	**Feb 2023**	Jan 2023	**Feb 2023**	Jan 2023	**Feb 2023**	Jan 2023
Corporate	5	5	10	9	0	0
Departmental	25	24	87	80	22	25
Service	39	42	168	165	99	105
Team	0	0	0	0	0	0
PPM	0	0	0	0	1	1
Total	69	71	265	254	122	131
Difference	-2		+11		-9	

Table 2: February 2023: Breakdown of RAG Risks by Risk Level

Corporate Risks

5. There are currently 15 corporate risks on the corporate risk register (5x Red, 10x Amber). This is an increase of one due to the addition of the new ‘people’ risk **CR39 Recruitment and Retention** (attached at Appendix 1) which has gone onto the register as a red risk (Red 16, 4x4 - impact major, likelihood likely).

6. **CR36 Protective Security** has reduced its rating from Red 16 to Amber 12 (4x3 - impact major, likelihood possible). This reflects work across all the mitigating actions and a positive audit by Counter Terrorism Security Advisors (CTSA).

7. The highest scoring corporate risks (all at Red 24, 8x3 - impact extreme, likelihood possible) are:

- CR16 Information Security[1]
- CR35 Unsustainable Medium-Term finances - City Fund
- CR38 Unsustainable Medium-Term finances - City's Cash

8. Attached to this paper at Appendix 2 is the corporate risk register showing the eight risks above appetite. This is an increase of one since January due to the addition of CR39 Recruitment and Retention.

9. Table 3 below shows a summary of all CoLC corporate risks at the end of February 2023.

Risk code	Risk title	Current Risk Score	Risk Score Indicator	Trend Icon	Flight path	Risk creation date (Pentana)	Risk added to CR register (year)
CR16	Information Security (formerly CHB IT 030)	24				10-May-2019	Pre-Pentana (2014)
CR35	Unsustainable Medium Term Finances - City Fund	24				19-Jun-2020	2020
CR38	Unsustainable Medium Term Finances - City's Cash	24				31-Oct-2022	2022
CR37	Maintenance and renewal of Physical Assets-Investment property and Corporate (operational) property (excl housing assets)	16				04-Nov-2019	2022
CR39	Recruitment and Retention	16				21-Feb-2023	2023
CR01	Resilience Risk	12				20-Mar-2015	Pre-Pentana (2014)
CR02	Loss of Business Support for the City	12				22-Sep-2014	Pre-Pentana (2014)
CR21	Air Quality	12				07-Oct-2015	2015
CR29	Information Management	12				08-Apr-2019	2019
CR30	Climate Action	12				07-Oct-2019	2019
CR33	Major Capital Schemes	12				14-Feb-2020	2020
CR36	Protective Security	12				10-Jan-2022	2022
CR09	Health Safety and Wellbeing Risk (Management System)	8				22-Sep-2014	Pre-Pentana (2014)
CR10	Adverse Political Developments	8				22-Sep-2014	Pre-Pentana (2014)
CR17	Safeguarding	8				22-Sep-2014	Pre-Pentana (2014)

Table 3: February 2023: List of Current Corporate Risks by Current Risk Score.

10. The RAG matrices below show the distribution of corporate risks as of 27 February (Table 4) and 3 January 2023 (Table 5):

	Minor	Serious	Major	Extreme
Likely			2	
Possible			7	3
Unlikely			2	

	Minor	Serious	Major	Extreme
Likely			2	
Possible			6	3
Unlikely			2	

[1] The increase in the CR16 risk rating was reported to the Committee in November 2022 when the impact changed from major to extreme as a result of lessons learnt from the Hackney cyber-attack incident (which cost over £12M and took more than a year to remediate). Mitigating actions are being carried out and continue to be regularly reviewed.

Rare				1

Table 4: Feb 2023 Corporate Risk Heatmap

Rare				1

Table 5: Jan 2023 Corporate Risk Heatmap

Red Departmental Risks

11. There are currently 25 departmental red risks, an increase of one since the last report to the Committee. A summary of the top red departmental risks can be found at Appendix 3.

12. Five risks have been added to the red departmental register and four risks de-escalated to amber.

The following risks have been added:

- **CHB 001 Chamberlain's department transformation and knowledge transfer** - escalated from amber on 11 January and briefed to Committee verbally at their January meeting. The risk is scored at Red 16 (4x4 - impact major, likelihood likely).
- **GSMD CROSCH 012 Failure to invest in the renewal of buildings and estate infrastructure** - escalated to Red 24 (8x3 – impact extreme, likelihood possible) on 23 January and reassessed at Red 32 (8x4 - impact extreme, likelihood likely) on 3 February.
- **TC PA 03 Fraud and Cyber Crime Reporting and Analysis Service (FCCRAS) Procurement -** added to the register in December and captured within Pentana reporting in February. The risk is scored at Red 24 (8x3 – impact extreme, likelihood possible). There is a similar red risk on the City of London Police risk register. Work is underway to ensure that there is no unnecessary duplication and that the risk is being appropriately managed.
- **BBC Buildgs 027 Failure to Invest in the Renewal of Buildings and Estates Infrastructure** – a new risk created on 6 February and scored at Red 24 (8x3 – impact extreme, likelihood possible).
- **BBC Buildgs 028 Insufficient Staffing Levels to Cover Safety** - a new risk created on 8 February and scored at Red 16 (4x4 – impact major, likelihood likely).

The risk de-escalated to amber are:

- SUR SMT 007 Energy Pricing
- CLSG-03 Failure to recruit and retain high quality teaching and support staff
- CLSG-04 Failure of child protection procedures
- CLS-OPS-002 Cyber Security

13. The red risks carried by the City of London School (CLS), City of London School for Girls (CLSG) and City of London Freemen's School (CLF) - and how these are identified and mitigated against - were raised at the Committee meeting in January. CLS and CLSG, together with the City Junior School (CJS), operate a shared service for their risk management. The CLS/CLSG changes above are a result of the most recent review of their risk registers. Although CLF does not participate in this shared service, the four schools are alert to each other's risks

and consider how they might usefully interact on these, noting that they do operate in slightly different markets.

14. The following two risks are the highest rated departmental risks with current risk scores of 32 (8x4 - impact extreme, likelihood likely).

- GSMD CROSCH 012 Failure to invest in the renewal of buildings and estate infrastructure – escalated to the red risk register on 23 January and assessed at 8x4 Red 32 on 3 February.
- GSMD SUS 001 Inability to invest in new infrastructure and teaching spaces - increased from 4x4 Red 16 to 8x4 Red 32 in January.

15. There are a number of risks relating to estates management and infrastructure on the red departmental risk register (one of which, BBC Buildgs 020 LTHW Pumps, was raised at the January Committee meeting). These risks were considered at the Chief Officer Risk Management Group (CORMG) meetings in January and February to ensure that they were being managed appropriately and at the right level (departmental or corporate). The CORMG agreed that the existing corporate risk relating to CoLC operational property - CR37 Maintenance and Renewal of Physical Assets – investment property and corporate (operational) property (excluding housing assets) - should be redrafted so that it effectively covered the estates/infrastructure risks being raised by Barbican Centre and Guildhall School of Music and Drama (GSMD).

16. CR37 is ‘owned’ by the City Surveyor and he is meeting with the Chief Executive of the Barbican Centre and the Principal of GSMD to discuss the handling of their risks, the mitigating actions and his oversight role in this as Head of Profession for Facilities and Estates Management across City Corporation. More widely, the role of Heads of Profession in relation to risk management was covered at the Executive Leadership Board in February, with agreement that they should set the direction for their respective area(s) of responsibility.[2]

17. CORMG also looked at risks relating to residential property risks, which fall outside CR37. Additional review work is being undertaken on these and CORMG will consider this issue again at their next meeting in March.

Corporate & Strategic Implications

Strategic implications – Reporting in line with CoLC Corporate Risk Management Strategy.

Financial implications – None applicable

Resource implications – None applicable

Legal implications - None applicable

Risk implications – None applicable

Equalities implications – None applicable

[2] Heads of Profession (HoP) were created under the Target Operating Model. There are currently 18 HoPs; further work is ongoing to develop these roles.

Climate implications – None applicable

Security implications – None applicable

Conclusion

This risk update and accompanying documents (see appendices) are aimed at providing assurance to the Audit and Risk Management Committee that risks within the City of London Corporation are being effectively handled.

Appendices

- Appendix 1: CR39 Recruitment and Retention Risk
- Appendix 2: Corporate Risk Register Report - above appetite risks only
- Appendix 3: All Red Departmental Risks - short summary report

Tabitha Swann
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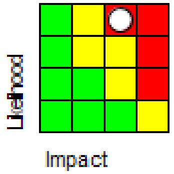
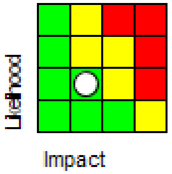
Corporate Risk Register CR39 Recruitment and Retention Risk

Report Author: Tabitha Swann
Generated on: 27 February 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	Current Risk score change indicator
CR39 Recruitment and Retention 21-Feb-2023 Emma Moore	**Cause:** The Corporation had an employee turnover rate of 18.69% for the period 1 January to 31 December 2022. This is a high and is affected by a wide of factors including labour market shortages and high levels employment in the wider economy. Like many employers, the Corporation is competing for scarce talent, particularly in highly skilled areas such professional services. **Event:** Unable to attract and retain the best talent due to factors such as remuneration, working conditions and benefits becoming out of line with competitor organisations. **Effect:** The corporation is at risk of failing to deliver its corporate objectives. Costs of delivering services increase due to high turnover, and increased reliance on agency workers and interims, particularly in shortage areas. This means our ability to deliver objectives is at risk. This affects both outcomes for policy objectives and statutory functions, as well as the brand and reputation of the organisation.		**16**	This is a new risk, which has been added as Corporate Risk following discussions at Chief Officer Risk Management Group in January 2023 **21 Feb 2023**		**4**	31-Dec-2024 Reduce	Constant

Action no, Title,	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CR39a Develop and consider alternative	Develop options for new models of service delivery in services facing significant recruitment and retention issues and will improve service delivery. Options to include, commissioning,		Emma Moore		31-May-2023

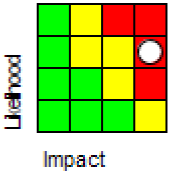
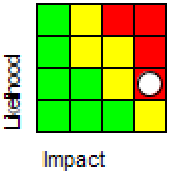
models of service delivery which are cost effective and ensure corporate and statutory objectives are met	joint arrangements and shared services with partners and outsourcing				
CR39b Reward refresh	Full review of pay, terms and conditions to update working patterns and reward to improve recruitment and retention. Phase 1 completed by April 2023 with options for change. Phase 2 implementation of agreed options for change by July 2024	Consultancy Partner appointed to start in January 2023. Additional funding granted to establish reward project team.	Marcelle Moncrieffe	21-Feb-2023	31-Jul-2024
CR39c Develop new call off framework for recruitment agencies search companies	Support recruitment in hard to fill roles and provide additional capacity when in house capacity is stretched. Options will be developed in early 2023 as part of developing new options to commission a managed service supplier to supply both temporary and permanent workers	Work has commenced with Commercial Services and HR. Options will be developed in early 2023 as part of developing new options to commission a managed service supplier to supply both temporary and permanent workers	Cindy Vallance	21-Feb-2023	30-Apr-2024
CR39d Improve timeliness and efficiency of recruitment process to improve candidate and hiring manager experience	Identify "quick wins" in relation to current recruitment / applicant tracking system to improve user experience. Develop and put in place clear requirements for new ERP system. Phase 1 June 2023 and phase 2 April 2024	Areas for improvements in current processes already identified. Quick wins work to be completed in January 2023 and actioned by March 2023. Phase 2 work to be completed as part of ERP programme	Pauline Shakespeare	21-Feb-2023	30-Apr-2024
CR39e Support development of departmental workforce planning reports	Develop workforce reports for each department. HR Business Partners to support the planning process using data. This action is reliant upon accurate data and reporting from the new ERP system	Data cleanse and establishment data improvement work will commence in early 2023 in preparation for ERP	Cindy Vallance	21-Feb-2023	02-Jan-2024
CR39f Define Talent, Succession and Career Pathway Approach	As part of People Strategy, review organisational approach to talent management and succession planning. This will include review of ERP module that can support a consistent approach. Career pathways will be part of the Reward Refresh project.	Options to be consulted upon as part of People Strategy engagement.	Cindy Vallance	21-Feb-2023	02-Jan-2024

Corporate Risk Detailed Register excl. completed actions by risk appetite

Report Author: Tabitha Swann
Generated on: 27 February 2023

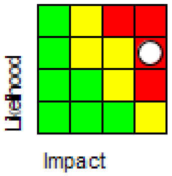
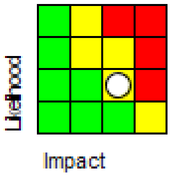
Rows are sorted by Risk Score

Risk Appetite Level Description Risk above appetite

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	Current Risk score change indicator
CR16 Information Security (formerly CHB IT 030) 10-May-2019 Emma Moore	**Cause**: Breach of City of London Corporation IT Systems resulting in unauthorised access to data by internal or external sources. **Event**: The City Corporation does not adequately prepare, maintain robust (and where appropriate improve) effective IT security systems and procedures. **Effect**: a) Failure of all or part of the IT Infrastructure with associated business systems failures. b) Harm to individuals. c) A breach of legislation such as the Data Protection Act 2018 and UK-GDPR. d) Incurrence of a monetary penalty. e) Corruption of data. f) Reputational damage to City of London Corporation as an effective body.		**24**	The project to implement a raft of new security improvements is complete A decision was made to define a minimum security baseline for all parts of the corporation. The Director of DITS will work with IMS to put this together. **10 Jan 2023**		**16**	31-Mar-2024 Reduce	Constant

Action no, Title,	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CR16n Work	Work on a simulated cyber attack is being planned with	A White Hat activity – this is where we employ an Ethical Hacker to try to gain access to COL	Gary	10-Jan-2023	31-Jul-2023

on a simulated cyber attack is being planned with the IT Security Team	the IMS Team	systems using typical hacking tools and techniques A simulated “white hat” activity, using a gamification simulation tool will be employed. An Opportunity Outline has been submitted to the Project Management Office to begin implementation	Brailsford-Hart		
CR16p There will be a monthly comms plan around Cyber with monthly messages being sent out to all staff around the organisation	There will be a monthly comms plan around Cyber with monthly messages being sent out to all staff around the organisation	To be planned by the Cyber Security team within COLP, and agreed by COL IT	Gary Brailsford-Hart	10-Jan-2023	31-Jan-2024

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	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. 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.		**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 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		**8**	31-Mar-2023	

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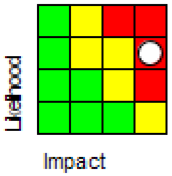
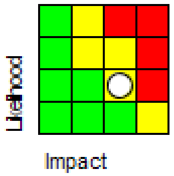
				the impact. Resource Allocation Sub Committee has reprioritised the City Fund BAU capital programme to remain within the contingency held 2022/23. The CWP programme is being considered under the Operational Property review with recommendations to Operational Property and Projects Sub Committee. For now, 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 the budgets for 2023/24, until then the score remains at red.				
19-Jun-2020 Caroline Al-Beyerty				**17 Feb 2023**				Reduce	Constant

Action no, Title,	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CR35a Impact of inflation	Impact of inflation • Rising inflationary pressures on energy costs • Rising inflationary pressures on construction and labour costs	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) 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	17-Feb-2023	31-Mar-2023
CR35b Impact on the HRA	• 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	17-Feb-2023	31-Mar-2023
CR35c Impact of construction inflation	£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. 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	Sonia Virdee	17-Feb-2023	31-Mar-2023

		under the FSD transformation programme, including relevant training to ensure accurate forecasting.			
CR35d Business rates	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 £58m 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	11-Jan-2023	31-Mar-2023
CR35e A reduction in key income streams	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 and Investment Property.	Phil Black; Sonia Virdee	11-Jan-2023	31-Mar-2023
CR35f Achievement of current Savings Programme	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) 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.	Alistair Cook; Sonia Virdee	17-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	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. 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.		**8**	31-Mar-2023	

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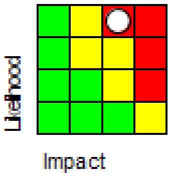
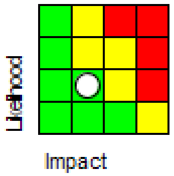
31-Oct-2022 Caroline Al-Beyerty				For now, the CWP programme will pause on new requests to carry out a deep dive review alongside the Operational Property review, with recommendations made through the medium-term financial plan. Period 10 (January) reporting confirms identified inflationary pressures are well within the contingencies held. The risk remains at red. **17 Feb 2023**			Reduce	Constant

Action no, Title,	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CR38a Impact of inflation	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. £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	Sonia Virdee	17-Feb-2023	31-Mar-2023

		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.			
CR38b Impact of construction inflation on capital programme	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	11-Jan-2023	31-Mar-2023
CR38e A reduction in key income streams and increase in bad Debt	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	Achievement of current Savings Programme – includes flight path savings (Fundamental Review) and securing permanent year on year savings (12%).	Star chambers led by the Chamberlain and Town Clerk have taken place during the Autumn to ensure departments are achieving savings. This is further supported by Member led bilateral meetings with service committee chairmen for departments, that have not achieved year on year permanent savings, have now been concluded and with an overview reported to Finance Committee in December 2022.	Sonia Virdee	11-Jan-2023	31-Mar-2023

Risk no, Title, Creation date, Owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
CR39 Recruitment and Retention 21-Feb-2023 Emma Moore	**Cause:** The Corporation had an employee turnover rate of 18.69% for the period 1 January to 31 December 2022. This is a high and is affected by a wide of factors including labour market shortages and high levels employment in the wider economy. Like many employers, the Corporation is competing for scarce talent, particularly in highly skilled areas such professional services. **Event:** Unable to attract and retain the best talent due to factors such as remuneration, working conditions and benefits becoming out of line with competitor organisations. **Effect:** The corporation is at risk of failing to deliver its corporate objectives. Costs of delivering services increase due to high turnover, and increased reliance on agency workers and interims, particularly in shortage areas. This means our ability to deliver objectives is at risk. This affects both outcomes for policy objectives and statutory functions, as well as the brand and reputation of the organisation.		**16**	This is a new risk, which has been added as Corporate Risk following discussions at Chief Officer Risk Management Group in January 2023 **21 Feb 2023**		**4**	31-Dec-2024 Reduce	Constant

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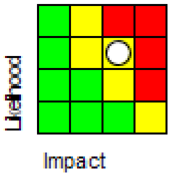
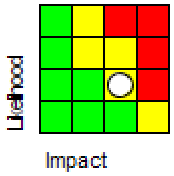
Action no, Title,	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CR39a Develop and consider alternative models of service delivery which are cost effective and ensure corporate and statutory objectives are met	Develop options for new models of service delivery in services facing significant recruitment and retention issues and will improve service delivery. Options to include, commissioning, joint arrangements and shared services with partners and outsourcing		Emma Moore		31-May-2023
CR39b Reward	Full review of pay, terms and conditions to update working	Consultancy Partner appointed to start in January 2023. Additional funding granted to	Marcelle	21-Feb-	31-Jul-2024

refresh	patterns and reward to improve recruitment and retention. Phase 1 completed by April 2023 with options for change. Phase 2 implementation of agreed options for change by July 2024	establish reward project team.	Moncrieffe	2023	
CR39c Develop new call off framework for recruitment agencies search companies	Support recruitment in hard to fill roles and provide additional capacity when in house capacity is stretched. Options will be developed in early 2023 as part of developing new options to commission a managed service supplier to supply both temporary and permanent workers	Work has commenced with Commercial Services and HR. Options will be developed in early 2023 as part of developing new options to commission a managed service supplier to supply both temporary and permanent workers	Cindy Vallance	21-Feb-2023	30-Apr-2024
CR39d Improve timeliness and efficiency of recruitment process to improve candidate and hiring manager experience	Identify "quick wins" in relation to current recruitment / applicant tracking system to improve user experience. Develop and put in place clear requirements for new ERP system. Phase 1 June 2023 and phase 2 April 2024	Areas for improvements in current processes already identified. Quick wins work to be completed in January 2023 and actioned by March 2023. Phase 2 work to be completed as part of ERP programme	Pauline Shakespeare	21-Feb-2023	30-Apr-2024
CR39e Support development of departmental workforce planning reports	Develop workforce reports for each department. HR Business Partners to support the planning process using data. This action is reliant upon accurate data and reporting from the new ERP system	Data cleanse and establishment data improvement work will commence in early 2023 in preparation for ERP	Cindy Vallance	21-Feb-2023	02-Jan-2024
CR39f Define Talent, Succession and Career Pathway Approach	As part of People Strategy, review organisational approach to talent management and succession planning. This will include review of ERP module that can support a consistent approach. Career pathways will be part of the Reward Refresh project.	Options to be consulted upon as part of People Strategy engagement.	Cindy Vallance	21-Feb-2023	02-Jan-2024

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	Current Risk score change indicator
CR01 Resilience Risk 20-Mar-2015 Ian Thomas	**Cause** - Lack of appropriate planning, leadership and coordination **Event** - Emergency situation related to terrorism or other serious event/major incident is not managed effectively **Effect** - Major disruption to City business, failure to support the community, assist in business recovery. Reputational damage to the City as a place to do business.		**12**	Castellan (formerly Clearview) BC management tool continues to be implemented rollout has begun across Col depts and full use expected by April 2023 **03 Feb 2023**		**8**	28-Dec-2023 Accept	Constant

Action no, Title,	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CR01L Business Continuity Management	Assurance process with Cabinet Office College Provide refresher and initial training for Col staff, this training intended to increase knowledge to ensure BC plans are able to support the Col maintain its business during a major incident, provide an in depth independent oversight of the Col business impact analysis, identifying its most critical business areas	The Clearview software Business Continuity product contract has now been signed 1/7/21 as a joint procurement with COLP/Clearview , the implementation of the system and integration of new elements and information into the Col IT system and education process is currently underway , full rollout across Col expected December 2022 The BC software product now 'Castellan' formerly Clearview has been built with rollout beginning across the Colc January 2023 the onboarding process is now taking place. The intention is for the Dept BC leads end users to familiarise themselves and be confident using the system over the next few months and to input their Dept BIA business impact analysis which will help populate the Dept plans. BC leads are meeting on 14th February 2023 to discuss rollout and timeline for completing their sections. We will then schedule a BC training exercise , full use of the system and completion is expected by the end of April 2023	Gary Locker	03-Feb-2023	30-Apr-2023
CR01M Review of LALO Local authority liaison officer	process, training, call out process to strengthen the City capability and resilience in responding to major incident and complying with the wider London boroughs standardisation programme	Training for this session complete process and call out still to be finalised Continues Intranet note to staff to identify new potential LALO March 2022 LALO were involved in a City based partnership exercise February 2020, Intranet note seeking further staff support posted March 2022 to boost capabilities Pan London standards process currently held due to Covid 19 response , Lalo training will be key to capability going forward Feb 2021 LALO training is a rolling programme delivered by	Gary Locker	03-Feb-2023	10-Mar-2023

		London Resilience Group , resilience team ensure capability and numbers of LALO are appropriate for Col response and engage LALO in local/pan London exercise where appropriate LALO event Refresher set for 10/3/23 . This is to ensure capability and resource of the LALO Role are up to date on current procedures and best practice			
CR01N Standardisation procedures	to increase City capability and resilience in also supporting wider London boroughs during major incident response, Local Emergency Control Centres, Emergency centres as part of a wider humanitarian	Gold major incident awareness training day completed for new Col Chief Officers 21/10/21 module 1 included Media implications , Humanitarian aspects , Civil Contingencies Act & Command structure responsibilities . Module 2/3 to follow 2022 Legal Implications & Public Inquiries session New senior staff to be identified for further training and awareness process continues as organisation changes continue. To identify new course dates and potential new candidates . 2 senior staff Comptroller and COO have been given notice of MAGIC course dates 2023. National Multi agency Gold Incident Command	Gary Locker	03-Feb-2023	30-Jun-2023
CR01Q Rolling DR tests	Plan an annual calendar of IT DR tests, covering critical systems and services	A 12 month plan of rolling failover/DR tests has been produced and will commence toward the end of the year. These will each cover a specific area of the technology service; starting with the lower risk, lower impact services and ending with a simulation of a cloud Data centre failure	Matt Gosden	03-Feb-2023	01-Dec-2023

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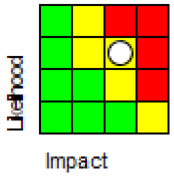
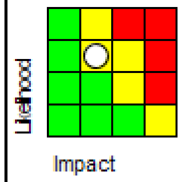
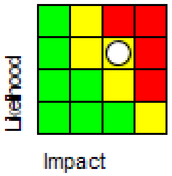
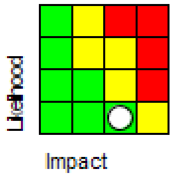
Risk no, Title, Creation date, Owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
CR21 Air Quality 07-Oct-2015 Juliemma McLoughlin	**Cause:** Levels of air pollution in the City, specifically nitrogen dioxide and fine particles, impact on the health of residents, workers and visitors. The City Corporation has a statutory duty to take action to improve local air quality. **Event:** The City of London Corporation is insufficiently proactive and resourced, and does not have the right level of competent staff, to be able to fulfil statutory obligations, as a minimum, in order to lower levels of air pollution and reduce the impact of existing air pollution on the health of residents, workers and visitors. **Effect:** The City Corporation does not fulfil statutory obligations and air pollution remains a problem, impacting on health. Potential for legal action against the Corporation for failure to deliver obligations and protect health. Adverse effect on ability to deliver outcomes 2 and 11 of the Corporate Plan		**12**	The risk remains unchanged. The government has published a new target for PM2.5, however it is not clear at this stage what our statutory obligation will be for achieving the new target, which will have an impact on our risk **05 Jan 2023**		**6**	31-Dec-2024 Reduce	Constant

Action no, Title,	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CR21 001h Publish annual report of air quality data	Develop baseline model for compliance assessment and publish annual report of air quality data	The 2021 annual status report has been submitted to, and approved by, Defra and the GLA and will be presented to October PHES committee	Ruth Calderwood	16-Sep-2022	31-Dec-2025
CR21 001i Compliant vehicles	100% of vehicles owned or leased by the CoL are electric or hybrid by 2025	The City Corporation continues to add zero emission vehicles to its fleet with 5 hybrid and 17 pure electric vehicles. A database has been created of fleet carbon and air pollution (NOx and PM) emissions	Ruth Calderwood	30-Aug-2022	31-Dec-2025
CR21 001j Develop Private Members Bill	Develop and support an Emission Reduction Private Members Bill for London local authorities	Bill prepared and awaiting second reading in the House of Lords	Ruth Calderwood	09-Dec-2022	31-Dec-2022
CR21l Compliance with NO2 target	Assess percentage compliance rate with NO2 target	The % area compliance for 2021 was 94%	Ruth Calderwood	18-Dec-2022	31-Dec-2024

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	Current Risk score change indicator
CR30 Climate Action 07-Oct-2019 Damian Nussbaum	**Cause**: Insufficient resources and prioritisation allocated to Climate Action. **Event**: The City Corporation fails to reduce and mitigate the impact and effect of climate change. PHASE 2: DELIVER AND REFINE ACTION PLAN – To be addressed in completion of phase 1. **Impact**: As the governing body of the Square Mile dedicated to the City, there are a range of potential impacts including: • failing to deliver on the net zero targets in our Climate Action Strategy • reducing our ability to effectively reduce carbon emissions in the next two carbon budget periods (2022 and 2027) • damaging the City's credibility in Green Finance and Insurance markets; • reducing our ability to champion sustainable growth globally and enhance the relevance and reputation of the Square Mile • failing to adequately invest in climate resilience measures leading to negative impacts on social, economic and environmental outcomes • failing to adequately invest in net zero initiatives leading to negative impact on our financial and property investments		**12**	The City of London Corporation's Climate Action Strategy 2020 was approved by the Court of Common Council in October 2020. The year 1 action plan for delivering the strategy was approved on 8th April 2021 at P&R with input from the various Chairs/Deputy Chairs from the relevant committees. Work is underway across 10 workstreams detailed in project plans. Stakeholder engagement plans, performance dashboard and management systems, governance approach are also finalised. Assessment of climate implications now required within all reports to Committees **16 Nov 2022**		**4**	31-Mar-2027 Reduce	Constant

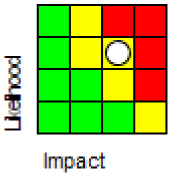
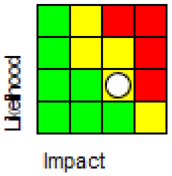
Action no, Title,	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CR30k Impact on City financial and	Ongoing political and international relationship management	Strategy picked up by media and helping promote reputation of City financial. Stakeholder engagement plan identifies opportunities for political and international engagement opportunities.	Damian Nussbaum	03-Feb-2023	31-Mar-2027

ability to champion sustainable growth of not hitting net zero targets / maintaining resilience					
CR30l Risk of not hitting net zero and resilience targets for City Corporation operational and investment assets, whilst maximising returns	Deliver programme of works across operational and investment portfolios	Top 15 emitting buildings and all 118 investment properties across our corporate and housing estates have been surveyed to inform the operational and capital interventions across our corporate buildings. Reports will be updated over November 2022 and discussed with individual Asset Managers, to inform an overall Operational Plan. Awaiting the air pressure tests from Osmosis which will determine the numbers of flats that may be eligible for grant funding from Social Housing Decarbonisation Fund. William Blake will have to be taken out of Wave 1, so we are only looking at Sumner Buildings at this moment. Expected value of the grant should be close to £120k. Decisions outstanding on planned stock changes such as disposal strategies and major projects such as the Guildhall Master Plan, Barbican Arts Centre and Markets Co-location continue to create uncertainty in the Corporate Properties Group workstream for CAS. As these buildings are amongst the highest emitters for the operational estate, understanding their future is essential in planning for, and delivery of, the 2027 CAS target. Construction price inflation, both in terms of availability and pricing of materials, and through the availability of labour, will impact the delivery programme. This may result in additional budget pressures. This is an industry-wide issue that the department is tracking closely. Recent unprecedented rises in energy prices and the cost of capital works presents a significant risk to CAS target delivery. CAS delivery is supported by the delivery of planned cyclical maintenance works and the capture of energy cost savings to fund further measures. Avoiding delays due to cost pressures will be necessary to avoid knock-on impacts to CAS targets. The mitigation in place includes introduction of behavioural management programme in buildings and the implementation and potential expansion of the Power Purchase Agreement (PPA) There is a risk that due to insufficient engagement, residents choose to not support the Climate Action work proposed for their areas. As a result, critical works on e.g. improving the energy efficiency of old properties becomes delayed or does not progress due to opposition. Therefore, a dedicated engagement plan for this residential community to be in place for March '23.	Paul Wilkinson	03-Feb-2023	31-Mar-2027
CR30m Risk of	Monitor and drive performance against net zero and	Funded project plans with resources and capability requirements have been updated for	Caroline	03-Feb-	31-Mar-

not hitting net zero targets for financial investments and supply chain	financial targets for financial investments and supply chain, continually refreshing learning	FY22/23 and approved at May Policy and Resources Committee. Purchased Goods and Services actions for the coming year: * Implementation of the Carbon Net Zero Procurement Plan; FY 2022 – 2024 * Working with our supply chain to embed Climate Action KPIs into the supply chain through focus on the most impactful contracts. * Focusing on the most impactful contracts, migrate away from proxy values to track carbon performance more accurately. * Developing low carbon, green and circular criteria, and standards to help decouple carbon from spend. Additionally, all work undertaken is with the 55% reduction in supply chain emissions target, from the 2018 baseline, in mind. Financial Investment actions for the coming year: * Formulating and implementing plan to address financial physical and transition risks within the upcoming strategic asset allocation process. * Working with fund managers to ensure robust risk management on the portfolio and timely disclosures. The report ‘Managing Climate Risk for our Financial Investments’ has been published in October 2021 aligning our financial investments with net zero emissions by 2040	Al-Beyerty	2023	2027
CR30n Resilience risks of Square Mile infrastructure and public realm and risk of not hitting net zero targets for developments and transport	Monitor and drive performance against net zero and resilience targets, continually refreshing learning	Cool Streets & Greening Gateway 3-4 approved for nine Year 1 and six year 2 sites. Implementations complete for six year 1 sites, with a further site now underway. Evaluation underway using smart sensors. Cubic Mile project is nearing completion and is being used to map opportunities for climate resilience measures below ground as part of the Phase 3 and 4 sites for the Cool Streets & Greening project. Phase 1 of pedestrian priority programme has been approved. Phase 2 still needs approval and has political risk attached to it. If the programme of Pedestrian Priority restrictions and traffic reduction is not delivered this significantly undermines the ability to reach net zero.	Juliemma McLoughlin	03-Feb-2023	31-Mar-2027
CR30o Reaching	Set out carbon removal action plan and mobilise	Current risks are:	Juliemma McLoughli	03-Feb-2023	31-Mar-2027

carbon removal targets through open spaces		*Challenge by tenant to termination of farming tenancy which would make one of the key project sites unavailable. To mitigate this, additional consultancy has been retained to support fair and efficient process to negotiations. *The report identifying the land management works that could deliver on the project target reveal the costs/timescales/constraints of these works makes the project unfeasible *Possible issues with gaining access to additional land required for carbon sequestration target. *Underestimation of project costs and costed risks. This is mitigated through detailed quarterly budget reviews. The carbon sequestration study is now completed however additional clarification is required to explore further carbon removal opportunities including creating site plans for Phase 3, pursue of viable opportunities in the wood product markets and developing tender for project monitoring services.	n		
CR30p Delivery delays and failures due to stakeholder / public action / inaction	Run overarching engagement programme with our stakeholders and partners (phase 3 of engagement plan) and quality assure engagement for projects	Dedicated stakeholder engagement lead built into PMO function. Stakeholder engagement plan approved at May Policy & Resources Committee. Detailed stakeholder engagement plan socialised with principal members and officers for approval	Damian Nussbaum	03-Feb-2023	31-Mar-2027
CR30q Protecting vulnerable groups who are most likely to be impacted by climate change and fulfilling Public Sector Equalities Duty	Carry out impact assessments and equalities analysis on projects and stakeholder research and use their findings to shape future engagement and delivery	Subject to continuous assessment within implementation plans. A review of the findings from the initial Test of Relevance was conducted at half year and they remain the same. Impacts will be investigated and assessed on an ongoing basis in conjunction with the delivery of the CAS programme of work.		16-Nov-2022	31-Mar-2027
CR30r That the scope, budget, timescales, targets and/or commitments of the climate action strategy are not	Agree to and implement appropriate governance to embed Climate Action in departmental scrutiny. Ensure appropriate capacity and capabilities are in place including for regular KPI progress reporting via the CPF. Ensure mechanisms in place for releasing staged financing. Set up regular tracking of impact of our actions on targets.	In order to measure and report progress against our targets transparently, a Climate Action Dashboard has now been completed and is live on the external COL website and will be reviewed and updated each quarter. This update process will be governed by a new Dashboard Data Governance & Reporting Procedure. The dashboard will allow tracking to take place across an initial 31 management KPIs as well as the main 21 reporting KPIs of our carbon footprint as expressed in tonnes of CO_2 e (Carbon Dioxide Equivalent). Going forwards, it is intended that this dashboard will be used as the basis for progress reporting to Committees.	Damian Nussbaum	16-Nov-2022	31-Mar-2027

delivered upon through the climate action programme of work		To manage risk effectively in the programme, all projects have a risk log and the overall risks are reported at a programme level to Policy & Resources Committee and via this CR30 corporate risk update. Project performances are monitored quarterly against their projected achievement trajectories. These movements are being closely monitored between Member and officer governance.			

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	Current Risk score change indicator
CR36 Protective Security	**Cause:** Lack of appropriate governance, inadequate security risk assessments, prioritisation, and mitigation plans. Inadequate, poorly maintained or time expired security infrastructure and policies; lack of security culture and protective security mitigation; poor training, inadequate vetting, insufficient staff. **Event:** Security of an operational property and event space is breached, be that internal threat, protest and/or terrorist attack. Publicly accessible areas for which the Corporation are responsible for are subject to an undisrupted Terrorist attack. **Effect:** Injury or potential loss of life caused by an undisrupted attack, unauthorised access to our estate by criminals/protestors/terrorists; disruption of business/ high profile events; reputational damage.		**12**	Work continues across all areas, in recent months, extensive work has taken place to deliver globally recognised events, including Platinum Jubilee, HM the Queen service of reflection at St Pauls Cathedral and the proclamation of HM the King at the Royal Exchange. In addition to Lord Mayor show 2022. State Banquet of South Africa and Lord Mayors Banquet. We now prepare for a series of other high profile events. The Protect Bridges board is now up and running. We are currently working with COLP in review of and delivery of all previous security footprints to ensure they are up to date and independent audit of works done. We also continue to support the National Public Authority Information Exchange run by CPNI sharing learning. CoLP have created new vulnerability reports for Guildhall, Tower Bridge and Leadenhall Market that show all identified risk is being managed down to a low level. An updated PSIA report for the Barbican shows no red risk and an increase in 10 percentage points since Q2 2022/23. The CCC is currently undergoing a CoLP full review from which recommendations will be actioned. Furthermore, the Corporation is set to adopt the PoolRe VSAT process for its property portfolio that will, for the first time,		**8**	01-Jan-2024	

10-Jan-2022 Ian Thomas				put all of its key locations onto a single database. This creates a security vulnerability dashboard that can be reported on at the SSB and P&R **03 Feb 2023**			Reduce	Constant

Action no, Title,	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CR36a Governance	To ensure that there is effective governance across the CoLC with COLP and other partners	Governance structures in place, led by Town Clerk Chief Executive, through Senior Security Board, terms of reference and strategy have just been reviewed and updated. With thematic security boards reporting into Senior Board: Protect Security Advisory Board, Protect Public Realm Board, Protect People Board Protect, Digital Security Board, Secure City Board. All governance boards in place, ToR reviewed and TOM changes captured. Changes to CoLP also captured with embedded new membership. There is now a new Protect Bridges Board, covering all security risks across the City Bridges, chaired by COO BHE Simon Latham Continual monitoring continues	Ian Thomas	03-Feb-2023	01-Jan-2024
CR36b Police Contest	Police Contest Board	COLP Police host a biweekly Contest Board, covering HM Government Protect, Prepare, Prevent and Purse agenda. COLC maintain resilience of SC vetted staff from SSB (RW) PSAB (SC) and PPRB (IH) ensure attendance at Contest Board, then cascade appropriately across CoLC. Attendance continues to Contest Board from either IH, SC or RW. There have recently been multiple Gold groups for high risk events including Platinum Jubilee, HM the Queen service of reflection at St Pauls Cathedral and the proclamation of HM the King at the Royal Exchange. In addition to Lord Mayor show 2022. All security matters reviewed and mitigated. COLP Contest Board TOR have also just been reviewed. Continual monitoring continues.	Richard Woolford	03-Feb-2023	01-Jan-2024

CR36c Command and Control	Incident/Event/Protest Command	Training and accreditation of staff to carry out command roles, at Strategic, Silver and Operational roles. Event Risk assessment covering High, Medium, Low risk events. All High-Risk events to be raised at SSB, confirmation of appropriate command team. Tabletop Exercises to be done prior to High-Risk events and in cycle with partners, with learning captured and audit trails maintained by Resilience team. This has included November 2021 Lord Mayors Show. Pre-Christmas all venues High Risk Table Tops exercises including direct action and terrorism. LMS 2021 debriefed with action plans being addressed with all partners. Ongoing planning for Platinum Jubilee, Operation London Bridge. XR protests in April 2022 will be lead by chief officer Gold, with learning from previous events with embedded partnership engagement with MPS and COLP, with all appropriate departments included. Platinum Jubilee was a success and learning and debriefs have taken place. Ongoing planning continues for LMS 2022, LM banquet and Operation London Bridge as well as non CoLC high Risk events such as XR September 2022. All identified high risk events go through SSB for appropriate command structures. With current Chief Officer movements, awaiting new CEO arrival, training and accreditation is and will take place around Gold command to ensure resilience. Comptroller is booked into a MAGIC course and COO course being arranged, chief officers are joining other staff from across portfolios addressing a) security and protest exercise and b) a Resilience scenario during February. This will be followed by further command and control training, across Strategic, Tactical and Operational levels.	Richard Woolford	03-Feb-2023	01-Jan-2024
CR36d Prevent	Prevent	This multi-agency response led by DCCS in support of HM Government guidance. Ensuring safeguarding is at the heart of Prevent with our communities and families. This is ongoing lead by DCCS The prevent agenda was discussed at the last SSB, with continual monitoring and there is a Conference hosted within the City on Monday 21st November 2022. Continual monitoring continues.	Valeria Cadena	03-Feb-2023	01-Jan-2024

CR36f City of London Corporation Buildings	Protect	There is a vast array of partnership bodies that impact both the COLC and City wide, covering Security and Counter Terrorism. COLC is embedded with: • City of London Crime Prevention Association. • Cross Sector Safety and Security Communications. • Global Terrorism Information Network TINYg. • POOLRE • City Security Council • CPNI Strategic and Tactical meetings structures Diverse attendance and support continues We are currently working with COLP in review all delivery of previous security footprints to ensure up to date and independent audit of works done. Continual monitoring continues.	Simon Causer	03-Feb-2023	01-Jan-2024

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Top red risks only - short summary by department

Report Type: Risks Report
Report Author: Tabitha Swann
Generated on: 27 February 2023

Rows are sorted by Risk Score

Department Description Barbican Centre

Department Description: Barbican Centre 11

Code	Title	Current Impact	Current Likelihood	Current Risk Score	Current score	Target Impact	Target Likelihood	Target Risk Score	Target score	Target Date	Risk Approach	Flight Path
BBC Buildgs 027	Failure to Invest in the Renewal of Buildings and Estates Infrastructure	8	3	24		4	1	4		30-Apr-2024	Reduce	
BBC Arts 023	Failure to Manage EDI Correctly	4	4	16		2	4	8		31-Dec-2023	Reduce	
BBC Arts 027	Impact of Economic Factors on Our Business (Supply and Demand)	4	4	16		2	4	8		30-Apr-2023	Reduce	
BBC Buildgs 018	Failure to Secure Sufficient Funds for Barbican Renewal	4	4	16		4	2	8		31-Mar-2025	Reduce	
BBC Buildgs 020	LTHW Pumps	4	4	16		2	2	4		30-Sep-2023	Reduce	

Code	Title	Current Impact	Current Likelihood	Current Risk Score	Current score	Target Impact	Target Likelihood	Target Risk Score	Target score	Target Date	Risk Approach	Flight Path
BBC Buildgs 025	Inadequate and Inappropriate Levels of Engineering Resource	4	4	16		4	1	4		30-Apr-2024	Reduce	
BBC Buildgs 028	Insufficient Staffing Levels to Cover Safety	4	4	16		4	2	8		31-Mar-2024	Reduce	
BBC CL 002	Safeguarding	4	4	16		4	1	4		31-Mar-2024	Reduce	
BBC Finance 008	Shortage of Staff in Key Areas of the Business	4	4	16		4	2	8		30-Apr-2023	Reduce	
BBC H&S 002	Failure to deal with Emergency /Major Incident or Risk of Terrorism	8	2	16		8	1	8		31-Mar-2023	Reduce	
BBC H&S 005	Failure to Deliver the Fire-Related Projects	8	2	16		2	1	2		31-Dec-2024	Reduce	

Department Description Chamberlain's

Department Description: Chamberlain's 1

Code	Title	Current Impact	Current Likelihood	Current Risk Score	Current score	Target Impact	Target Likelihood	Target Risk Score	Target score	Target Date	Risk Approach	Flight Path
CHB 001	Chamberlain's department transformation and knowledge transfer	4	4	16		2	2	4		31-Mar-2023	Reduce	

Department Description City of London Freemen's School

Department Description: City of London Freemen's School 1

Code	Title	Current Impact	Current Likelihood	Current Risk Score	Current score	Target Impact	Target Likelihood	Target Risk Score	Target score	Target Date	Risk Approach	Flight Path
CLF-016	Financial Sustainability	4	4	16		2	2	4		31-Aug-2025	Reduce	

Department Description City of London Schools for Girls

Department Description: City of London Schools for Girls 1

Code	Title	Current Impact	Current Likelihood	Current Risk Score	Current score	Target Impact	Target Likelihood	Target Risk Score	Target score	Target Date	Risk Approach	Flight Path
CLSG-01	Inadequate finances or financial plans (SA5-Operations)	4	4	16		4	2	8		31-Aug-2023	Reduce	

Department Description City Surveyor's

Department Description: City Surveyor's 3

Code	Title	Current Impact	Current Likelihood	Current Risk Score	Current score	Target Impact	Target Likelihood	Target Risk Score	Target score	Target Date	Risk Approach	Flight Path
SUR SMT 005	Construction Price Inflation	4	4	16		2	3	6		31-Mar-2024	Reduce	
SUR SMT 006	Construction Consultancy Management	4	4	16		4	1	4		31-Mar-2024	Reduce	
SUR SMT 009	Recruitment and retention of property professional	4	4	16		4	2	8		31-Mar-2023	Reduce	

Department Description Environment

Department Description: Environment 3

Code	Title	Current Impact	Current Likelihood	Current Risk Score	Current score	Target Impact	Target Likelihood	Target Risk Score	Target score	Target Date	Risk Approach	Flight Path
ENV-CO-TR 001 (Formerly CR20)	Road Safety	8	3	24		8	2	16		31-Mar-2027	Reduce	
ENV-PHPP 001	Brexit – Impact on Port Health and Animal Health	8	3	24		2	3	6		31-Dec-2023	Reduce	
ENV-CO-GC 002	Road traffic collision caused by City of London staff or contractor who is unfit to drive while on City business	8	2	16		8	1	8		31-Dec-2022	Reduce	

Department Description Guildhall School of Music and Drama

Department Description: Guildhall School of Music and Drama 4

Code	Title	Current Impact	Current Likelihood	Current Risk Score	Current score	Target Impact	Target Likelihood	Target Risk Score	Target score	Target Date	Risk Approach	Flight Path
GSMD CROSCH 012	Failure to invest in the renewal of buildings and estates infrastructure	8	4	32		4	1	4		31-Mar-2024	Reduce	
GSMD SUS 001	Inability to Invest in New Infrastructure and teaching spaces	8	4	32		2	3	6		31-Mar-2023	Reduce	
GSMD DDP 002	Reduced Recruitment and Retention of Key Staff	4	4	16		2	2	4		30-Sep-2023	Reduce	

Code	Title	Current Impact	Current Likelihood	Current Risk Score	Current score	Target Impact	Target Likelihood	Target Risk Score	Target score	Target Date	Risk Approach	Flight Path
GSMD SUS 002	Inability to deliver a balanced and sustainable model over the School's Business Cycle	4	4	16		2	2	4		31-Mar-2023	Reduce	

Department Description Town Clerk’s

Department Description: Town Clerk’s 1

Code	Title	Current Impact	Current Likelihood	Current Risk Score	Current score	Target Impact	Target Likelihood	Target Risk Score	Target score	Target Date	Risk Approach	Flight Path
TC PA 03	Fraud and Cyber Crime Reporting & Analysis Service (FCCRAS) Procurement	8	3	24		8	2	16		31-Mar-2024	Reduce	

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Committee(s)	Dated:
Audit and Risk Management Committee	13/03/2023
Subject: Corporate Risk – Deep Dive Review: CR09 Health, Safety and Wellbeing	**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: Joint Report of the Chief Strategy Officer and the Head of Internal Audit	**For Discussion**
Report author: Matt Lock	

Summary

Internal Audit has undertaken a deep dive review in relation to CR09 Health, Safety and Wellbeing. The objective of the deep dive review is to examine the effectiveness of the arrangements in place for the systematic management of Corporate Risk.

The review found that:

- The risk is being reviewed regularly on system.
- 2nd line of defence activity to monitor corporate safety risk is currently not operating effectively.
- Considerable activity is underway to implement a more robust system of oversight and assurance in relation to safety risk management yet this is not reflected in the mitigating actions on the risk register neither is the positive direction of travel; the current risk score and target risk score are equal, whereas, in fact, the organisation is working towards a lower risk level.

The responsible officers engaged fully with this process, resulting in a transparent and full exchange of information, the findings of the deep dive review have been shared and it is anticipated that this will inform subsequent management review accordingly.

Recommendation(s)

Members are asked to note the report.

Main Report

Background

1. Deep-dive reviews of the City of London Corporation's Corporate Risks are undertaken by Internal Audit and reported to this Committee. The report is informed by in depth

review of the arrangements in place for managing risk, incorporating a quantitative assessment of the systematic application of the Corporate Risk Management Framework and a qualitative assessment as to the overall quality and completeness of the information provided in the risk register and, where possible, an objective review of the effectiveness of mitigating actions. This is a joint report of Internal Audit and Corporate Strategy and Performance.

Current Position

2. The deep dive report takes the following format:

   i. Review of Risk Register Maintenance
   ii. Review of Completed Mitigating Actions
   iii. Review of Proposed Mitigating Actions
   iv. Review of Monitoring Arrangements
   v. General Observations and Overall Commentary

3. This report is focussed on Corporate Risk CR09 Health, Safety and Wellbeing, the extract from the Risk Register is shown as Appendix 1.

CR09 Health, Safety and Wellbeing

Area of Testing	Audit Findings
Risk Register Maintenance	▪ All key information fields are populated. ▪ The risk register has been reviewed on system at least quarterly, which meets the requirements of the Risk Management Framework and is considered sufficiently frequent to ensure that Chief Officers are presented with timely information, although noted that the updates do not always provide additional or new information.
Completed Mitigating Actions	▪ A number of mitigating actions are noted as complete, no further Audit testing was undertaken in this regard as the actions were largely in response to matters/events now in the past (e.g. response to the COVID-19 pandemic).
Proposed Mitigating Actions	▪ There are no stated actions as to how the current risk level will be maintained, on the basis that the current controls were considered to be holding ▪ There are no stated actions to reduce the risk beyond its current level
Monitoring Arrangements	Monitoring arrangements in place in relation to this risk are not considered to be working consistently, this has not consolidated or incorporated relevant knowledge or recent events, for example: ▪ a recent Health and Safety Culture Maturity index assessment rated the City's culture maturity at the lower end of the spectrum; ▪ there have been several health and safety incidents across City premises, one of which resulted in an Improvement Notice issued by the Health and Safety Executive.

	Senior Leadership are working to implement a more effective system of oversight for safety management which will provide for a more robust approach to monitoring the management of this risk.
General Observations and Overall Commentary	The current assessment is that this risk is running at target level, Internal Audit considered this to be slightly at odds with the current level of activity in progress to reform corporate oversight for safety management and known deficiencies in the City of London's 2nd line assurance activity. The risk register does not capture any of this live activity even though it will assist in mitigating the corporate risk; in reporting the findings to Senior Leadership, the assessment of the current risk has been challenged; the organisation is clearly working towards a lower level of risk, if the current risk score is accurate, then the target risk score should be set at a lower level than it is at present. A verbal update in relation to this will be provided to the Committee

Corporate & Strategic Implications

4. Corporate Risks are those that threaten the City of London Corporation's ability to achieve its strategic objectives and top priorities. The Risk Management process is designed to identify and manage risk to the organisation and incorporates various assurance mechanisms, this deep dive process is one source of assurance, examining the extent to which Corporate Risks are being managed within the Corporate Risk Management framework.

Conclusion

5. The core purpose of CR09 is to manage safety related risk at an organisational level, while some individual incidents and specific operations will have a bearing on the threat level, successful mitigation of this risk lies in the overall system of safety management. Senior Leadership are working towards a new system of oversight and assurance which will provide greater rigour. The current position whereby the current risk and target risk scores are equal does not align with the proposed direction of travel to improve the management of this risk.

Appendices

- **Appendix 1:** Risk Register Extract – CR09 Health, Safety and Wellbeing

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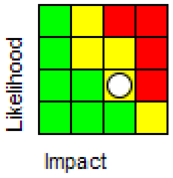
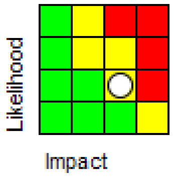
Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
CR09 Health Safety and Wellbeing Risk (Management System) 22-Sep-2014 Joanna Carrington; Emma Moore	**Cause:** Lack of management grip/attention to effective health and safety in the workplace, management and staff competency, poor supervision and guidance, and ineffective controls and monitoring / feedback systems. **Event:** Significant breach/non-compliance with Statutory regulations and/ or internal H&S policies and procedures by staff/managers whilst undertaking/delivery of City Corporation functions. **Effect:** Fatality or life-threatening illness / disease compromising the safety and wellbeing of service users, public or the workforce, potential enforcement action/financial penalties to City Corporation. Adverse effect on the delivery of the Corporate Plan: Especially Outcomes 1 & 2		**8**	Risk discussed at Corporate Health Safety and Wellbeing committee on 14/12/22. Nil changes made to the risk at the moment as it was felt that controls were holding. Wider work is underway to rationalise h&s risks across the registers, risk will be revisited after that action. **14 Dec 2022**		**8**	Accept	Constant

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CR09Q	CR09 is now at Target and the risk treatment is "Accept" the HSW Manager will be monitoring the H&S Management System on behalf of the risk owner and any changes which may impact effectiveness considered when assessing on-going risk scoring	Ongoing review at each HSW committee – to be reviewed again by September 2022	Emma Moore	05-Sep-2022	30-Sep-2022

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TO: **AUDIT AND RISK MANAGEMENT COMMITTEE**
13TH March 2023

FROM: **BOARD OF THE GUILDHALL SCHOOL OF MUSIC AND DRAMA**
20th February 2023

SCHOOL's RISK REGISTER

The Board received a report of the Head of Finance in respect of the School's Risk Register, which had been considered in detail at the Guildhall School's Audit and Risk Management Committee on 30th January 2023.

The Board noted with great concern that the continued failure of the Library environmental control systems (since early November 2022) was a reportable event to the Office for Students (OfS), which had been duly notified. The Board was informed that the engineering support team is not confident that the system is now repairable because of the obsolescence of its components. This situation has serious implications for the School, not least potentially financial sanctions from the OfS, and claims for compensation from students. Staff at the library have also notified their Union which is now investigating the situation.

The Committee noted the increase in risk GSMD SUS 001 and the addition of new risk, GSMD CROSCH 012, as set out below. Since the meeting, the Head of Finance had met with the City Surveyor and the City's Corporate Risk Team to ensure that both risks are properly reflected on the City's Corporate Risk Register.

- **GSMD SUS 001 Inability to Invest in Infrastructure and teaching spaces** has increased from a score of 16 to a score of 32 (the maximum possible score) since the last review, as a result of the increasing risk that the School will not have access to suitable spaces of the required standard to deliver teaching to our students.

- **GSMD CROSCH 012 Failure to invest in the renewal of buildings and estates infrastructure has been added as a new risk** to reflect the clear and obvious impact of not investing sufficient resources to maintain our buildings as a result of the pause in the city's capital programmes. Following discussion at the Audit & Risk Committee the score for this risk has been increased to 32, and discussions have taken place regarding how best to reflect this risk on the city's corporate risk register. A discussion paper on the subject will be presented to CORM Group and ELB at the end of this month.

The Head of Finance further advised that the City Corporation's Risk Team would be drafting a report, to the next meeting of the City's Audit and Risk Management Committee, seeking to review the City's buildings' risks generally and to consider adding the above as corporate risks, or as part of a wider corporate risk around the City's buildings. Specifically, consideration is to be given as to whether the School's risks should be reclassified as corporate risks, or whether the issues can be adequately reflected within CR37 – Maintenance and renewal of physical assets, and CR09 – Health, Safety and Wellbeing. Governors strongly supported this proposal, given their high score and the School's limited control in managing the risks. Governors also asked for a report to the next Board meeting, giving assurance as to how the risks were being managed and an update on progress in improving the situation, noting that the reputational risk would reach beyond Guildhall.

The Deputy Chair suggested that a resolution be sent to the City Corporation's Audit and Risk Committee, setting out Governors concerns, and noting their support for the above risks being added to the City's Corporate Risk Register.

RESOLVED, that – the Audit and Risk Management Committee of the City of London Corporation, be asked to note the above concerns of the Board of Governors of the Guildhall School of Music and Drama and to consider adding the above as Corporate Risks, or as part of a wider corporate risk around the City's buildings, in light of the high scores of the risks, the School's limited ability to manage them, the reputational and financial risks to both the City Corporation and the School, and the Board's need for assurance in that they are being managed properly.

Committee:	Date:
Financial Investment Board Finance Committee * Bridge House Estates Board Audit & Risk Management (For Information)	17 February 2023 21 February 2023 22 February 2023 13 March 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

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TREASURY MANAGEMENT STRATEGY STATEMENT

AND

ANNUAL INVESTMENT STRATEGY (RELATING TO TREASURY MANAGEMENT)

2023/24

Issue Date: 17/02/2023
Amended Date: 21/02/2023
Agreed by Court of Common Council: XX/0XX/2023

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

1. Introduction

1.1. Background

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

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

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

1.2. The Treasury Management Policy Statement

The City defines its treasury management activities as:

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

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

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

1.3. Reporting Requirements

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

The primary requirements of the Code are as follows:

(i) The City of London Corporation will create and maintain, as the cornerstones for effective treasury management:

- A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities
- Suitable treasury management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

(ii) This organisation will receive reports on its treasury management policies, practices and activities, including as a minimum an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close.

(iii) The Court of Common Council delegates responsibility for the implementation and regular monitoring of its treasury management policies to the Finance Committee and the Financial Investment Board with the Bridge House Estates Board having responsibility on behalf of the charity; the execution and administration of treasury management decisions is delegated to the Chamberlain, who will act in accordance with the organisation's policy statement and TMPs and, if he/she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.

(iv) The Court of Common Council nominates the Audit and Risk Management Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

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

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

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

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

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

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

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

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

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

1. **Adopt a new liability benchmark treasury indicator** to support the financing risk management of the capital financing requirement; the authority is required to estimate and measure the Liability Benchmark for the forthcoming financial year, and the following two financial years as a minimum; this is to be shown in chart form, with material differences between the liability benchmark and actual loans to be explained;

2. **Long-term treasury investments**, (including pooled funds), are to be classed as commercial investments unless justified by a cash flow business case;

3. **Pooled funds** are to be included in the indicator for principal sums maturing in years beyond the initial budget year;

4. Amendment to the **knowledge and skills register** for officers and members involved in the treasury management function - to be proportionate to the size and complexity of the treasury management conducted by each authority;

5. **Reporting to members is to be done quarterly.** Specifically, the Chief Finance Officer (CFO) is required to establish procedures to monitor and report performance against all forward-looking prudential indicators at least quarterly. The CFO is expected to establish a measurement and reporting process that highlights significant actual or forecast deviations from the approved indicators. However, monitoring of prudential indicators, including forecast debt and investments, is not required to be taken to Full Council and should be reported as part of the authority's integrated revenue, capital and balance sheet monitoring;

6. **Environmental, social and governance (ESG)** issues to be addressed within an authority's treasury management policies and practices (TMP1).

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

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

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

1. The authority's approach to investments for service or commercial purposes (together referred to as non-treasury investments), including defining the authority's objectives, risk appetite and risk management in respect of these investments, and processes ensuring effective due diligence;

2. An assessment of affordability, prudence and proportionality in respect of the authority's overall financial capacity (i.e. whether plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services);

3. Details of financial and other risks of undertaking investments for service or commercial purposes and how these are managed;

4. Limits on total investments for service purposes and for commercial purposes respectively (consistent with any limits required by other statutory guidance on investments);

5. Requirements for independent and expert advice and scrutiny arrangements (while business cases may provide some of this material, the information contained in them will need to be periodically re-evaluated to inform the authority's overall strategy);

6. State compliance with paragraph 51 of the Prudential Code in relation to investments for commercial purposes, in particular the requirement that an authority must not borrow to invest primarily for financial return;

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

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

1.5. Treasury Management Strategy for 2023/24

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

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

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

The strategy covers:

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

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

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

1.6. Current Portfolio Position

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

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

2. Capital Expenditure Plans and Prudential Indicators

2.1. City Fund

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

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

Estimate of Capital Expenditure and Financing (City Fund)

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

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

Estimate of the Capital Financing Requirement (City Fund)

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

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

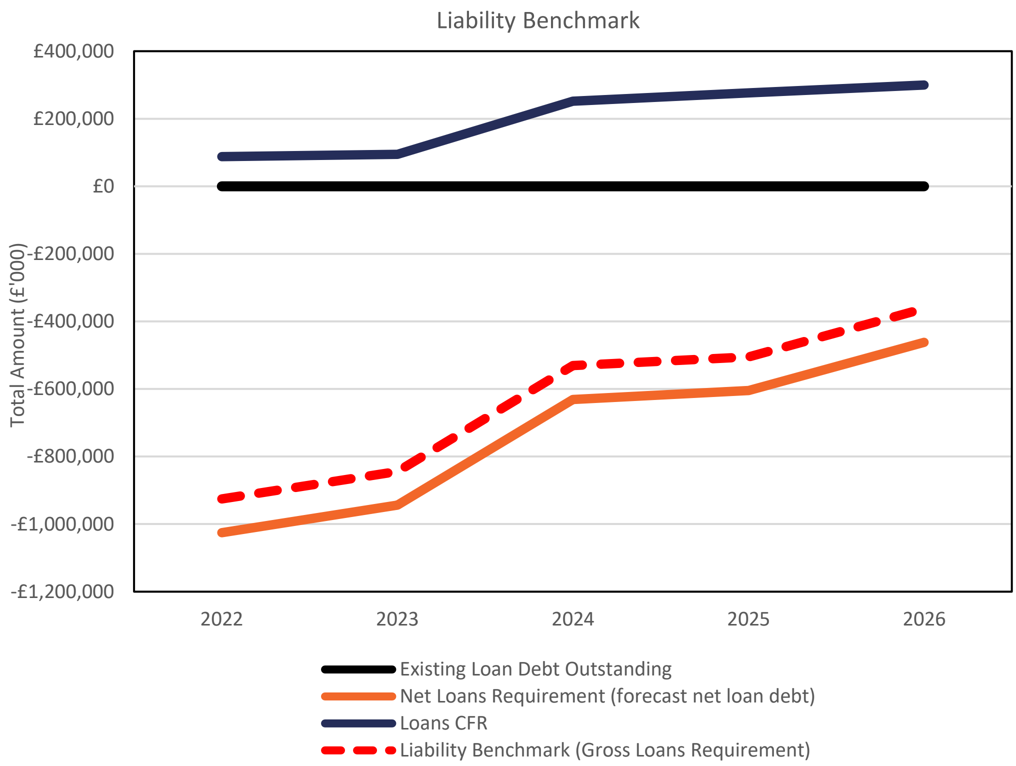
There are four components to the Liability Benchmark which should be represented in a chart. These are:

1. **Existing Loan Debt Outstanding**: The City's existing loans that are outstanding into future years. This City Fund currently has no external loans, so this will not need to be shown.

2. **Loans Capital Financing Requirement**: calculated in accordance with the Prudential Code and projected into the future based on approved prudential borrowing and planned Minimum Revenue Provision.

3. **Net Loans Requirement**: The City Fund gross loan debt less treasury management investments, projected into the future and based on approved prudential borrowing, planned MRP and any other major cash flow forecasts. As the City plans to not undertake external borrowing the net loan requirement is shown as a negative and plots the expected cash balances across the years.

4. **Liability benchmark** (or **Gross Loans Requirement**): equals Net Loans Requirement plus a short-term liquidity allowance to allow for a level of excess cash to provide liquidity if needed.



Minimum Revenue Provision (City Fund)

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

2.2. City's Cash

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

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

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

2.3. Bridge House Estates

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

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

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

3. Prospects for Interest Rates

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

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

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

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

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

3.1. The balance of risks to the UK economy

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

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

- **Labour and supply shortages** prove more enduring and disruptive and depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus, rising gilt yields.

- **The Bank of England** acts too quickly, or too far, over the next year to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate).

- **UK / EU trade arrangements** – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.

- **Geopolitical risks**, for example in Ukraine/Russia, China/Taiwan/US, Iran, North Korea and Middle Eastern countries, which could lead to increasing safe-haven flows.

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

- **The Bank of England** is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly and for a longer period within the UK economy, which then necessitates Bank Rate staying higher for longer than we currently project or even necessitates a further series of increases in Bank Rate.

- **The pound** weakens because of a lack of confidence in the UK Government's fiscal policies, resulting in investors pricing in a risk premium for holding UK sovereign debt.

- Longer term **US treasury** yields rise strongly and pull gilt yields up higher than currently forecast.

- Projected **gilt issuance, inclusive of natural maturities and Quantative tightening,** could be too much for the markets to comfortably digest without higher yields consequently.

3.2. Investment and borrowing rates

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

3.3. Interest Rate Exposure

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

This organisation will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements and management information arrangements.

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

4. Borrowing Strategy

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

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

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

4.1. City Fund

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

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

- *if it was felt that there was a significant risk of a sharp FALL in long and short term rates,* (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowing will be postponed.

- *if it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast,* perhaps arising from an acceleration in the rate of increase in central rates in the USA and UK, an increase in world economic activity, or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

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

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

- The **operational boundary for external debt** should represent the most likely scenario for external borrowing. It is acceptable for actual borrowing to deviate from this estimate from time to time. The proposed limit is set to mirror the estimated CFR for the forthcoming year and the following two years.

- The **authorised limit for external debt** is the maximum threshold for external debt for over 2023/24, 2024/25 and 2025/26. This limit is required by the Local Government Act 2003 and is set above the operational boundary to ensure that the City is not restricted in the event of a debt restructuring opportunity.

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

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

4.2. City's Cash

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

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

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

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

4.3. Bridge House Estates

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

4.4. Policy on borrowing in advance of need

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

4.5. Debt rescheduling

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

The reasons for any rescheduling to take place will include:

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

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

4.6. Sources of borrowing

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

5. Annual Investment Strategy (relating to Treasury Management)

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

5.1. Investment Policy

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

The City of London's investment policy will have regard to the DLUHC's Guidance on Local Government Investments ("the Guidance"), the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectorial Guidance Notes 2021 ("the CIPFA TM Code") and CIPFA Treasury Management Guidance Notes 2021.

The City's investment priorities are:

(a) security; and

(b) liquidity.

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

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

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

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

Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
Investment instruments identified for use in the financial year are listed in Appendix 3 under the 'specified' and 'non-specified' investments categories.

- **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year.

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

The City Fund will have exposure to Specified and Non-specified Invstments. All other participants in the Treasury Management Strategy Statement and Annual Investment Strategy 2023/24 will have exposure to Specified Investments only.

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

5.2. Expected investment balances

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

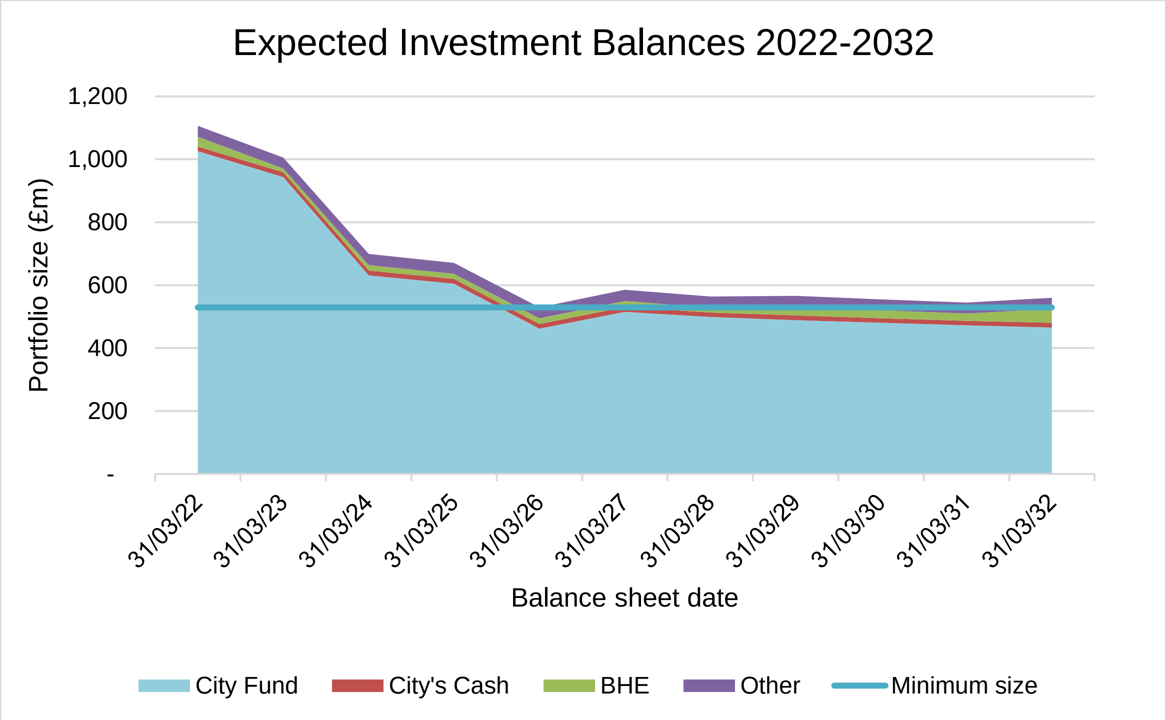


Figure 1 shows projected investment balances across the three funds and others over the coming years as at the end of each financial year.[1] Most of the investment balances relate to City Fund and it should be noted that generally investment balances are expected to be higher between reporting dates.

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

5.3. Creditworthiness policy

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

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security.

- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the City's prudential indicators covering the maximum principal sums invested.

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

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

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

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

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

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

- Banks 1 – good credit quality – the City will only use banks which:

  (i) are UK banks; and/or
  (ii) are non-UK and domiciled in a country which has a minimum sovereign long-term rating of AA+ (Fitch rating)

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

  (i) Short-term – F1
  (ii) Long-term – A-

- Banks 2 – Part nationalised UK banks – Royal Bank of Scotland ring-fenced operations. This bank can be included if it continues to be part nationalised, or it meets the ratings in Banks 1 above.

- Banks 3 – The City's own banker (Lloyds Banking Group) for transactional purposes and if the bank falls below the above criteria, although in this case, balances will be minimised in both monetary size and duration.

- Bank subsidiary and treasury operation - The City will use these where the parent bank has provided an appropriate guarantee or has the necessary ratings outlined above. This criteria is particularly relevant to City Re Limited, the City’s Captive insurance company, which deposits funds with bank subsidiaries in Guernsey.

- Building Societies – The City may use all societies which:

  (i) have assets in excess of £10bn; or
  (ii) meet the ratings for banks outlined above

- Money Market Funds (MMFs) Constant Net Asset Value (CNAV)* – with minimum credit ratings of AAA/mmf

- Money Market Funds (MMFs) Low-Volatility Net Asset Value (LVNAV)* – with minimum credit ratings of AAA/mmf

- Money Market Funds (MMFs) Variable Net Asset Value (VNAV)* – with minimum credit ratings of AAA/mmf

- Ultra-Short Dated Bond Funds with a credit rating of at least AAA/f (previously referred to as Enhanced Cash Plus Funds)

- Short Dated Bond Fund – These funds typically do not obtain their own standalone credit rating. The funds will invest in a wide array of investment grade instruments, the City will undertake all necessary due diligence to ensure a minimum credit quality across the funds underlying composition is set out within initial Investment Manager Agreements and actively monitor the on-going credit quality of any fund invested.

- Multi-Asset Funds – these funds have the potential to provide above inflation returns with a focus on capital preservation, thus mitigating the erosion in value of long-term cash balances by investing in a range of asset classes that will typically include equities and fixed income. The value of these investments will fluctuate and they are not suitable for cash balances that are required in the near term. Before any investment is undertaken a rigorous due diligence process will be undertaken to identify funds that align with the City’s requirements.

- UK Government – including government gilts and the debt management agency deposit facility.

- Local authorities

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

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

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

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

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

5.4. Environmental, Social and Governance Risks

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

5.5. Use of additional information other than credit ratings.

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

5.6. Time and monetary limits applying to investments.

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

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

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

A list of suitable counterparties conforming to this creditworthiness criteria is provided at Appendix 4. The Chamberlain will review eligible counterparties prior to inclusion on the approved counterparty list and will monitor the continuing suitability of existing approved counterparties.

5.7. Country limits

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

5.8. Local authority limits

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

5.9. Investment Strategy

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

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

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

5.10. Investment Treasury Indicator and Limit

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

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

5.11. Investment performance benchmarking

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

5.12. End of year investment report

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

5.13. External fund managers

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

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

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

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

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

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

6. Policy on the use of external service providers

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

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

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

7. Scheme of Delegation

Please see Appendix 6.

8. Role of the Section 151 officer

Please see Appendix 7.

9. Training

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

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

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

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

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

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

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

APPENDICES

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

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

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

Interest Rate Forecasts

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

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

APPENDIX 2

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

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

**Actual external debt at the end of the financial year*

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

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

MINIMUM REVENUE PROVISION (MRP) POLICY STATEMENT 2023/24

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

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

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

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

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

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

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

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

APPENDIX 3

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

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

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

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

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

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

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

APPENDIX 4

APPROVED COUNTERPARTIES AS AT 31 DECEMBER 2022

UK BANKS AND THEIR WHOLLY OWNED SUBSIDIARIES

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

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

BUILDING SOCIETIES

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

FOREIGN BANKS

(with a presence in London)

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

MONEY MARKET FUNDS

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

ULTRA SHORT DATED BOND FUNDS

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

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

SHORT DATED BOND FUNDS

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

LOCAL AUTHORITIES

LIMIT OF £25M PER AUTHORITY AND £250M OVERALL
Any UK local authority

APPENDIX 5

APPROVED COUNTRIES FOR INVESTMENT

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

AAA

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

AA+

- Canada
- Finland

AA-

- United Kingdom

APPENDIX 6

TREASURY MANAGEMENT SCHEME OF DELEGATION

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

(i) Court of Common Council

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

(ii) Financial Investment Board and Finance Committee

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

(iii) Audit & Risk Management Committee

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

APPENDIX 7

THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER

The Chamberlain

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

APPENDIX 8

CITY'S CASH BORROWING POLICY STATEMENT

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

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