Public Document Pack

Finance Committee

Date: **TUESDAY, 20 FEBRUARY 2024**

Time: 12.45 pm

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

Members:
Deputy Henry Colthurst (Chairman)
Deputy Randall Anderson (Deputy Chairman)
George Abrahams
Deputy Rehana Ameer
Shahnan Bakth
Brendan Barns
Emily Benn
Nicholas Bensted-Smith
Aaron Anthony Jose Hasan D'Souza
Alderman Professor Emma Edhem
Alderman Sir Peter Estlin
Sophie Anne Fernandes
Steve Goodman OBE
Deputy Madush Gupta
Michael Hudson
Alderman Robert Hughes-Penney
Deputy Elizabeth King
Alderman Tim Levene
Paul Martinelli
Catherine McGuinness
Deputy Andrien Meyers
Deputy Brian Mooney
Eamonn Mullally
Benjamin Murphy
Hugh Selka
Paul Singh
Tom Sleigh
Deputy Sir Michael Snyder
James St John Davis
Luis Felipe Tilleria
Deputy James Thomson
James Tumbridge
Mark Wheatley
Philip Woodhouse
Deputy Christopher Hayward, Policy and Resources Committee (Ex-Officio Member)
Deputy Keith Bottomley, Policy and Resources Committee (Ex-Officio Member)

Enquiries: **Ben Dunleavy ben.dunleavy@cityoflondon.gov.uk**

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Ian Thomas CBE
Town Clerk and Chief Executive

AGENDA

Part 1 - Public Agenda

1. **APOLOGIES**

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

3. **MINUTES OF THE PREVIOUS MEETING**

   To agree the public minutes and non-public summary of the meeting held on 23 January 2024.

   For Decision
   (Pages 9 - 12)

4. **ACTION TRACKER**

   Report of the Town Clerk.

   For Information
   (Pages 13 - 14)

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

   Report of the Chamberlain.

   For Information
   (Pages 15 - 16)

6. **DRAFT MINUTES FROM THE PROJECTS AND PROCUREMENT SUB-COMMITTEE**

   To receive the draft public minutes and non-public summary of the Projects and Procurement Sub-Committee held on 15 January 2024.

   For Information
   (Pages 17 - 20)

7. **CITY FUND 2024/25 BUDGET & MEDIUM-TERM FINANCIAL PLAN**

   Report of the Chamberlain.

   For Decision
   (Pages 21 - 52)

8. **2024/25 CITY'S ESTATE BUDGETS AND MEDIUM-TERM FINANCIAL PLAN**

Report of the Chamberlain.

For Decision
(Pages 53 - 72)

9. **PROPOSED APPROACH TO THE REVIEW OF PROCUREMENT AND CONTRACT MANAGEMENT**

Report of the Chamberlain.

For Decision
(Pages 73 - 92)

10. **ANNUAL ON-STREET PARKING ACCOUNTS 2022/23 AND RELATED FUNDING OF HIGHWAY IMPROVEMENTS AND SCHEMES**

Report of the Chamberlain.

For Information
(Pages 93 - 100)

11. **ENTERPRISE RESOURCE PLANNING (ERP) PROGRAMME UPDATE REPORT**

Joint Report of the Chief People Officer and the Chamberlain.

For Information
(Pages 101 - 106)

12. **BUDGET MONITORING QUARTER 3 2023/24 UPDATE**

Report of the Chamberlain.

For Information
(Pages 107 - 126)

13. **CHAMBERLAIN’S BUSINESS PLAN QUARTER 3 2023/24 UPDATE**

Report of the Chamberlain.

For Information
(Pages 127 - 138)

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

Report of the Chamberlain.

For Information
(Pages 139 - 154)

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

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

17. **EXCLUSION OF THE PUBLIC**

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

For Decision

Part 2 - Non-Public Agenda

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

To agree the non-public minutes of the meeting held on 23 January 2024.

For Decision
(Pages 155 - 158)

19. **DRAFT NON-PUBLIC MINUTES OF THE PROJECTS AND PROCUREMENT SUB-COMMITTEE**

To receive the draft non-public minutes of the Projects and Procurement Sub-Committee held on 15 January 2024.

For Information
(Pages 159 - 162)

20. **IRRECOVERABLE NON-DOMESTIC RATES AND COUNCIL TAX**

Report of the Chamberlain.

For Decision
(Pages 163 - 168)

21. **PROCUREMENT STAGE 2 AWARD REPORT - DITS CORPORATE LICENCE & CLOUD SERVICES PROVIDER**

Report of the Chamberlain.

For Decision
(Pages 169 - 174)

22. **INTERIOR ARCHITECTURAL SERVICES FRAMEWORK – CONTRACT AWARD**

Joint report of the Chamberlain and the City Surveyor.

For Decision

(Pages 175 - 184)

23. **BARBICAN CENTRE PUBLIC CATERING SERVICES - PROCUREMENT STAGE 1 STRATEGY REPORT AND EXTENSION OF CURRENT CONTRACTS**

Report of the CEO, Barbican Centre.

For Decision
(Pages 185 - 198)

24. **SUBJECT: ALL ESTATES – REVIEW OF METRICS USED IN MAKING MAJOR PROPERTY DECISIONS – 2ND TRIENNIAL REVIEW**

Report of the City Surveyor.

For Decision
(Pages 199 - 212)

25. **CITY FUND: 2024 INVESTMENT PROPERTY STRATEGY**

Report of the City Surveyor.

For Information
(Pages 213 - 222)

26. **CITY’S ESTATE: 2024 INVESTMENT PROPERTY STRATEGY**

Report of the City Surveyor.

For Information
(Pages 223 - 230)

27. **DELEGATION REQUESTS**

Report of the City Surveyor.

For Decision
(Pages 231 - 232)

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

Report of the Town Clerk.

For Information
(Pages 233 - 236)

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

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

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FINANCE COMMITTEE

Tuesday, 23 January 2024

Minutes of the meeting of the Finance Committee held at Guildhall, EC2 on Tuesday, 23 January 2024 at 12.45 pm

Present

Members:
Deputy Henry Colthurst (Chairman)
Deputy Randall Anderson (Deputy Chairman)
Brendan Barns
Nicholas Bensted-Smith
Alderman Professor Emma Edhem
Alderman Sir Peter Estlin
Steve Goodman OBE
Michael Hudson
Alderman Robert Hughes-Penney
Deputy Elizabeth King
Alderman Tim Levene
Paul Martinelli
Deputy Andrien Meyers
Eamonn Mullally
Hugh Selka
Mark Wheatley
Deputy Christopher Hayward (Ex-Officio Member)
Deputy Keith Bottomley (Ex-Officio Member)

Officers:

Ian Thomas, CBE	-	Town Clerk and Chief Executive
Caroline Al-Beyerty	-	Chamberlain
Paul Wilkinson	-	City Surveyor
Dionne Corradine	-	Chief Strategy Officer
Sonia Virdee	-	Chamberlain's Department
Sarah Wall	-	Chamberlain's Department
Genine Whitehorne	-	Chamberlain's Department
Daniel Ritchie	-	City Surveyor's Department
Jen Beckermann	-	Office of the Policy Chairman
Ben Dunleavy	-	Town Clerk's Department

1. **APOLOGIES**
   Apologies for absence were received from Catherine McGuinness, Deputy James Thomson, James Tumbridge and Philip Woodhouse.

   Shahnan Bakth, Emily Benn, Madush Gupta, Benjamin Murphy and Paul Singh observed the meeting virtually.

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

3. **MINUTES OF THE PREVIOUS MEETING**

RESOLVED, that – the public minutes and non-public summary of the meeting held on 12 December 2023 be approved as an accurate record, subject to the following amendments:

- Deputy Christopher Hayward's apologies be recorded,
- The wording of the question on London Wall West be added before the reply at item 13.

Matters arising

The Chairman drew the Committee's attention to item 9 of the minutes, in which the Committee had considered a report on Benefits-In-Kind. He informed Members that he asked officers to review the governance of Benefits-In-Kind, and suggested that the Resource Allocation Sub-Committee would be the appropriate home, which was accepted by the Committee.

4. **ACTION TRACKER**

The Committee considered a report of the Town Clerk which set out outstanding actions from previous meetings of the Committee.

RESOLVED, that **–**the Committee notes the report.

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

Members received a report of the Chamberlain providing the Committee's forward plan.

6. **DRAFT PUBLIC MINUTES OF THE PROJECTS AND PROCUREMENT SUB-COMMITTEE**

The Committee noted the draft public minutes and non-public summary of the Projects and Procurement Sub-Committee held on December 4 2023, noting that the Sub-Committee had also met on 15 January 2023.

The Chairman suggested that the schedule of meetings for the Sub-Committee should be revised at its reappointment in May to ensure that timings fitted better with the cycle of Finance Committee meetings.

RESOLVED, that – the draft minutes be noted.

7. **FINAL DRAFT HIGH-LEVEL BUSINESS PLAN 2024/25 - CHAMBERLAIN'S DEPARTMENT, DIGITAL, INFORMATION AND TECHNOLOGY SERVICES BUSINESS PLAN 2024/25 AND COMMERCIAL, CHANGE AND PORTFOLIO DELIVERY BUSINESS PLAN 2024/25**

Members received a report of the Chamberlain relating to departmental business plans.

A Member asked why the 2024/25 targets for the collection of business rates and council were still marked as 'tbc', and if officers could provide the details of what these targets would be. The Chamberlain undertook to return with further information.

A Member welcomed the separate business plan for Digital, Information and Technology Services, and asked if officers could explore ways to improve the City Corporation's websites. In reply, the Chamberlain agreed that the Corporation should aim to provide a smooth pathway for stakeholders to navigate.

RESOLVED, that – Members:

a) Note the factors taken into consideration in compiling the Chamberlain's Department Business Plans; and

b) Approve, subject to the incorporation of any changes sought by this Committee, the departmental Business Plans 2024/25.

8. **CITY FUND AND PENSION FUNDS STATEMENT OF ACCOUNTS DELEGATIONS**

Members received a report of the Chamberlain relating to the City Fund and Pension Fund Statement of Accounts.

RESOLVED, that – Members approve delegated authority to the Town Clerk, in consultation with the Chamberlain, Chairman and Deputy Chairman of the Finance Committee, to approve any significant changes to the 2022/23 Statement of Accounts that may be necessary before the issuance of the audit opinion by Grant Thornton, expected by the end of January 2024.

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

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

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

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

There were no questions.

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

The Chairman informed Members that the next City Question Time would be held on 30 January from 5pm in the Livery Hall, focusing on the theme of finance.

12. **EXCLUSION OF THE PUBLIC**

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

Item No.	**Paragraphs in Schedule 12A**
16-24, 26, 27	3
25	1 and 3

13. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**
The non-public minutes of the meeting held on 12 December 2023 were approved as an accurate record.

14. **DRAFT NON-PUBLIC MINUTES OF THE PROJECTS AND PROCUREMENT SUB-COMMITTEE**
The Committee noted the draft non-public minutes of the Projects and Procurement Sub-Committee meeting held on 4 December 2023. There was no update from the meeting held on 15 January 2024.

15. **THE CITY'S HR AND PAYROLL SYSTEM – THE RECTIFICATION OF THE ESTABLISHMENT AND ITS FINANCIAL IMPACT**
Members received a report of the Chamberlain relating to the City Corporation's current HR and payroll system.

16. **ERP BUDGET UPDATE TO FINANCE COMMITTEE**
Members received a report of the Chamberlain concerning the Enterprise Resource Planning programme's budget.

17. **OPTIONS ANALYSIS - PUDDLE DOCK**
Members received a report of the City Surveyor concerning Puddle Dock.

18. **WHOLESALE MARKETS COVID BAD DEBT WRITE OFF**
Members received a report of the Chamberlain concerning bad debt write offas the wholesale markets.

19. **REPORT OF ACTION TAKEN**
The Committee noted a report of the Town Clerk detailing non-public decisions taken under delegated authority and urgency procedures since the last meeting.

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

21. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**
There were no items of urgent business.

22. **CONFIDENTIAL MINUTES**
The confidential minutes of the meeting held on 12 December 2023 were approved as an accurate record in the non-public session.

The meeting ended at 1.37 pm

Chairman

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

FINANCE COMMITTEE – Action Tracker – February 2024

Items from meeting held 16 May 2023		
ITEM	**Action**	**Officer and target date**
12. RISK MANAGEMENT UPDATE	The Committee to receive a report on the Markets Co-Location Programme, once the Project Governance Review has concluded.	City Surveyor Spring 2024

Items from meeting held 8 November 2023		
ITEM	**Action**	**Officer and target date**
15. TARGET OPERATING MODEL – FINAL REPORT	Include information on the savings achieved by the TOM in the budget monitoring report Draw out information on the total unachieved permanent savings in the budget setting report	Financial Services Director – February 2024 Financial Services Director – February 2024

Items from meeting held 12 December 2023		
ITEM	**Action**	**Officer and target date**
7. CWP Funding Strategy	Include greater visibility of all projects, both those within funding strategy and outliers, in budget papers	Financial Services Director – include in 2024/25 Budget Reports – February 2024

Items from meeting held 23 January 2024		
ITEM	**Action**	**Officer and target date**
6. DRAFT PUBLIC MINUTES OF THE PROJECTS AND PROCUREMENT SUB-COMMITTEE	Consider the scheduling of Projects and Procurement Sub-Committee meetings	Town Clerk - May

FINANCE COMMITTEE – Action Tracker – February 2024

Other items		
ITEM	**Action**	**Officer and target date**
REVIEW OF THE FINANCIAL REGULATIONS	The next review of the regulations will be undertaken early in 2024, to pick up any further changes required, with the outcome being reported to the Finance Committee in the Spring of 2024. Training in the new Regulations would be offered as part of the Member Development Programme.	Chamberlain – May 2024 Chamberlain – Spring 2024

FINANCE COMMITTEE – WORK PROGRAMME 2024-25

	Feb-24	Apr-24	May-24	June-24	July-24	Sept-24	Nov-24	Dec-24	Jan -25	Feb 25
Budget Setting Process & Medium-Term Financial Planning	City Fund Budget Report and Medium-Term Financial Strategy City Estates Budget report and Medium-Term Financial Strategy				Update on Budget setting 24/25			Autumn Budget Finance Committee's Estimates report	2024/25 Annual Capital Bids - update	City Fund Budget Report and Medium-Term Financial Strategy City Estates Budget report and Medium-Term Financial Strategy
Effective Financial Management Arrangements for The City Corporation	Q3 Budget monitoring, including capital projects forecast. Irrecoverable Non-Domestic Rates MPO Dashboard Reporting (CHB) Annual Parking Meter Surplus Report 2022-23 (CHB) Barbican Centre Catering - Stage 1 Procurement Strategy Report and Extension of the current contracts (CHB)	Getting Best Value from our low-value spend - 12 months from April. MPO Dashboard Reporting (CHB) Barking Reach Site - Land Transfer from BPL to CoLC (CHB & CS) Financial Services Division Recruitment Quarterly Update (VERBAL) MPO Dashboard Reporting (CHB)	Project Procedure Revision six-month Update MPO Dashboard Reporting (CHB) Update of Finance Regulations	Financial Services Division Recruitment Quarterly Update (VERBAL) MPO Dashboard Reporting (CHB) Contract Management report *(AP from 12th Dec meeting)*	Revenue Outturn report 23/24 Provisional Outturn report 23/24 MPO Dashboard Reporting (CHB)	Budget Monitoring Q1 Provision for Bad and Doubtful Debts City Re update MPO Dashboard Reporting (CHB)	Budget monitoring Q2 Capital Projects – Forecasting Financial Services Division Recruitment Quarterly Update (VERBAL) MPO Dashboard Reporting (CHB) MPO Dashboard Reporting (CHB)	MPO Dashboard Reporting (CHB)	MPO Dashboard Reporting (CHB) Financial Services Division Recruitment Quarterly Update (VERBAL)	Budget monitoring Q2 MPO Dashboard Reporting (CHB)
Financial Statements						City Fund and Pension Fund statement of accounts	City's cash financial statements City's Cash trust funds and sundry trust funds annual reports and financial statements			
Finance Committee as a Service Committee	Risk Management Update Report Chamberlain's Business plan Q report ERP Programme Update (Quarterly	Risk Management Update Report Chamberlain's Business plan Q report	Risk Management Update Report Chamberlains Business plan End of Year update ERP Programme Update (Quarterly)	Risk Management Update Report Central Contingencies (Quarterly report)	Risk Management Update Report Chamberlain's Business plan Q report	Risk Management Update Report Central Contingencies (quarterly report) Chamberlain's Business plan Q report ERP Programme Update (Quarterly)	Risk Management Update Report Chamberlain's Business plan Q report	Risk Management Update Report Central Contingencies (quarterly report) ERP Programme Update (Quarterly)	Risk Management Update Report Chamberlain's Business plan Q report	Risk Management Update Report Chamberlain's Business plan Q report

Updated as at: 12 February 2024

Other Departments reports	Review of Property Metrics (CS) Sale of South Molton Street (City's Estate)	Results of External Review into Resident Service Charges (CCS) Establishing a US-based company (IG)	Appointment of Sub-Committees (TC)			Annual Terms of Reference Review (TC)		Benefits in Kind Annual Report (CBF)		

Updated as at: 12 February 2024

PROJECTS AND PROCUREMENT SUB-COMMITTEE
Monday, 15 January 2024

Minutes of the meeting of the Projects and Procurement Sub-Committee held at Committee Rooms, 2nd Floor, West Wing, Guildhall on Monday, 15 January 2024 at 1.45 pm

Present

Members:
Deputy Shravan Joshi (Deputy Chairman)
Deputy Randall Anderson
Caroline Haines
Deputy Charles Edward Lord
Anett Rideg
Philip Woodhouse

Officers:

Polly Dunn	-	Assistant Town Clerk and Executive Director of Governance and Member Services
Sonia Virdee	-	Chamberlain's Department
Genine Whitehorne	-	Chamberlain's Department
Sarah Baker	-	Chamberlain's Department
Emma Claridge	-	Chamberlain's Department
Aga Watt	-	Chamberlain's Department
Mitchell Walker	-	Chamberlain's Department
Daria Faeti	-	Chamberlain's Department
Janet Baker	-	Chamberlain's Department
Tara Crombie	-	Chamberlain's Department
Samantha Kay	-	Chamberlain's Department
William Roberts	-	Chamberlain's Department
Graeme Low	-	City Surveyor's Department
Brendan Crowley	-	City Surveyor's Department
Lyall Archer	-	City Surveyor's Department
Gillian Howard	-	Environment Department
Ben Jeffries	-	Barbican Centre
Drea Lee	-	City Bridge Foundation

1. **APOLOGIES**

Apologies were received from Deputy Keith Bottomley, Deputy Madush Gupta, Paul Martinelli Alderman Timothy Hailes, and Deputy Christopher Hayward.

Paul Martinelli and Deputy Madush Gupta observed the meeting virtually.

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

3. **MINUTES**
RESOLVED, that – the public minutes of the meeting held on 4 December 2023 be approved as an accurate record.

4. **MANAGED PRINT SERVICE PROCUREMENT**
The Sub-Committee considered a report from the Chamberlain, regarding the managed print service procurement.

Members were assured that the contract would be flexible and could be scaled down as well as up.

Officers advised that soft market testing had been undertaken in October 2023 as it had been seven years since this service had been procured. During this process, suppliers had advised that there had not been significant innovation in that time, so a similar provision would be recommended. Current arrangements were costed on a 'per click' basis. Members asked what that cost was, and officers committed to providing this information after the meeting. Currently there was no fee for the leasing, this was all factored into the price module.

Proposals included the larger printing units used by the in-house print service team.

RESOLVED, that Members:-

1. Approve the recommended Procurement Strategy to undertake a Find a Tender Service Open Procedure, compliant to the Public Contracts Regulations 2015, and the City of London Procurement Code, Rule 16, Contracts Letting;

2. Approve the proposed seven years contract duration, comprising five years initial contract term, with the option to extend by up to a further two years, therefore, at a total contract value of £3.5M.

5. ***GW2 - DAUNTSEY HOUSE, FREDERICKS PLACE - PUBLIC REALM IMPROVEMENTS**
The Sub Committee received a report of the Executive Director, Environment.

RESOLVED – that the report be noted.

6. ***GW345 - BEMS PHASE 1 STAGE 3**
The Sub Committee received a report of the City Surveyor.

RESOLVED – that the report be noted.

7. ***GW5 - BANK JUNCTION IMPROVEMENTS: ALL CHANGE AT BANK**
The Sub Committee received a report of the Executive Director, Environment.

RESOLVED – that the report be noted.

8. ***GW6: BARBICAN CENTRE- NEW RETAIL UNIT**
The Sub Committee received a report of the Chief Executive Officer, Barbican Centre.

RESOLVED – that the report be noted.

9. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE SUB COMMITTEE**
There was one question.

A Member asked why contract renewals appeared to be considered at the last minute. They asked that some action be sought from Officers to act on this.

In response, Members were advised that the same challenge had been raised at the Court of Common Council by the Finance Committee Chairman, and that the Chamberlain was leading on improvements.

10. **ANY URGENT BUSINESS**
There were no items.

11. **EXCLUSION OF THE PUBLIC AND PRESS**
RESOLVED, that – under Section 100A(4) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Paragraph 3 of Part I of Schedule 12A of the Local Government Act.

12. **NON-PUBLIC MINUTES**
RESOLVED, that – the non-public minutes of the meeting held on 4 December 2023 be approved.

13. **MEDIA PLANNING AND BUYING SERVICES PROCUREMENT STAGE 1-2 STRATEGY AND AWARD REPORT**
The Sub Committee considered a joint report of the Chamberlain, Managing Director of the City Bridge Foundation, and Chief Executive Officer of the Barbican Centre – concerning the Media Planning and Buying Services Procurement Stage 1-2 Strategy and Award.

14. **PORTFOLIO OVERVIEW**
The Sub Committee received a report of the Chamberlain regarding a Portfolio Overview of all City Corporation projects.

15. ***GW1-2: FREEMEN'S SCHOOL DINING HALL INTERNAL REFURBISHMENT**
The Sub Committee received a report of the City Surveyor.

16. ***GW1-4: RADIO SYSTEM INFRASTRUCTURE REPLACEMENT (BARBICAN AND GSMD)**
The Sub Committee received a joint report of the Chief Executive Officer, Barbican Centre and the Principal of the Guildhall School of Music and Drama.

17. ***GW1-4: CITY OF LONDON SCHOOL REVENUE WORKS 2024/25 (SUMMER WORKS 2024)**
The Sub Committee received a report of the City Surveyor.

18. ***GW3-4: CITY OF LONDON SCHOOL MASTERPLAN - CATERING PROJECT**
The Sub Committee received a report of the City Surveyor.

19. ***GW34: WILLIAM BLAKE ESTATE WINDOW REPLACEMENT AND COMMON PARTS REDECORATIONS**
The Sub Committee received a report of the Executive Director of Community and Children's Services.

20. ***GW4: HR, PAYROLL, FINANCE SOLUTION, ERP (ENTERPRISE RESOURCE PLANNING)**
The Sub Committee received a report of the Chamberlain.

21. ***GW5 ISSUES: CITY OF LONDON PRIMARY ACADEMY ISLINGTON**
The Sub Committee received a report of the City Surveyor.

22. ***GW5 - EARLY CLOSURE: CITY FUND - REFURBISHMENT/EXTENSION OF 1-6 BROAD STREET PLACE AND 15-17 ELDON STREET**
The Sub Committee received a report of the City Surveyor.

23. **NON-PUBLIC QUESTIONS RELATING TO THE WORK OF THE SUB COMMITTEE**
There were no questions.

24. **NON-PUBLIC ANY URGENT BUSINESS**
There was one item of urgent business raised in relation to DITS Corporate Licence & Cloud Service Provider Procurement.

The meeting ended at 2.32 pm

Chairman

Contact Officer: Polly Dunn
Polly.Dunn@**cityoflondon.gov.uk**

Committee(s): Finance Committee – For decision Policy and Resources – For Information Court of Common Council – For decision	Date(s): 20 February 2024 22 February 2024 7 March 2024
Subject: City Fund 2024/25 Budget & Medium-Term Financial Plan	**Public**
Report of: The Chamberlain	**For Decision**
Report author: Daniel Peattie, Assistant Director – Strategic Finance	

Summary

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

Recent years have seen major global events contribute to a very unstable economic environment. Interest rates have been at levels not seen for a number of decades. Whilst the City Corporation has benefited from higher interest rates, they have not been sufficient to offset embedded cost increase of price inflation.

Additional funding will be required to cover children and community services; potential uplifts changes in pay and address properly the growing backlog of cyclical works for operational properties.

The huge pressure on our finances from delivering our ambitious capital programme also constrains the ability for future investment. Wider thinking is needed on how best to secure third party investment on the major capital projects and our asset base to relieve the pressure on our own capital resources.

Additionally, a commercial approach to revenue generation is required and under review e.g. advertising income. A commercial approach is also under review on our operational asset base, ensuring that we maximise operational effectiveness and only retain the buildings really needed to deliver services.

Although the Local Government Financial Settlement includes a welcome increase in the level of funding for social care, the expectation continues from Government that more will be raised from local taxpayers. This same applies for the Police funding settlement. Government's assumption is that Policing cost pressures would be covered through the levy on council taxpayers of up to £13 (decreased from £15 from prior year). Following the steer from Resource Allocation Sub Committee in the summer, and in a joint meeting with Service Committee Chairman in January, potential tax increases have been modelled for member consideration.

The final settlement also approved the extension of the ‘8 Authority Pool’ with 7 neighbouring billing authorities, which will enable the pool partners to keep more of the business rate growth they generate – this pool will cover 4 of the 6 most deprived boroughs. For City Fund this will potentially yield £8m. This pool is an extension for one year only, after which the Corporation intends to return to a pan London Pooling. This is one-off funding and is not recommended to support business as usual and needed to support the major projects programme, reducing the impact on City Fund deficits in later years.

Tough decisions have been needed to remain within the overall envelope for 2024/25. The medium-term financial outlook, with no tax increases, is summarised in table 1 below:

Table 1: City Fund five-year outlook

Surplus/ (Deficit)	2023/24	2024/25	2025/26	2026/27	2027/28
	£’m	£’m	£’m	£’m	£’m
City Fund surplus (deficit)	41.7	21.3	(0.4)	(18.9)	(33.6)
City of London Police surplus/(deficit)	0.0	(2.9)	(2.2)	(4.3)	(6.6)
City Fund position including Police deficit	41.7	18.4	(2.6)	(23.2)	(40.2)
***General Fund Reserve – working capital**	20.00	20.00	20.00	20.00	20.00
****Major Project Financing Reserve**	77.4	77.0	67.0	38.4	5.3
*****Cyclical Works Programme Reserve**	68.0	52.7	38.9	25.5	12.7
******Climate Action Reserve**	14.8	13.7	13.0	12.5	11.0

* General fund reserve maintained at minimal prudent amount for working capital.
** Major project financing reserve includes adjustments for financing the revenue element of major projects which is not included in the deficit/surplus.
*** Cyclical Works Programme Reserve includes ring-fenced funds to support the essential funding needed on backlog and forward plan over the next 5 years from 2024/25 and included in the surplus/deficit.
****Climate Action Reserve includes adjustments for financing the revenue element of climate action and revenue savings from climate action and similar programmes.

City Fund (excluding Police) is balanced over the medium-term financial plan (MTFP) producing a small £10.1m surplus. Government has pushed back its reform of Business Rates by another year and expectation is this will be pushed back by a further year. The result generates extra retained Business Rates growth of c£28m in 2024/25 and c£28m in 2025/26 which is helpful but cannot be regarded as permanent. In addition, City Fund has benefited from an increase of £1.9m in baseline funding in 2024/25. Interest returns have also been beneficial in countering inflationary and other pressures. Yet pressures in future years remain. Further action is required to ensure City Fund remains in balance beyond 2025/26. Previously the business rate growth had been kept separate to fund the major projects. However, due to increases in inflation, reductions in property income, continued pressures in adult and children’s services, inflationary pressures in Police pay and prices such separation is not possible in 2025/26. Without that growth the City Fund falls into a greater deficit by £27.6m (taking 2025/26 deficit position £0.4m less Business Rates growth c£28m). Later year forecast deficits endanger the statutory duty to remain balanced across the 5-year medium-term with little margin to support unforeseen financial challenges.

The Police have seen a significant increase in demand for services. Fraud and cyber-crime have continued to rise. The cost-of-living crisis has brought challenges including increases in calls for service linked to vulnerability and rises in theft. Wider national public dissatisfaction has been felt through increased protests which require significant resource to police. The growing nighttime economy has led to increases in crime and disorder, particularly violence and sexual offences. Maintaining a safe and secure environment in the City is key to the success of Destination City, while continuing to ensure the City remains an attractive place to do business. More visitors to the City requires a focus on public safety, not only by deterring criminality, but also on the threat from terrorism. These demands sit within the context of a notable shift in the balance of central funding towards locally levied taxes, provided elsewhere through increases in Council Tax.

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

For 2024/25, Members will need to consider whether to:

- Increase Adult Social Care precept by 2% which raises £165k p.a. - to address £310k pressures within Adult Social Care and position the City Corporation better for the Fair Funding Review.
- Increase in core Council Tax by 2.99% which raises £247k p.a.- to address £160k pressure on children services (children's placements) and other services.
- Increase again Business Rates Premium up to 0.4p in the £ which raises c£8.1m p.a. - to support security on City Fund and Police inflationary pressures. The Corporation is unable to levy taxes in the same way other Police Crime Commissioner Offices through precept on Council Tax – for 2024/25 up to £13 without needing a referendum. Unless BRP is increased by 0.4p - City Fund can only be balanced across the medium-term from the retained business rates growth and aggressive savings within Police.
- Increase rents for social tenants within the Housing Revenue Account by 7.7%. Inflation is now embedded in pay and prices - those increases put HRA into deficit. In order, to balance HRA across the MTFP a 7.7% increase in rent is permitted which appears to match likely increases from other London boroughs.

Capital - Business as usual

Turning to the **capital position**, under the annual process, bids for capital funding totalling £14.4m for City Fund were approved in principle by Resource Allocation Sub Committee. This remains within the overall recommended funding allocation of £20m, the sum is considered manageable over the medium term. Any further pressures are to be contained within agreed budgets through value engineering. Where this is not practicable it is recommended alternative sources of funding is explored (i.e. Community Infrastructure Levy (CIL), On Street Parking Reserves (OSPR), Grants, underspends from existing capital programmes, and or reprioritisation of already approved capital programmes.

Options to stabilise the position

This report recommends a number of measures to stabilise the position in 2024/25 and that will support the steps that will need to be taken over the medium-term, supported by:

- **Tax increases –** Resource Allocation Sub Committee agreed to model tax rises.
- **Increased property investment returns** - review underway by Investment Committee;
- **Income generation opportunities** – update in March 2024, but realistic projections total £3m - £8m;
- **Operational Property** – update in March 2024 unlikely to generate substantial contributions excess of c£500m;
- **Medium-term savings plan** – radical thoughts now needed for future as to how best to bring down the annual operating deficit, including major changes or stoppages to existing services provision and/or reductions in grants. This will require a renewed approach to transformation underpin by a clear communication to all members, so they are aware of the challenges ahead.
- **One-off spends** addressed within resource envelope/added to MTFP, with exceptional items funded from underspends of up to £10m projected to be carried forward from 2023/24 (including inflation contingency - paragraph 27);
- **Major Projects:**
    - Development opportunities to attract investment must be prioritised;
    - Given that ambitions and current commitments exceed resources, priority otherwise to be directed towards statutory or health and safety needs, alongside the Cyclical Works Programme – see Appendix A paragraphs 22 to 28.
    - £25m has been committed over 2023/24 and 2024/25 to support critical health and safety needs of the Barbican Centre which has reached the end of its economic life. The full cost of essential works is estimated to be £451m, subject to formal surveys and cost assessments. Such amount is not budgeted for and will not generate any material change to revenue or cost and is not supportable by external grants. Informal Resource Allocation Sub Committee requested a full business plan that reduces annual support from the Corporation and places Barbican Centre on a sustainable footing. A funding strategy will need to be developed. Finding the full £451m will add further cost pressures on City Fund in the region of between £13m-£25m p.a. The Chief Executive Officer of the Barbican Centre has advised *'it is not possible to run the Barbican as an arts centre if no further funding is secured for the Barbican Renewal*'.

Members will also want to note that increased revenue pressures have been accommodated by reprioritising existing budgets and signal an expectation that additional pressures that might arise during 2024/25 will be absorbed within local risk budgets. However, where one-off cost pressures have been approved by Members these have either been built into the medium-term or accommodated through underspends from 2023/24.

Recommendations

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

1.0 To note and approve the overall budget envelopes for City Fund.

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

1.1.1 Agreed pay award from 1st July 2023.

1.1.2 Net 3% inflation uplift to local risk budgets.

1.1.3 £470k for City Fund Adult Social Care and Children Services.

1.1.4 £2m central provision to cover assumptions for Ambition 25 (Reward Refresh) – subject to recommendations of the Corporate Services Committee.

1.1.5 £210k increase in legal costs to support specialist advice.

1.1.6 £330k on-going City Fund support to Electoral Services.

1.1.7 £400k provision for possible increases to members allowance – subject to recommendations of the Civic Affairs committee.

1.1.8 £56k shortfall (split across City Fund and City's Estate) to Occupational Health Physician Services.

1.1.9 £59k (3%) uplift to the London Symphony Orchestra grant.

1.1.10 £164k (3%) increase to the Museum of London grant.

1.2 For Cyclical Works Programme (CWP):

1.2.1 Additional funding totalling £62.7m to address the backlog of works £27.1m, forward plan £34.0m, plus £1.6m towards delivery of the programme across the next 5 years from 2024/25 (Appendix A, paragraphs 22 to 28).

1.2.2 Funding identified from reserves in City Fund, endorsed by Finance Committee in December, to be ringfenced to the programme (paragraph 50). Delivery will need to be managed robustly to avoid cost creep.

1.2.3 £25m was allocated to the Barbican Centre, approved by Court of Common Council 9 March 2023 to address critical health and safety needs and to fund the development of a business case to consider replacement of more fundamental infrastructure than is covered in a cyclical works programme.

1.2.4 Any further funding for the Barbican Centre to be considered separately and as part of its own strategic business plan (paragraph 29).

1.3 To address inflationary pressures going forward assumptions include 2% uplift from 2025/26 onwards.

1.4 Savings still to be achieved from Development of City commercial income streams through Barbican Management, Commercial - procurement, and from implementation of the Enterprise Resource Planning system have been reprofiled to (£3.3m) 2025/26 and (£0.6m) in 2026/27 respectively. Permanent savings from previous savings programmes are expected to crystallise by 2024/25 see paragraphs 63 and 64.

1.5 Other one-off pressures and opportunities for transformation in 2024/25 outlined in paragraph 27 to be funded from forecast carry forward underspends from 2023/24.

1.6 Unfunded additional revenue bids (paragraph 26) to be avoided during 2024/25, unless these can be prioritised from savings or income generated from the Corporation's Resource Prioritisation Refresh Programme (RPR).

1.7 Increase the rents for social tenants within the Housing Revenue Account by 7.7% for 2024/25, as supported by Childrens & Community Services Committee on 25 January in order to balance the HRA across the MTFP.

1.8 As in previous years, it is recommended the earmarked security reserve retains £1m as a minimum and is reviewed regularly.

1.9 Approve the overall financial framework and the revised Medium-Term Financial Strategy (paragraphs 17 to 73).

1.10 Approve the City Fund Net Budget Requirement of £201.8m (Appendix A, paragraph 7)

Key decisions:

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

2.0 **<u>Council Tax</u>** – paragraphs 54 to 57

2.1 To approve an increase of 2% social care precept, raising c£165k p.a. in response to the ongoing pressures in homelessness and adult social care. This is recommended given the pressures within adult social care totalling £310k p.a.

2.2 To approve an increase of 2.99% on core Council Tax raising c£247k p.a. This is recommended to address £160k pressure on children social care and bridge the gap on adult social care as above.

2.3 To note if both increases are approved, the 4.99% increase will increase income by £412k and raise Band D rate by c£48.00 to £1,051.62 (before GLA precept). This increase is not excessive and is below the threshold to require a referendum and much needed for continued support to vulnerable members of society.

2.4 To determine that a fully funded means tested council tax reduction scheme will continue in place for those on low incomes and least able to pay more. This means that those that are least able to afford it will continue to receive 100% support with their council tax bills.

2.5 To determine the Local Discretionary discount for Care Leavers between the ages of 18 to 25 is continued for 2024/25.

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

2.7 Determine, that as in previous years no discount (0%) is awarded to unoccupied and unfurnished and uninhabitable dwellings for 2024/25.

2.8 Determine that a premium is levied on long-term empty property for 2024/25 of 100%, 200% and 300% on properties that have been empty for 2, 5 and 10 years respectively. This is a continuation of the Premiums charged in 2023/24.

2.9 Introduce a new long-term empty property premium of 100% for properties that have been empty for longer than 12 months in 2024/25.

2.10 Determine that a Second Home Premium is introduced in 2025/26. 12 months' notice is required to introduce this additional charge.

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

2.12 Approve that the cost of highways, street cleansing, waste collection and disposal, drains and sewers, and road safety functions for 2024/25 be treated as special expenses to be borne by the City's residents outside the Temples (Appendix B).

3.0 **Business Rates** – paragraphs 58 to 61

3.1 To approve an increase of up to £0.04p in the £ in Business Rate Premium raising up to c£8.1m p.a. to support the ongoing pressures on the Police and security costs (paragraphs 40 to 43, 52).

3.2 Award a Discretionary Discount under S47 Local Government Finance Act for qualifying Nursery Schools of up to 100%.

3.3 Note that the Non-Domestic Rate multiplier of 54.6p and a Small Business Non-Domestic Rate Multiplier Rate of 49.9p have been set by Central Government for 2024/25 (Appendix A, paragraph 9).

3.4 Note that, in addition, the GLA is levying a Business Rate Supplement in 2024/25 of 2.0p in the £ on properties with a rateable value of £75,000 and above (Appendix A, paragraph 12).

3.5 Delegate to the Chamberlain the award of discretionary rate reliefs under Section 47 of the Local Government Finance Act 1988 (Appendix A, paragraph 11).

4.0 **Capital Expenditure**

4.1 Approve the Capital Strategy (Appendix F).

4.2 Approve the Capital budgets for City Fund and the allocation of central funding from the appropriate reserves to meet the cost of the 2024/25 bids – release of funding being subject to approval at the relevant gateway and specific agreement of the Resource Allocation Sub Committee at gateway 4(a) (paragraphs 70 to 73)

4.3 Approve the continuation of the allocation of central funding in 2024/25 to provide internal loan facilities for the HRA, currently estimated at £14.6m respectively.

4.4 Approve the Prudential Code indicators (Appendix D).

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

5.0 Treasury Management Strategy Statement and Annual Investment Strategy 2024/25 (Appendix E)

5.1 Approve the Treasury Management Strategy Statement and Annual Investment Strategy for 2024/25, including the treasury indicators – Appendix E.

5.2 Approve the authorised limit for external debt (which is the maximum the City Fund may have outstanding by way of external borrowing) at £432.8m for 2024/25; and the Minimum Revenue Provision (MRP) for 2024/25 at £1.4m (MRP policy is included within Appendix E – Treasury Management Strategy Statement and Annual Investment Strategy Statement 2024/25 - Appendix 2).

6.0 Chamberlain's Assessment

6.1 Take account of the Chamberlain's assessment of the robustness of estimates and the adequacy of reserves and contingencies (paragraphs 76-80 and Appendices A, C and H respectively).

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

Main Report

Background

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

2.0 The last few years have been particularly challenging with global events causing hyper inflationary pressures as well as impacts on the wider global economy. Whilst inflation has begun to fall sharply and is expected to return to around 2% by 2025, the impact of previous price increases continues to be felt as and when contracts come up for re-procurement or tendering.

3.0 The likelihood of a recession in 2024 remains high and the political uncertainty around the upcoming general election within the following financial year increases the levels of risk when developing the MTFP.

4.0 Nationally, the macro shift in the financial burden for local government funding to the council taxpayer continues e.g. the allowable precept for Policing is £13 for 2024/25.

5.0 More positively, the Fair Funding Review remains politically and logistically difficult to implement unless there is more money in the system – potentially impacting the Business Rates growth reset which is reflected in the assumptions that it will be delayed by a further year, possibly two years.

6.0 As with the MTFP last year, despite significant cuts to budgets over the last decade, there remains significant pressures across City Fund – caused by the financing of major projects programme, inflation increases and inability to retain/recruit staff under the current salaries structure. This means there needs to be a more radical review of how and what services the City Corporation operates if the scale of capital ambition remains to remain sustainable.

7.0 Whilst individual budgets have changed, the overarching messages from the 2023/24 MTFP remain the same. Those being:

- City Fund (including Police) is expected to fall into deficit within the MTFP period.
- The scale of the Capital programme, major projects is placing significant pressure on the resources available.
- The HRA remains finely balanced for the next two years, with the outlook expected to improve from 2026/27 when additional properties come on stream at the completion of new developments.

8.0 To mitigate the risks:

- For revenue pressures additional contingencies are held centrally for Ambition 25, however it is recommended underspends from 2023/24 is carried forward to support known one-off pressures impacted by inflation.
- A review of the scale of ambition particularly for Major Capital Projects was presented to Policy and Resources Committee in January 2024 which

highlights the need to prioritise essential, statutory, or urgent health and safety works – But we cannot do everything and must prioritise.

- There is significant risk of not addressing the CWP, increasing deterioration in operational properties subsequently posing health hazards and leading to an increase in major capital projects.
- There is also a significant risk of not addressing the Barbican Centre, pending full business case.

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

10.0 The Government recently confirmed the Local Government Finance Settlement for 2024/25 and the Policing Minister published the revenue allocations for Police forces for 2024/25. The Local Government finance assumes local authorities use locally levied taxes to support rising pressures. This is also the case for the Police funding settlement, where a small increment has been applied. The Government's assumption is that Policing cost pressures would be covered through the levy on council taxpayers.

11.0 The final settlement also approved the extension of the '8 Authority Pool' with 7 neighbouring billing authorities, which will enable the pool partners to keep more of the business rate growth they generate – see paragraph 39.

12.0 Revenue streams are likely to be under considerable pressure as the Government intends to change current funding mechanisms to reflect an increased emphasis on need and to reset the current business rates retention system:

- **Second Year of Two-Year Settlement** – the 2024/25 Local Government Finance Settlement is the second year of a two-year settlement, final allocations were confirmed on the 5th February.
- The **Fair Funding Review** of local government funding is likely to shift resources away from London. Potentially impacting the Business Rates growth reset which is reflected in the assumptions that it will be delayed by a further year, possibly two years – forecast at £28m.

13.0 Although the City Fund including Police is forecast to be in surplus by £18.4m in 2024/25, it can only be balanced, over the next four years, with the use of general fund reserves and further savings and/or revenue raising by increasing Council Tax and Business Rate Premium. Despite significant savings made over the last decade, planned savings and mitigations are in place. City Fund including Police faces substantial growing annual deficits over the planning period and the 10-year horizon – estimated at £40.2m p.a. from 2027/28 onwards without raising taxes.

14.0 The HRA is under increasing pressure, heavily impacted by inflation and major capital projects. There is a statutory requirement for the HRA budget to be balanced across the MTFP. Increases in costs will put HRA into deficit and there are no reserves available. A 7.7% increase in rent is permitted. Modelling an increase on pay and prices (in line with City Fund assumptions) and increase in rent to 7.7% moves 2024/25 into a small surplus of £0.4m. Intelligence from London boroughs indicate that most local authorities will be increasing rents by the full 7.7%.

15.0 Over the next few years, we will focus on making operational efficiencies through our Resources and Priorities Refresh (RPR), Climate Action Strategy, People Strategy, Digital Services Strategy, Asset Management Strategy, Local City Plan, underpinned by the Corporate Plan - improving how we prioritise out resources to ensure:

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

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

- **Tax increases –** Resource Allocation Sub Committee agreed to model tax rises. It is recommended an increase in Council Tax by 4.99% and in Business Rates Premium by up to 0.4p in the £ is levied to support on-going pressures.
- **Increased property investment** - review underway by Investment Committee;
- **Income generation opportunities** – update in March 2024 but realistic projections total £3m - £8m;
- **Operational Property** – update in March 2024 unlikely to generate substantial contributions over the c£500m already in financing plans;
- **Medium-term savings plan** – radical thoughts now needed for future as to how best to bring down the annual operating deficit, including major changes or stoppages to existing services provision and/or reductions in grants. This will require a renewed approach to transformation underpin by a clear communication to all members, so they are aware of the challenges ahead.
- **One-off spends** addressed within resource envelope/added to MTFP, with exceptional items funded from underspends to be carried forward from 2023/24 (including inflation contingency).
- **Major Projects:**
    - Development opportunities to attract investment is under way and must be prioritised;
    - Given that ambitions and current commitments exceeds resources priority otherwise to be directed towards statutory or health and safety needs, alongside the Cyclical Works Programme.
    - A fundamental look at how to meet the requirements of the Barbican Centre is now needed pending full business case.

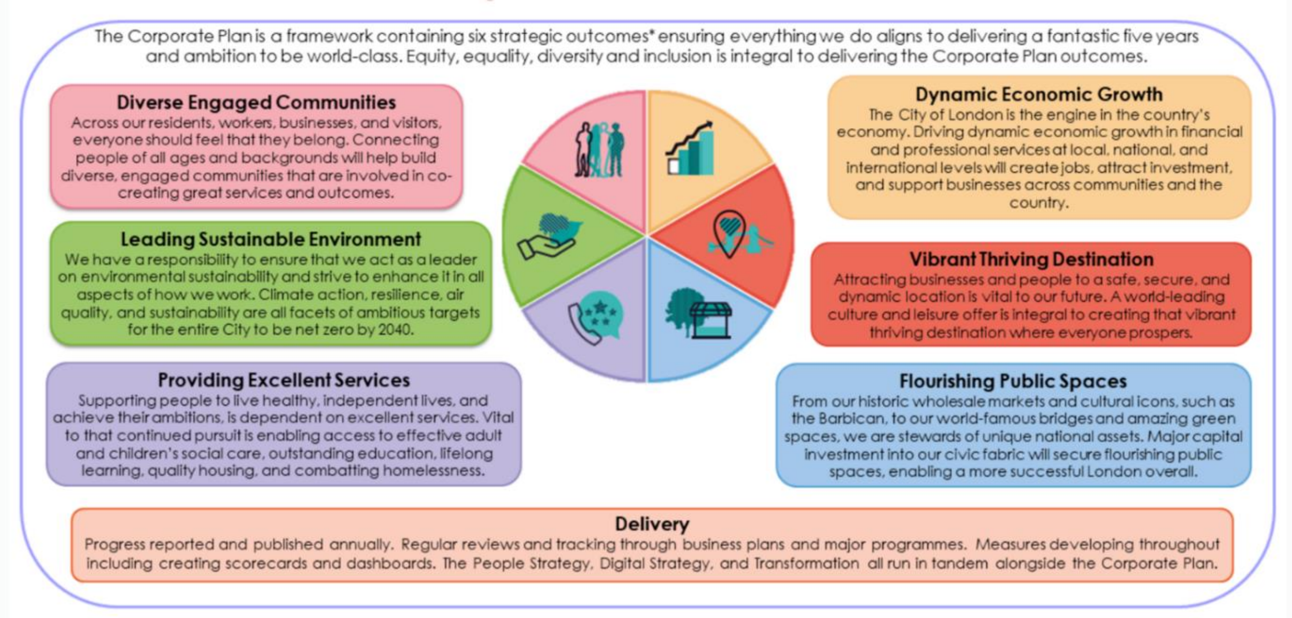
Overall Financial Strategy

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

- manage inflation impacting on the economy and income;
- maintain and enhance the financial strength of the City Corporation through its investment strategies for financial and property assets;
- pursue budget policies which seek to achieve a sustainable level of revenue spending and create headroom for capital investment and policy initiatives,
- create a stable framework for budgeting through effective financial planning;
- promote investment in capital projects which bring clear economic, policy or service benefits;
- manage the affordability to support major capital projects now and in the future; and
- financial strategy to be developed following review of the investment asset base and fund income requirements during 2024.

Corporate Plan

18.0 When considering the competing pressures and priorities, the newly developed Corporate Plan provides a framework to ensure decisions are aligned to the approved key outcomes. Following approval by Court of Common Council on the 11th January, with final sign off delegated to Policy and Resources Committee in February, the six key outcomes are set out in the diagram below, with no specific order of importance.



19.0 Aligning budgets, in particular capital budgets (as set out in Appendix F), to these outcomes will ensure that medium-term funding decisions are delivering the desired benefits. Having been approved in January 2024, the Corporate Plan is therefore in its infancy and will take time to embed. However, ensuring a clear link between the MTFP and Corporate Plan will support the effective allocation of resources and provide a framework for discussions around prioritisation and moving away from silos. If expenditure cannot be linked to one of the outcomes there should be scrutiny as to why we are incurring it and potentially the need to stop doing it in order to ensure efficient allocation of resources.

20.0 The corporate plan may also be a useful framework if considering activities which the City Corporation feels it should stop doing in order to manage financial resources. Noting the fact that some services also fall under statutory legislation which needs to be considered.

Measures to the 2024/25 budget

21.0 The budget setting process for 2024/25 and beyond began back in summer 2023 with a series of officer led star chamber meetings reviewing pressures and potential savings within each service area.

22.0 At its July meeting, Resource Allocation Sub Committee approved the budget envelopes that service committees will use to deliver their services in 2024/25. It is intended that business planning will address how service committees intend to focus their resources to achieve key outcomes in year. The RPR will need to realign resources to corporate priorities; for new corporate priorities requiring investment (including pressures highlighted by departments through star chambers) the expectation is for the RPR Programme and Digital Strategy to create headroom to reallocate funds, rather than being able to deliver further significant savings – supporting the change in the operating model, which includes a review and disposals of operational property, and opportunities for income generation.

23.0 The Government has pushed back its reform of Business Rates for another year to 2025/26, which is very welcome. Expectations are it will be delayed until 2026/27. This means that we have extra retained Business Rates growth for 2024/25 and possibly in 2025/26, which has been modelled.

24.0 Tough decisions have been needed to remain within the overall envelope in 2024/25. Although the following, on-going resourcing is required for:

- Agreed pay award from 1st July 2023;
- Assumptions include 3% increase in net local risk budgets for 2024/25; before
- Returning to 2% uplift from 2025/26 onwards;
- Reprofiling of previously agreed savings for 2024/25 to be pushed out to future years, providing sufficient time to embed permanent savings;
- Cyclical Works Programme (paragraph 50) – backlog and forward plan included, although this is to be funded from reallocation of reserves.

Cost pressures included to align funding or support Corporation's ambitions

25.0 Following the star chambers and ongoing discussions a number of pressures were identified to either align funding to more appropriate source or support the Corporation's ambitions. These have been added to the budget and are set out in Appendix A and further supported by Resource Allocation Sub away day:

- **Ambition 25** (Reward Refresh) – it is essential that the Corporation adopts a new reward strategy and pay grading structure, failure to do so will put the delivery of the Corporation's strategic objectives at risk given the notable recruitment and retention challenges we currently have, and the risk of equal pay concerns. It is recommended assumptions are held centrally, totalling £2m.
- The Corporation is transforming across all areas which has seen a notable increase in **legal costs** supporting the Corporation's ambitions and journey. It is recommended an increase of £210k is included to address the funding gap for specialist advice in line with current requirements.
- £470k pressure on **Adult Social Care and Children Services**, principally for placements. It is proposed that funding is provided through tax setting measures, significantly supporting vulnerable members of society.
- Budget correction to support **Electoral Services** equating to £330k. This is a statutory function and appropriate funding is needed to support the on-going service, therefore recommended to be included.
- **Occupational Health Physician Services** shortfall of £56k, provides statutory function and expert advice to the City of London in relation to health risk management and complex clinical issues. The absence of this role would mean that the statutory health surveillance function would not be fulfilled, and the organisation would lack expert medical advice on complex disability, legal and ill health cases - Recommendation this is added in split across City Fund and City's Estate.
- **Grants to Museum of London and London Symphony Orchestra** (LSO). The Museum of London requested an uplift of 3%, (£164k) to match the uplift from the GLA in their funding. LSO, have received flat cash over the last 3 years, recommended an uplift of 3% (£59k) is granted. These are on-going pressures and will need to be added in.
- Provision for likely change in **Member allowance** to be held centrally £400k, subject to endorsement from Civic Affairs, Policy and Resources Committees and onward approval to Court of Common Council.

Cost Pressures of bids for new activities

26.0 Cost pressures or bids for new activities have been identified in individual services by their service committee, these costs need to be funded within the overall envelope, or through an increase in income generation:

- During 2023/24 additional funding was approved to support the new Health and Safety team offset against an income target. The outcome of an independent Health & Safety Review means there may be some expenditure required to bring the Corporation up to the level to meet statutory obligations. At the time of writing this report, this information is still outstanding and will need further review.

- Discussions at EDI Sub Committee in December and Corporate Services Committee in January have highlighted cost pressures and work is underway. Recommendations will be assessed during 2024/25 in consultation with the Town Clerk and Chamberlain including proposals for funding.
- The current budget for Corporate Communications and External Affairs is insufficient to cover core basic BAU obligations and roles (with even some statutory obligations that are currently unfunded) - the transformation required of the team and across the City Corporation, or key priority areas, such as the Town Clerk's engagement and People Strategy, due to the lack of any operational budget across many areas of the division. This is due to the disaggregation of budgets during the target operating model and the Chamberlain's team is working closely with the Executive Director of Corporate Communications and External Affairs to allow for critical elements of the business plan to be delivered in the upcoming year and through the cross-City Corporation Communications and External Affairs Finance review to support plans to ensure resources are realigned and can be used to support City Corporation priorities in a more strategic way which also achieves value for money. One-off funding maybe required in 2024/25 until resources are aligned, to be addressed through 2023/24 carry forwards.
- Following the project governance review, Policy and Resources at its December Committee supported the proposals for the new Commercial, Change and Portfolio delivery, from 2025/26 this will be offset through income generation, and thus be cost neutral, however in 2024/25 this income will not have been generated so the cost will be a pressure across both City Fund and City's Estate – see recommendations in paragraph 27 below.
- Additional pressures from inflation have impacted a number of areas, this is still being felt in Environment c£1.20m. However, saving initiatives are being developed and will be delivered in 2024/25 to combat these pressures.

One-off or time limited funding

27.0 When setting the budget for 2024/25, the intention has been to capture and consider pressures as part of that process. Therefore, the use of 2023/24 underspends to fund additional pressures has been considered for exceptional and one-off events. The wider intention is that any underspend on 2023/24 go into reserves to support the funding of major projects and the capital programme. We are currently forecasting underspends of c£17m on City Fund. The below one-off or time limited funding has been requested by Committees or recommended:

- Recommended transformation funding is ringfenced to support the radical shift in how we deliver our services and continued support required to support the cultural change needed – sums to be confirmed but likely in the region of £2m to £3m in 2024/25, to be funded from 2023/24 underspends.
- As per paragraph 26 above for 2024/25 only, additional amounts, split across City Fund and City's Estate, of: £701k to fund the new Commercial

Change and Portfolio delivery; support for Corporate Communications and External Affairs (amount to be confirmed).

- Recommended a reasonable amount is carried forward from 2023/24 underspends to support inflationary pressures which cannot be contained with allocated budgets.

28.0 There is a significant risk of not addressing the CWP, increasing deterioration in operational properties subsequently posing health hazards and adding more pressure on major capital projects. Proposals to fund the backlog of works and forward plan was endorsed by Finance Committee in December, releasing reserves to fund CWP within City Fund - £62.7m over the next five years from 2024/25.

29.0 There is also a significant risk of not addressing the Barbican Centre, which has reached the end of its economic life. £25m has been committed over 2023/24 and 2024/25 to support critical health and safety needs and surveys. The criticality of the works has become clearer over the course of 2023, as the detailed building surveys are completed. Urgent works are likely to be needed in 2025/26 estimated c£30 to renew air handling, electrics and ventilation in the Art Gallery, and drainage, pumps, pipes, values and fire equipment, none of which are included as part of the CWP. We recommend the business case is reviewed as part of the Gateway process, we anticipate funding will be available from a potential upside in business rates (paragraph 51). Further detail on full cost of essential works can be found in Appendix A.

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

31.0 Whilst not specific updated for 2024/25, each year additional funding requests are made and approved for one-off funding through sources such as the Policy and Resources and Finance Contingency funds. Greater emphasis is to be placed on ensuring these allocations create either a financial return or avoid additional cost, to ensure funds are being allocated in as efficient way as possible. Future transformation allocations will have a similar focus on return on investment and follow a monitoring regime similar to that used for savings.

32.0 As well as the budget setting process, in-year monitoring of the capital programme has been reinstated during 2023/24 to ensure appropriate scrutiny of the in-year position. Furthermore, this process will enable underspends to be reprioritised earlier on.

33.0 Every effort should be made to avoid further revenue pressures during 2024/25, and any that do arise should be contained within local risk. ***Policy and Resources Committee and Finance Committee have given a very clear direction that new on-going pressures are contained within local risk, where prioritisation is not possible services will need to be reviewed in line with Corporate Priorities or through the RPR workstreams.*** However, finding sustainable efficiencies will likely require time, capacity, and upfront investment.

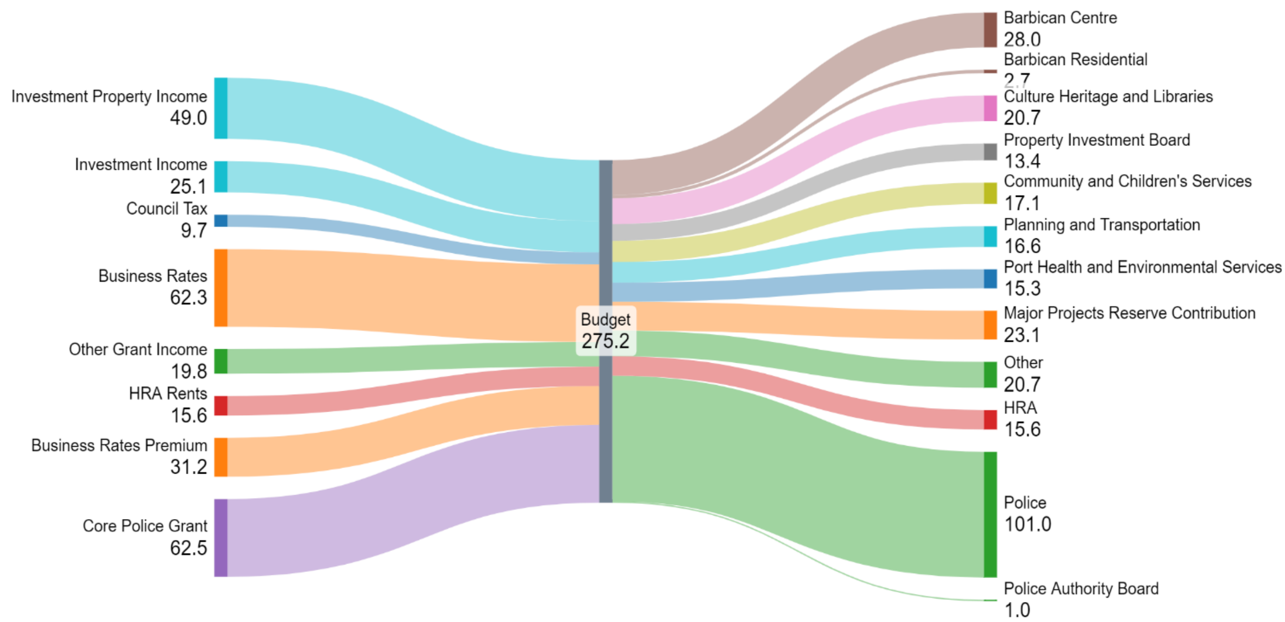
34.0 Delivering the 2024/25 budget will enable us to push ahead on reshaping the City Corporation and re-aligning resources to the new Corporate Plan.

Latest forecast position

35.0 The City Fund covers the local authority aspects of the City Corporation and as a result has a statutory requirement to set a balanced budget on an annual basis and also across the MTFP period. Whilst this can be achieved using the application of reserves, ensuring an appropriate level of reserves is maintained is crucial to mitigate risks.

36.0 Chart 1 below demonstrates, based on the 2023/24 net budgets, where the funding (left hand side) comes from and where the expenditure (right hand side) is incurred. Some of the income streams such as the HRA rents and Police grants are ringfenced for specific types of expenditure so cannot be used to cross subsidise other services.

<u>Sankey Chart 1: 2023/24 net budget</u>



37.0 Looking ahead, whilst City Fund (excluding Police) is in surplus in 2024/25 by £21.3m, the forecasts very quickly more info deficit in later years. The 2024/25 surplus is generated by the c£28m of estimated business rate growth. This is expected to be lost when a planned reset of the business rates system is expected in 2026/27. Previously the assumption had been that the £28m would not be used to subsidise ongoing revenue spend and would instead be transferred to reserves to support the funding of the major projects. However, in 2025/26 the impact of price increases and reductions in income mean that this is not possible. Whilst overall, the City Fund is in surplus by £10.1m (taking one year with the next over the 5 years), City Fund is struggling to accommodate on-going pressures.

38.0 The Local Government Financial Settlement intends that taxes are levied locally to support rising pressures. The referendum limit for council tax increases of 5% means that funding has not kept pace with inflation. Due to the balance of funding sources within the City Corporation, this has less impact than other local authorities, however in general the sectors' response to the December Finance Settlement was that the additional funding was woefully insufficient to cover service demands. Overall, the City Corporation has now had its Core Spending Power confirmed to increase by £1.9m in 2024/25 (£0.2m less than assumed on release of the provisional statement – December 2023) which represents a 5.1% change, the lowest level of increase guaranteed by government.

39.0 The Final settlement also approved the extension of the '8 Authority Pool' to 2024/25 – which will potentially yield £8m for City Fund. The City of London alongside Brent, Barnet, Enfield, Hackney, Haringey, Tower Hamlets and Waltham Forest, formed a tactical pool in 2022/23 with the aim of keeping the levy payments the City of London and Tower Hamlets make to Government, in London. This pool will cover 4 of the 6 most deprived boroughs, which supports the Government's levelling up agenda. This pool is for one year only, after which the Corporation intends to return to a pan London Pooling. Approval was received from the Secretary of State on 5th February to proceed. Income from the pool has not been factored into plans as it is volatile, besides this is one-off funding and should not be applied against on-going costs. It is therefore recommended any gains from the pool is ringfenced to the major capital projects, reducing the impact on City Fund deficits in later years.

40.0 Police is under increasing pressure forecasting £16m deficits across the MTFP, despite having implemented c£15m mitigations already built in, have committed to implement a further £7.0m mitigations in 2024/25. This will need to be monitored carefully to ensure deliverability, particularly in light of the proportion of City of London Police (CoLP) savings being well above national average over at least the last two years. The Police Settlement has slightly increased by £0.3m (over and above assumptions already in place) but this will not cover inflationary/unforeseen pressures, it also does not take into account the requirement to replace the current firing range. The settlement also enables Forces to set up to a £13 precept on Council Taxpayers to cover rising cost pressures. The City Corporation's small residential population does not yield anywhere near the sums provided by local funding for other police forces and therefore the precept mechanism on the council taxpayer is not applied.

41.0 Also, taking account of the Precept Grant CoLP receives in lieu of City's inability to precept and the benefit of rent-free accommodation, CoLP still falls below the national average % for local funding, in the context of the precept flexibilities provided to other forces over a number of years (including £15 in 2023 and £13 in 2024). It should also be noted that the settlement does not provide increased funding of City's national work to offset pay award, pensions increase and other inflationary pressures. Engagement is taking place with the Home Office on this matter.

42.0 CoLP is unable to sustain inflationary pressures over and above the small increase in the funding settlement and mitigations in place – further mitigations will impact on services and inability to maintain the officer uplift, which will impact ringfenced funding. Government's assumption is that Policing cost pressures would be covered through taxes locally. In addition, CoLP no longer receives any funding to support capital programmes, the expectation from Government this is financed through disposal of assets/revenue. CoLP has previously supported its capital programme through a loan from City Fund and now needs to start repaying this, as well as start planning future capital programmes within CoLP MTFP.

43.0 The Court of Common Council in March 2022 and 2023 approved an increase in Business Rates Premium by 0.4p and 0.2p (in the £) respectively, to move towards parity in local funding allocations and address the structural deficits which have arisen in the Forces finances. A continued rise in inflation on pay and prices has put Policing pressures back into significant deficit by £16m across the medium term. The pay deal in September 2023 on officers and staff added a further pressure of £8.1m on top of the £2.3m already forecast. It should be noted officer pay is nationally set – every 1% increase will add a further £0.8m p.a. The GLA are expected to levy a percept of £13 for the Metropolitan Police Force, this will again put City of London Police out of kilter with the local funding allocations of other forces, without an increase in the Business Rate Premium – smaller and regular increases are needed to support security on City Fund and Police inflationary pressures.

Table 2: City Fund MTFP overview

CITY FUND	**2023/24 Revised £m**	**2024/25 Budget £m**	**2025/26 Forecast £m**	**2026/27 Forecast £m**	**2027/28 Forecast £m**
Net cost of services (exc police and security)	(46.4)	(54.8)	(65.8)	(72.4)	(77.0)
Projects					
Supplementary Revenue Projects	(5.5)	(1.8)	(2.3)	(2.0)	(2.0)
Cyclical Works Programme (Existing Revenue)	(6.8)	(2.0)	0.0	0.0	0.0
Cyclical Works Programme (Bow Wave & Forward Plan)	0.0	(15.3)	(13.8)	(13.5)	(12.7)
Major Projects Revenue Implication	0.0	0.0	(4.7)	(6.1)	(6.1)
Direct Revenue Financing	(3.4)	(5.5)	(2.6)	0.0	0.0
Surplus/(Deficit) Before Funding	**(62.2)**	**(79.4)**	**(89.2)**	**(94.0)**	**(97.8)**
Financing	84.3	87.4	77.7	50.7	53.5
Surplus/(Deficit) After Funding, before use of reserves	**22.1**	**8.0**	**(11.5)**	**(43.4)**	**(44.3)**
Drawdown of Reserves for Revenue	19.6	16.4	14.4	27.8	14.2
Surplus/(Deficit) after Revenue use of reserves	**41.7**	**24.4**	**2.9**	**(15.5)**	**(30.1)**
Proposed - Adult Social Care 2%	0.0	0.2	0.2	0.2	0.2
Proposed - Council Tax 2.99%	0.4	0.2	0.2	0.2	0.2
Surplus/(Deficit) after the application of potential CT increase	**42.1**	**24.8**	**3.3**	**(15.1)**	**(29.7)**

City of London Police surplus/(deficit)	***0.0***	***(6.7)***	***(6.0)***	***(10.3)***	***(13.2)***
Further Mitigations proposed	0.0	3.0	3.0	5.2	5.8
Increase in Police Precept Grant	0.0	0.8	0.8	0.8	0.8
City of London Police Total	**0.0**	**(2.9)**	**(2.2)**	**(4.3)**	**(6.6)**
Proposed - Increase in Business Rate Premium 0.4p to £	0.0	8.1	8.1	8.1	8.1
City Security Pressures*	0.0	(3.1)	(3.3)	(3.4)	(3.5)
Police loan repayment**	0.0	(0.5)	(0.5)	(1.0)	(1.0)
City Fund total including Police	**42.1**	**26.4**	**5.4**	**(15.7)**	**(32.7)**

*City security pressures include New Street rent costs incurred on behalf of the Police and increase in security costs – these amounts are not included under City Fund surplus/deficits.
**The repayment of Police outstanding loan.

44.0 Going forward, there are significant risks and a great deal of uncertainty. The medium-term financial position is shown in table 2 above. Despite the additional income from retained Business Rates growth (over the next two years - £28m in 2024/25 and £28m in 2025/26) and additional funding, the medium-term clearly highlights City Fund finances including Police remain challenging with the significant deficits forecast across the remainder of the medium-term financial plan.

45.0 Even after forecasting these potential increases in income, the pressures in future years remain and further action is required to ensure City Fund remains in balance beyond 2026/27. Previously the business rate growth had been kept separate to fund the major projects and not relied on to balance the in-year position. However, due to increases in inflation and reductions in property income forecasts this is not possible in 2025/26 and when the growth is removed the City Fund falls into deficit. The current assumptions also include the significant use of reserves to fund capital expenditure.

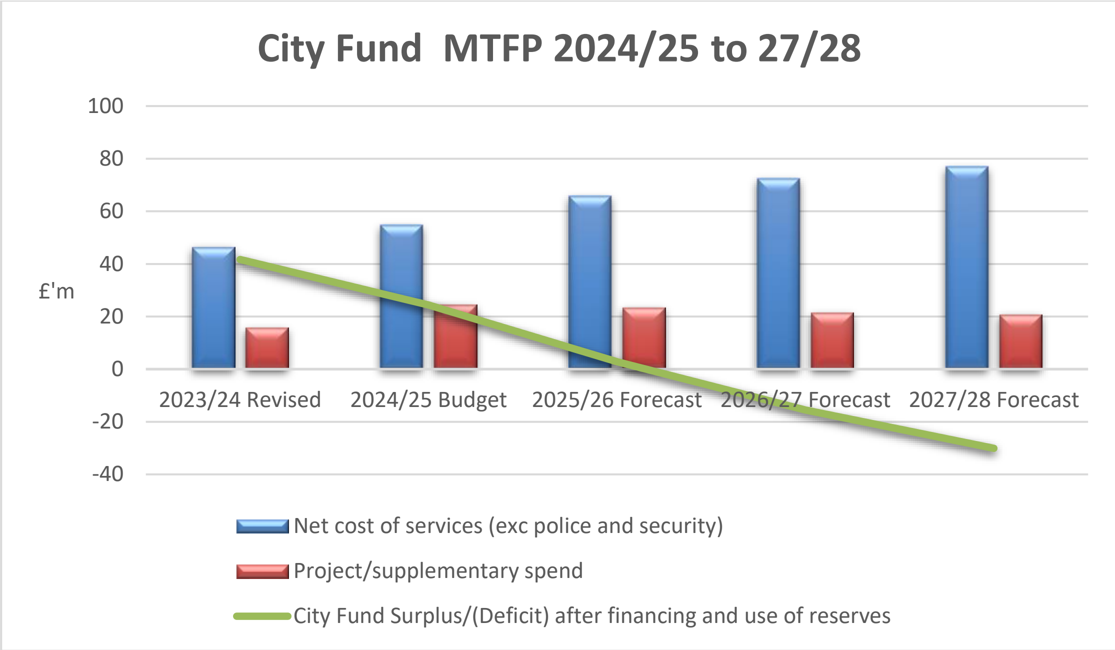
46.0 The following areas are significant movements from last year's MTFP position for 2024/25:

- Increased income from interest on balances due to projected higher interest rates (£13.4m)
- Increased investment property income based on latest projections (£3.3m)
- Additional pressures as set out in Appendix A (£6.96m).

47.0 Looking beyond 2024/25, one of the major income streams within City Fund is investment property. Rents forecasts reduced over the MTFP period from £209m over a five-year period last year, to £184m. A significant contributor to the reduction relates to 5 properties where leases are expected to come to an end or need refurbishing in 2027/28- annual income forecast to be £8.5m lower. Alongside the reductions in rental income, interest on balances is forecast to reduce as balances are utilised in financing the capital programme. These two reductions are the main contributors to the increase in net cost within table 2 above.

48.0 The projected expenditure and income over the MTFP period is summarised in chart 2 below. This shows the deficit position is significantly driven by the rise in net cost of services caused by the reduction in property income noted above.

Chart 2: City Fund MTFP (Surplus)/Deficit



49.0 The HRA position remains finely balanced for the next two years in advance of additional revenue coming on stream from the completion of new developments. However, this is reliant on rent increases in line with inflation. For 2023/24 the rent increase was below the maximum cap limit, to balance the impact on residents while supporting the HRA, but for 2024/25 the social rents are to be uplifted by 7.7% which is the cap limit.

50.0 Changes to future funding sources has been made to support the increase in the CWP. The Court of Common Council approved the release of £30m general 'risk reserves' in March 2023 to fund the CWP backlog of works. Report to Finance Committee in December recommended a further £30m from the Major Projects reserve is released by offsetting the use of £30m of CIL funding for the Museum of London project approved by Resource Allocation Sub Committee and Policy Resources Committee at their January meetings. In addition to these amounts, On Street Parking Reserve (OSPR) funding has also been added to support relevant car parks expenditure within the CWP programme.

51.0 At the time of writing this report, detailed stress testing and scenario analysis is currently being carried out on Business Rate income. There is the potential for a substantial increase in 2023/24 and 2024/25 due to improvements in appeals impacting the level of provision required. These would be one off benefit so further work is being undertaken to establish their scale, but they could benefit the City Fund by between £20m to £40m over the MTFP period. These are not included in the MTFP and should not be seen as ongoing income streams due to the uncertainty around Business Rates retention and the potential for a system reset. Therefore, any additional amounts are proposed to be allocated to supporting the Major Projects programme – funding gap of c£200m is currently reliant on disposal of investment properties, plus additional pressures on the Barbican Centre is unfunded. On the contrary, the impact of a Business

Rate growth reset sooner would reduce the income forecast in 2025/26 by c£28m moving from an overall surplus of £10.1m to an overall deficit of £17.9m over the MTFP.

52.0 It should be noted the latest forecast position under City Fund has been updated since the report to the Joint Resource Allocation Sub Committee and Service Committee Chair/men. These changes have reduced the overall surplus over the MTFP by £16.5m and have impacted the following areas:

- Reduction in central government funding against assumptions modelled - £300k one-off
- A reduction in Band D council tax against future collection £100k p.a.
- Occupational Health physician service - £28k p.a.
- Museum of London grant uplift (3.47%) £164k p.a.
- London Symphony Orchestra 3% uplift - £59k p.a.
- Member allowances increase - £400k p.a.
- Pressures on future years mean we can no longer support City Fund security pressures previously modelled to be funded through Major Projects reserves, therefore it is recommended these are funded via Business Rates Premium uplift c£3.3m p.a. and further supported by Resource Allocation Sub away day.

53.0 The Annual Business Rate Payers consultation took place on 30th January 2024, where the Chairman of Policy and Chairman of Finance, alongside the Commissioner presented a compelling narrative to ratepayers and residents in support of an increase in Business Rate Premium. The responses from those that attended did not push back on the proposals.

54.0 **Council Tax** is a relatively small proportion of the overall funding. However, given the limited measures available to increase income to offset inflation and expenditure pressures, Members will wish to consider council tax increases. Local authorities are permitted to levy a social care percept of 2% and uplift of Council Tax by 2.99% to address funding pressures and this has been modelled in the 2024/25 budget. Local Authorities are permitted these uplifts without a referendum. In this context, Members may wish to consider:

- Reminder of paragraph 10 – where Local Government financial settlement has been set with the intentions for maximum taxes are levied locally in order to support rising pressures.

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

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

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

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

- The Council Tax for the current year, 2023/24, is £1,145.63, expressed at band D and including the GLA precept of £142.01.

- Maintaining the Local Discretionary discount for Care Leavers between the ages of 18 to 25 in 2024/25.

55.0 The City has seen increasing cost pressures in social care, tackling homelessness, and children services. **The recommendation is, therefore, to levy an Adult Social Care precept of 2% as well as increase the core Council Tax by 2.99%**.

56.0 The Adult Social Care precept of 2% would generate c£165k. An increase of 2.99% in council tax, would generate around £247k. For comparative purposes, Westminster band D including the GLA precept of £434.14 is currently £912.05; Wandsworth, £914.14; and Hammersmith and Fulham £1306.00.

57.0 **Two New Council Tax Premiums introduced:**

- Government have recently introduced a new long-term empty property premium of 100% for properties that have been empty for longer than 12 months in 2024/25. This is to encourage empty property back into use. There are currently 29 properties that would be liable for this Premium which would equate to an additional £40k of Council Tax being charged. It is recommended that this Premium is introduced in 2024/25 – as this is volatile it is currently not budgeted for.

- A new Second Home Premium of 100% has also been introduced and is chargeable from 2025/26. If the City intends to charge this Premium it must make the determination 12 months in advance. The City has 1744 properties currently registered as second homes which is around 20% of the residential properties in the City. Based on current figures this would result an additional charge of £2.4m. However, it is expected that the number of second homes will reduce significantly before implementation for a variety of reasons and therefore is not budgeted for.

58.0 **Business Rates Premium** – The premium on City businesses was last increased in 2023/24 from 1.2p to 1.4p in the £, to address the structural deficits which was risen in the Forces finances as a result of hyperinflation. Given the continued pressures on security and Policing, Members may wish to consider increasing the Business Rate Premium by 0.4p in the £, raising c£8.1m p.a. in particular to enable the provision of vital policing and security services and repayment of outstanding loan (paragraphs 40 to 43 and 52) moving towards a sustainable footing.

59.0 Members are reminded, due to the very small residential population, the Corporation is unable to levy taxes in the same way other Police Crime Commissioner Offices do through precept on Council Tax – for 2024/25 flexibility has been increased to £13 without needing a referendum for other authorities.

60.0 There is a statutory requirement to balance City Fund (including Police), and currently City Fund is only balanced due to the delay in reset in Retained Business Rates growth and increase in interest income from treasury balances. These increases are **not** permanent and do not support on-going pressures, therefore if we do not increase the BRP by up to 0.4p now, City Fund will not be able to address significant deficits in later years and only pushes the problem further out with anticipated deficits of circa £24.2m p.a. from 2026/27 (assuming everything stays the same). Smaller and regular increases are much needed, without new significant savings targets, changes to major capital project assumptions and/or service impact.

61.0 The steer from the Joint Resource Allocation Sub Committee and Service Committee members was supportive unanimously in increasing Council tax by 4.99% and BRP up to 0.4p in the £. In making this decision, Members may wish to consider the points in paragraph 58, 59 and 60 above.

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

Savings Programmes

63.0 Significant progress has been made against the Corporation's savings programmes. Two main savings programmes have been undertaken in the City Corporation to try and reduce the pressure on the revenue budgets. These were the Fundamental Review Savings and Target Operating Model (TOM) /12% savings programmes. These have been built into the budgets of both City Fund and City Estate over a number of years.

64.0 Having two separate savings programmes has led to a lack of clarity around how delivery of these savings has progressed and has been commented on by external auditors as an area to improve. Current assessment of the position indicates that c£4.33m of savings are still unidentified over the MTFP, of which £3.3m savings are planned to be achieved by 2024/25, and £0.6m by 2025/26 (see recommendations in the table below to push out the savings by another year). Leaving £0.43m to be achieved in year. At present this is not resulting in an in-year overspend, as these are being mitigated by achieving one-off savings. More detailed monitoring and reporting on the savings programme will be submitted through quarterly budget monitoring to committees, with a consolidated position presented to Finance Committee.

Table 3: Update on savings programmes

Department	£m	Savings Programme	Feedback - from Star Chambers
Barbican	2.80	Fundamental Review - due 2024/25	Fundamental Review Savings of which £1.5m relate to cross cutting business events, need time to embed savings - recommendation savings are pushed out to 2025/26
Chamberlains	0.60	Fundamental Review - due 2025/26	Fundamental Review Savings to be delivered as part of Enterprise Resource Planning (ERP) implementation – implementation timeline means savings is reprofiled to 2026/27.
Chamberlains	0.50	Fundamental Review - due 2024/25	Fundamental Review Savings - Income Generation under Commercial, need time to realise these savings - recommendation savings are pushed out to 2025/26
City Surveyors	0.15	12% savings	Savings initiatives are being worked on and expect to be delivered in 2024/25
Town Clerks	0.28	12% savings	Unable to meet savings due to a number of pressures, recommendation to meet savings through income generation - filming
Total	**4.33**		

Resources and Priorities Refresh Programme

65.0 Work is underway to review the operational property portfolio to try and identify assets with high operating costs or inefficient layouts to ensure building occupation is optimised. The programme has completed the data collation stage, and analysis has now commenced. Detailed plans are yet to be developed so no financial benefits have been aligned to the programme. These could be in the form of revenue savings from operating costs or capital receipts from disposals.

66.0 The second key workstream within the current RPR is to review income generation levels and opportunities. This programme is underway with some areas such as the Lord Mayor's Show, Covent Garden Markets and Environment/Ports Authority already having considered opportunities. So far £3-8m of income generation opportunities have been identified. The programme is now being expanded to other areas including the Film Office, advertising and retail opportunities. A broader review of fees and charges is being supported by consultants.

67.0 The RPR is also in the design phase of a programme with the aim to drive out savings and efficiencies with clear targets built into the 2025/26 budget setting process.

68.0 Work has also begun with colleagues across the City of Corporation to co-create a new Digital, Data and Technology Strategy which will enable and accelerate the delivery of the Corporate plan.

69.0 From an MTFP perspective, further work needs to be undertaken to align these programmes to future assumptions to ensure potential opportunities and savings are captured within the forecasts. Any assumptions need to be compared against previous RPR projections as some elements were included within existing savings programmes. Resource Allocation Sub Committee will be considering options at its March meeting.

Capital programme

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

Table 4: City Fund Capital Programme

CAPITAL PROGRAMME - CITY FUND	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	TOTAL £m
CAPITAL & SRP - BAU							
Barbican Centre	3.1	12.7	12.6	-	-	-	28.4
Chamberlain and Chief Finance Officer	5.6	21.0	-	-	-	-	26.6
City Surveyor and Property	25.2	28.5	6.8	4.0	4.0	4.0	72.4
Community and Children'S Services (Non Hra)	8.7	15.1	8.1	-	-	-	31.9
Community Services - HRA	50.8	66.3	31.8	10.0	-	-	158.9
City of London Police	21.8	8.4	5.0	5.0	5.0	-	45.2
Environment	25.5	39.5	35.1	11.2	2.4	8.8	122.5
Innovation and Growth	9.1	17.8	5.7	5.3	-	-	37.8
Sub-Total	**149.9**	**209.2**	**105.1**	**35.4**	**11.4**	**12.8**	**523.8**
CAPITAL & SRP - MAJOR PROJECTS							
Museum of London	95.8	96.5	58.8	9.1	3.3	-	263.4
Salisbury Square Development	78.5	103.8	260.2	84.7	15.4	11.4	554.0
Sub-Total	**174.3**	**200.3**	**319.0**	**93.8**	**18.6**	**11.4**	**817.4**
CAPITAL & SRP - CONTINGENCY & NEW BIDS							
Contingency and New Bids	-	-	15.0	15.0	15.0	15.0	60.0
TOTAL CAPITAL PROGRAMME	**324.2**	**409.5**	**439.1**	**144.2**	**45.0**	**39.2**	**1,401.2**

Table 2: City Fund Capital Programme 2023/24 to 2028/29

71.0 The City Fund capital and supplementary revenue project budgets are being submitted to the Court of Common Council in March. Further detail is contained within the Capital Strategy (Appendix F).

72.0 Members are asked to note that the July Resource Allocation Sub Committee agreed an envelope of £15m for new capital bids for 2024/25 which has been maintained each year of the MTFP. As part of the 2024/25 Budget setting process all applicable bids were contained within the £20m envelope.

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

A strategic response to continuing challenges

74.0 As set out throughout the report there are significant financial pressures impacting City Fund over the MTFP period which have the potential to require significant intervention. This report recommends a number of measures to stabilise the position in 2024/25 and that will support the steps that will need to be taken to shore up the medium-term, through: tax rises; ensuring continuation of permanent year on year savings; major changes or stoppages to existing services provision and reduction in grants; building on collaboration breaking silos and increasing efficient ways of working; progressing with service transformation and RPR workstreams – supporting the change in the operating model which includes a review and disposals of operational property, opportunities for income generation. This will require a renewed approach to transformation underpinned by a clear communication to all Members, so they are aware of the challenges ahead progressing with service transformation workstreams, as well as containing the cost of major projects and other programmes.

75.0 Another significant contributing factor to the financial pressures is the scale of the major projects programme. The majority of these schemes have been underway for a number of years, over which cost inflation has been at particularly high levels. The need to drawdown on other assets has grown. Consideration therefore needs to be given to considering how these schemes are delivered and the scope of ambition, balanced against the potential returns at the end of the programme, as well as containing the cost of existing major projects programme.

Robustness of Estimates and Adequacy of Reserves and Contingencies

76.0 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.

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

- as part of preparing this budget all services were asked to identify cost pressures as well as deliverable savings and these were robustly challenged;
- provision has been made for all known liabilities, together with indicative costs (where identified) of capital schemes yet to be evaluated. In particular, provision has been made to support the growing backlog and forward plan of cyclical works on our operational properties through reprioritisation of reserves;
- the estimates and financial forecast have been prepared at this stage on the basis of the Corporation remaining debt free until such time as external

borrowing may be needed to bridge the gap for major capital projects (the Museum of London relocation and the Salisbury Square Development project);

- prudent assessments have been made regarding key assumptions;
- an annual capital bids process is in place seeking to ensure that capital expenditure is contained within affordable limits and that it can be demonstrated that each is of the highest corporate priority;
- The likely impact form economic risks have been evaluated in so far as that is possible and a contingency fund is to be carried forward from 2023/24;
- although the City Fund financial position is vulnerable to inflationary pressures and a potential recession, impacting - income, rent levels and student numbers, it should be noted that:
    - the City Surveyor has carried out an in-depth review of rent incomes; and
    - an increase in interest rate on Treasury balances has been very beneficial in countering inflationary and other pressures;
- a strong track record in achieving budgets gives confidence on the robustness of estimates;
- balancing 2024/25 with 'one-off' measures will give more time to move to service transformation and culture shift, plus ensuring permanent year on year savings;
- workstreams within the transformation programme will realign existing resources to new corporate priorities, where this is not possible to create headroom to reallocate funds – noting finding sustainable efficiencies will require time, capacity ad upfront investment.
- support for a more radical approach to bring down the annual operating deficits through a renewed approach to transformation underpinned by a clear communication strategy to all Members so they are aware of the challenges ahead.

78.0 With the exception of £25m, no further provision has been made to support the full cost of essential works at the Barbican Centre estimated to be £451m. It is recognised that a further £30m is required to support the urgent health and safety works planned as part of the original £25m commitment. Surveys are expected to be completed by spring, which will inform the full business case for the Barbican Centre. The Chamberlain recommends this is reviewed as part of the Gateway process, at which point funding can be considered from any upside in Business Rate income (as per paragraph 51). However, a fundamental review on how to meet the extensive refurbishment needs at the Barbican Centre is now needed.

79.0 An analysis of usable City Fund Reserves is set out in Appendix C. Depletion of City Fund reserves is a consideration for the medium-term: although reserve balances are forecast to remain healthy in 2024/25, the potential call on reserves to support revenue and capital expenditure beyond 2024/25 reinforces the need for further efficiencies and income generation.

80.0 In assessing the adequacy of contingency funds, the Chamberlain has reviewed the allocation and expenditure of contingency funds over the past four years and concluded that the estimates are robust. This takes account of the Finance Committee contingencies, the Policy and Resources Committee contingency and the Policy Initiatives Fund. In each of the past four years the provision of funds has been more than sufficient resulting in an uncommitted balance for each contingency fund in each year. On this basis the existing contingency provision will remain unchanged for 2024/25. A full analysis of contingency fund provision and expenditure is provided in Appendix H.

Key risks and uncertainties – there are risks to the achievement of the latest forecasts

81.0 Within the City Corporation's Control:

- Ensuring permanent year on year permanent savings from existing savings programme and income schemes are delivered;
- Maximising taxes locally, not doing this increases pressure to make further savings/cuts in services in later years;
- Radical thoughts now needed for future as to how best to bring down the annual operating deficit, including major changes or stoppages to existing services provision and/or reductions in grants;
- Delay in transformational workstreams - unable to reprioritise resources to corporate prioritise and or create headroom to reallocate resource;
- Ability to retain / recruit staff under the current salaries structure;
- Achievement of Police savings targets needed to mitigate the Force deficit;
- Major capital projects not being delivered within estimated costs; and
- Scale of ambition cannot be met through existing resources, radical decisions now required as cannot do everything.

<u>82.0 Outside the City Corporation's control:</u>

- Economists warning of a UK (global) recession during 2024, impact on income streams is unknown, particularly: rental income, event bookings, and events at the Barbican – needs close monitoring;
- Inflation and interest rates – levels in recent years have been above anything seen in over a decade so long term projections come with greater uncertainty.
- <u>Business Rate reforms</u> – This has the potential to significantly impact the amounts retained by the City Corporation and reform has already been delayed making projecting the timing of this difficult.
- <u>Collection Fund surplus/deficit timing</u> – Fluctuations in collection rates and appeals make applying the year end deficits and surpluses over the MTFP more complex.
- <u>Political situation</u> – an election is due within the 2024/25 financial year with the potential for a change in governing party and government policies.

Equalities Implications

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

Conclusion

71.0 Recent years have seen major global events contribute to a very unstable economic environment. Interest rates have been at levels not seen for a number of decades, and whilst the City Corporation has benefited from higher interest rates over this period, they have not been sufficient to offset the growing price inflation which has now been built into contracts and ongoing costs.

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

73.0 Income from Business Rates, in particular, is expected to fluctuate significantly within the MTFP, including the expected reset and funding reforms, so ensuring future budgets have sufficient resilience to absorb this will be key.

74.0 This cost pressure, combined with the scale of the ambition, within Major Projects in particular, of the capital programme result in City Fund moving into deficit by 2026/27 onwards. Therefore, without intervention and action these deficits will impact on the financial position of the City Corporation.

Appendices

- Appendix A – Key Assumptions
- Appendix B – Calculating Council Tax
- Appendix C – City Fund Useable Reserves
- Appendix D – Prudential Indicators
- Appendix E – Treasury Management Strategy Statement and Annual Investment Strategy 2024/25
- Appendix F – Capital Strategy
- Appendix G – City Fund Budget Policy
- Appendix H – Review of contingency funds

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Agenda Item 8

Committee(s)	Dated:
Finance Committee - For decision Policy and Resources - For information Court of Common Council – For decision	20 February 2024 22 February 2024 07 March 2024
Subject: 2024/25 City's Estate Budgets and medium-term financial plan	**Public**
Report of: The Chamberlain	**For Decision**
Report author: Daniel Peattie, Assistant Director – Strategic Finance	

Summary

This report covers the 2024/25 budget and 5-year financial outlook for City's Estate and Guildhall Administration. The report should therefore be read in conjunction with the City Fund report on your Committee's agenda.

Recent years have seen major global events contribute to a very unstable economic environment. Interest rates have been at levels not seen for a number of decades. Whilst the City Corporation has benefited from higher interest rates, they have not been sufficient to offset embedded cost increases of price inflation.

There remains the risk of a recession, with the potential to impact **City's Estate** key revenue streams of property rental income and growth in financial investments, potentially making City's Cash income streams volatile in 2024/25. This cost pressure, combined with the scale of ambitions particularly for Major Projects result in City's Estate continuing to produce an operating deficit across the 5-year financial plan as outlined in the table below. Without intervention and action these deficits will continue to erode available resources.

CITY'S ESTATE	2023/24 Budget £m	2024/25 Budget £m	2025/26 Forecast £m	2026/27 Forecast £m	2027/28 Forecast £m
Net cost of services	5.8	7.7	5.5	3.8	2.1
Financing and Capital costs	(62.9)	(82.2)	(53.1)	(54.2)	(54.8)
Surplus/(Deficit)	**(57.2)**	**(74.4)**	**(47.6)**	**(50.4)**	**(52.6)**
CrossRail contribution	-	(25.0)	(25.0)	-	-

Annual drawdowns in excess of assumed growth in financial assets are needed to cover exceptional items including the capital programme. Over the planning period, the cumulative deficit is forecast to be £332m. Balance Sheet forecasting indicates this sum is sustainable over the medium term, but more challenging in the longer term when financing costs on major projects increase and require significant asset disposal to fund. A focus on reviewing the operational budget and attracting involvement of third-party interest is needed. Officers are exploring opportunities to bring back to Members in Spring 2024.

Under the annual process, bids for capital funding totalling £4.8m for City's Estate were approved in principle by Resource Allocation Sub Committee. This remains within the overall

recommended funding allocation of £5m, the sum is considered manageable over the medium term. Any further pressures are to be contained within agreed budgets through value engineering. Where this is not practicable it is recommended alternative sources of funding is explored (i.e. Grants, underspends from existing capital programmes, and or reprioritisation of already approved capital programmes).

In response, to the financial challenges the City Corporation has made significant cuts to budgets over the last decade, however, despite this there remains significant pressures as well as the scale of financing the major projects programme. In order to improve the operational deficit position, following discussion and steer as part of the 2024/25 budget setting and 5-year financial plan process, there needs to be a more radical review of how and what services the City Corporation operates if the scale of capital ambition is to remain sustainable. A commercial approach is also under review on our operational assets base, ensuring that we maximise operational effectiveness and only retain the buildings really needed to deliver services.

Options to stabilise the position has been outlined in City Fund and should be considered for City's Estate.

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

Recommendations

Members are asked to:

1.0 To note and approve the overall budget envelope for City's Estate 2024/25 revenue budgets.

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

1.1.1 Agreed pay award from 1st July 2023.

1.1.2 Net 3% inflation uplift to local risk budgets.

1.1.3 £2m central provision to cover assumptions for Ambition 25 (Reward Refresh) – subject to recommendations of the Corporate Services Committee.

1.1.4 £100k increase in legal costs to support specialist advice.

1.1.5 £540k contingency held centrally to support the increase in State Visits.

1.1.6 £20k funding to support RASC away day.

1.1.7 £113k provision set to support volunteering.

1.1.8 £148k recognition of staff contribution through staff summer events and annual lunch.

1.1.9 £380k funding for Corporate Graduate Scheme, increasing to £710k from 2025/26.

1.1.10 £10k support for on-going Benefits-in-Kind review and annual reporting.

1.1.11 Shortfall on Occupational Health Physician services (£56k split between funds).

1.1.12 £85k increase for Mayoralty and Shrievalty allowances as agreed at the Joint Deputation meeting on 20 March 2023. For 2024/25 an increase of £62k is being proposed – subject to Joint Deputation meeting on 28 March 2024.

1.1.13 £400k provision for possible increases to Members allowance.

1.2 For Cyclical Works Programme (CWP):

1.2.1 Funding of £71m has been allocated within City's Estate to address £28m backlog of works and £43m forward plan, towards delivery of programme across the next 5 years from 2024/25.

1.2.2 Following meeting with the Joint Resource Allocation Sub Committee and Service Committee Chairmen, additional headroom has been created to address urgent health and safety issues at the Guildhall School of Music and Drama over the 5-year forward plan totalling £12.5m (£8m to 2027/28).

1.2.3 Funding identified from reserves in City's Estate resulting in an additional draw on assets endorsed by Finance Committee in December, to be ringfenced to the programme. Delivery will need to be managed robustly to avoid cost creep.

1.3 To address inflationary pressures going forward assumptions include 2% uplift from 2025/26 onwards.

1.4 Savings still to be achieved from Commercial - procurement and implementation of the Enterprise Resource Planning system have been profiled (£0.3m) to 2025/26 and (£0.6m) in 2026/27 respectively. Permanent savings from previous savings programme are expected to crystallise by 2024/25.

1.5 Other one-off pressures and opportunities for transformation in 2024/25 outlined in paragraph 11 to be funded from forecast carry forward underspends from 2023/24.

1.6 Unfunded additional revenue bids (paragraph 10) to be avoided during 2024/25, unless these can be prioritised from savings or income generated from the Corporation's Transformation Programme.

2.0 Approve the overall financial framework and the revised 5-year Financial Strategy (paragraphs 4-30).

6.0 Approve the 2024/25 Capital and Supplementary Revenue Project Budgets for City's Estate amounting to £218.3m (paragraph 27).

7.0 Approve the allocation of central funding of up to £218.3m for City's Estate to meet the cost of 2024/25 approved capital schemes. Release of such funding being subject to approval at the relevant gateway and specific agreement of the Resource Allocation Sub-Committee at Gateway 4(a). Note the agreed capital envelope for new bids of £5m in 2024/25 (paragraph 27-30).

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

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

Main Report

Background

1. The primary purpose of this report is to summarise the proposed budgets for 2024/25 for City's Estate, which have all been prepared within agreed policy guidelines and allocations, for submission to the Court of Common Council in March.

2. During the autumn/winter cycle of meetings, each Committee has received and approved a budget report, which has been prepared based on the planning framework for Chief Officers:

   - 3% increase in net local risk budgets;
   - The July 2023 pay award to be funded in addition to the local risk increase;
   - Reprofiling of previously agreed savings for 2024/25 to be pushed out to future years, providing sufficient time to embed permanent savings;
   - All other inflationary pressures to be contained within the budget envelopes.
   - 2023/24 underspends to be carried forward (subject to consultation with the Chairman and Deputy Chairman of Resource Allocation Sub Committee) to address one-off budget pressure and fund transformation opportunities.
   - Progress with the Resources and Priorities Refresh (RPR) to align spend with corporate priorities and manage on-going pressures within existing resources - where this is not possible to create headroom to reallocate funds through RPR workstreams.
   - The Cyclical Works Programme (CWP) continued to build a backlog. There is a significant risk of not addressing the CWP, increasing deterioration in operational properties subsequently posing health hazards and leading to an increase in major projects programmes – funding has been allocated for 2024/25, and the wider 5-year financial plan, for urgent health and safety works, and to catch up on the backlog of works and forward plan.

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

Fund report.

Current Position

4. The last few years have been particularly challenging with global events causing hyper inflationary pressures as well as impacts on the wider global economy. Whilst inflation has begun to fall sharply and is expected to return to around 2% by 2025, the impact of previous price increases continues to be felt as and when contracts come up for re-procurement or tendering. In addition, the likelihood of a recession in 2024 remains high within the following financial year increases the levels of risk when developing the 5-year financial plan.

5. As with the 5-year financial forecast last year, despite significant cuts to budgets over the last decade, there remains significant pressure across City's Estate – caused mainly by the financing of major projects programme and inflationary increases. This means there needs to be a more radical review of how and what services the City Corporation operates if the scale of capital ambition remains to remain sustainable.

6. Whilst individual budgets have changed, the overarching messages from the 2023/24 MTFP remain the same. Those being:

    a. City's Estate runs with an annual operating deficit requiring the draw down of assets (property or financial), need to avoid running down the balance sheet.
    b. The scale of the Capital programme, major projects for City's Estate, is placing significant pressure on the resources available.

7. When considering the competing pressures and priorities, the newly developed Corporate Plan provides a framework to ensure decisions are aligned to the approved key outcomes (refer to paragraphs 18 to 20 of City Fund Budget report).

Budget Response

8. The budget approach for 2024/25 has been to stabilise the position, acknowledging the headwinds in play, with a net 3% uplift in local risk budget, whilst also looking to reprioritise spend to priority areas via the RPR which will seek to address resourcing pressure within the overall envelope of funds available.

9. However, following the star chambers and ongoing discussions a number of pressures were identified to either align funding to more appropriate source or support the Corporation's ambitions. These have been added to the budget and are set out in Appendix 2 and further supported by Resource Allocation Sub away day:

    - Assumptions for **Ambition 25** (Reward Refresh) – it is essential that the Corporation adopts a new reward strategy and pay grading structure, failure to do so will put the delivery of the Corporation's strategic objectives at risk given the notable recruitment and retention challenges we currently have, and the risk of equal pay concerns. It is recommended assumptions are held centrally, totalling £2m p.a.
    - The Corporation is transforming across all areas which has seen a notable increase in **legal costs** supporting the Corporation's ambitions and journey. It is recommended

an increase of £100k is included to address the funding gap for specialist advice in line with current requirements.

- The **State Visit** programme was reduced to one visit per year under the late Queen Elizabeth II, and provision in the budget was adjusted accordingly, but the indications are that the programme will be restored, and initially enhanced, under the King. Recommended additional funding is made available annually to cover the expected costs of State Visits, with £540k contingency held centrally to support the increase.
- Funding to support strategic Member and Senior Officer engagement at **RASC away day** – £20k.
- Budget correction to support the **Corporation's Volunteering Strategy** – £113k ongoing costs cannot be supported by City Bridge Foundation and should be transferred to City's Estate.
- Recognition of staff contribution through **Staff Summer Events and Annual Lunches**, aligning budgets to costs of £148k p.a., supported by Corporate Services Committee.
- The reintroduction of the **Graduate Scheme** can enhance our organisational capacity and serve as a platform to nurture and develop talented individuals, aligning with the City Corporation's corporate plan and commitment to social mobility, diversity and inclusivity. Recommendation to include an uplift of £380k in 2024/25 increasing to £710k from 2025/26, subject to business case approval by Corporate Services Committee.
- On-going funding to support **Benefits-in-Kind review and annual reporting**. Supported by Finance Committee, Resource Allocation Sub Committee approved on 24 January 2024 additional £10k p.a. support to the Central Grants Unit to enable on-going BIK review and annual reporting. Recommended this is added in.
- **Occupational Health Physician Services** shortfall of £56k p.a. (split across City Fund and City's Estate), provides statutory function and expert advice to the City of London in relation to health risk management and complex clinical issues. The absence of this role would mean that the statutory health surveillance function would not be fulfilled, and the organisation would lack expert medical advice on complex disability, legal and ill health cases - Recommendation this is added in.
- Budget correction to the **Mayoralty and Shrievalty Budget** as approved at the Joint Deputation Meeting on 20 March 2023 – Recommendation £85k p.a. is added in. For 2024/25 an increase of £62k p.a. is being proposed at its next Joint Deputation meeting on 28 March 2024.
- Provision for likely change in **Member allowance** to be held centrally £400k, subject to endorsement from Civic Affairs, Policy and Resources Committees and onward approval to Court of Common Council.

10. Cost pressures or bids for new activities have been identified in individual services by their service committee, these costs need to be funded within the overall envelope, or through the increase in income generation:
    - As outlined in City Fund budget report, paragraph 26, the following pressures will be shared across both funds:
        - **i.** Additional funding to support Health and Safety team to meet statutory obligations.
        - **ii.** EDI pressures.
        - **iii.** Alignment of budgets for Corporate Communications and External Affairs. One-off funding maybe required in 2024/25 until resources are aligned, to be addressed through 2023/24 carry forwards.
        - **iv.** New Commercial, Change and Portfolio delivery, from 2025/26 this will be offset through income generation, and thus be cost neutral, however in

2024/25 this income will not have been generated so the cost will be a pressure across both City Fund and City's Estate – see recommendations in paragraph 11 below.

- Guildhall Club – as with all other departments the Guildhall Club has been subject to flat cash and unable to balance its budget. Recommended one-off funding is applied to 2024/25 (though carry forwards) pending review of pay and prices bringing these in line, including a proposal to address wastage though no show – review to be bought back in 6 months.
- Over a number of years, the Lord Mayor Show has been aided through absorption of costs across several departments, following saving programmes over the last few years, this is no longer sustainable – a review is currently underway through the income generation workstream which will seek to bring in opportunities to put the Lord Mayor Show on a sustainable footing. Additional income is expected to be achieved from 2025/26 onwards, however, in 2024/25 this income will not have been generated so recommended one-off funding is applied from 2023/24 carry forwards – see recommendations in paragraph 11 below.
- Additional pressures from inflation have impacted a number of areas, this is still being felt in GSMD - £0.75m and Remembrancers office - £133k. However, saving initiatives/income generation opportunities are being developed and will be delivered in 2024/25 to combat these pressures.

11. When setting the budget for 2024/25, the intention has been to capture and consider pressures as part of that process. Therefore, the use of 2023/24 underspends to fund additional pressures has been considered for exceptional and one-off events. The wider intention is that any underspend on 2023/24 go into reserves reducing the amount required on deficit funding. We are currently forecasting underspends of c£4m on City's Estate. The below one-off or time limited funding has been requested by Committees or recommended:

- Recommended transformation funding is ringfenced to support the radical shift in how we deliver our services and continued support required to support the cultural change needed – sums to be confirmed by likely in the region of £1m to £2m in 2024/25, to be funded from 2023/24 underspends.
- As per paragraph 10 above for 2024/25 only, additional amounts of: £701k (shared across City Fund and City's Estate) to fund the new Commercial Change and Portfolio delivery; support for Corporate Communications and External Affairs (shared across City Fund and City's Estate), Guildhall Club and Lord Mayor Show (amounts to be confirmed).
- Charity Review. Finance Committee approved additional time-limited support to complete the Natural Environment Charities Review, this was recommended to be funded from 2023/24 underspends – £635k in 2024/25.
- Recommended a reasonable amount is carried forward from 2023/24 underspends to support inflationary pressures which cannot be contained with allocated budgets.

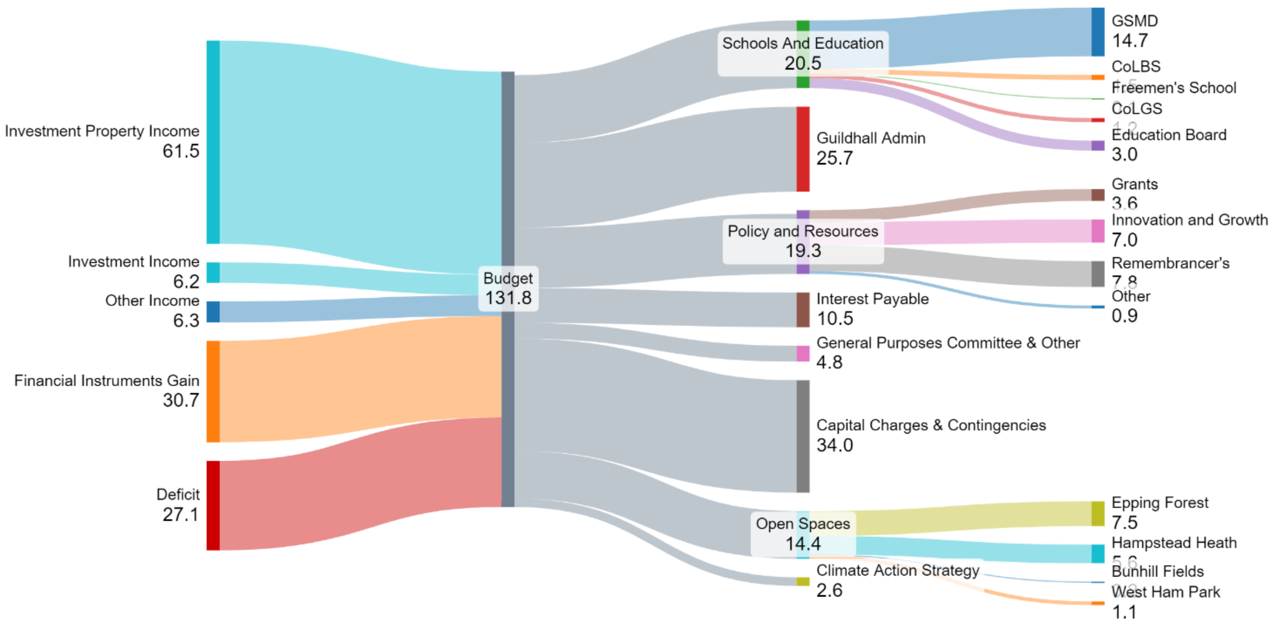
Latest forecast position

12. City's Estate does not fall under the same financial regulation as City Fund. However, we still need to maintain a sustainable financial outlook, of which a balanced annual position should be the aim. **All City's Estate reserves are invested to maximise return. Therefore, any deficits being incurred require assets to be disposed.** Chart 1 below,

sets out the 2023/24 net budget position for City's Estate, to show in broad terms where the funding comes from and where it is spent.

13. The Sankey Chart 1 shows that at present, City's Estate operates with an annual deficit. It should be noted this already assumes a notional drawdown of financial asset gain of c£30m per annum.

Sankey Chart 1: 2023/24 net budget



14. The current approved plan by Court of Common Council is for the City Corporation to proceed with the construction of the combined market at Dagenham Docks. The construction itself would be c£400m and require financing through the disposal of assets (property or financial investments). These disposals would then result in reduced income in the region of £10-15m per annum based on high level estimates. Table 1 below sets out the estimated 5-year financial position with the assumption that the City Corporation build the market itself.

Table 1: City's Estate 5-year financial plan

CITY'S ESTATE	2023/24 Revised £m	2024/25 Budget £m	2025/26 Forecast £m	2026/27 Forecast £m	2027/28 Forecast £m
Net cost of services	5.8	7.7	5.5	3.8	2.1
Projects					
Supplementary Revenue Projects	(10.0)	(5.8)	(4.7)	(1.8)	-
Cyclical Works Programme	(3.9)	(15.4)	(15.5)	(15.5)	(15.5)
Climate Action	(2.6)	(2.5)	(1.0)	(0.7)	-
Major Projects Revenue Implication	-	-	(1.4)	(8.5)	(14.4)
Capital Programme Funding (Reserves/RCCO)	(23.1)	(33.6)	(5.6)	(2.9)	-
Surplus/(Deficit)	**(33.8)**	**(49.6)**	**(22.8)**	**(25.5)**	**(27.8)**
Depreciation	(12.8)	(14.3)	(14.3)	(14.3)	(14.3)
Loan interest cost	(10.5)	(10.5)	(10.5)	(10.5)	(10.5)
Surplus/(Deficit)	**(57.2)**	**(74.5)**	**(47.6)**	**(50.4)**	**(52.6)**
CrossRail	-	(25.0)	(25.0)	-	-
Surplus/(Deficit)	**(57.2)**	**(99.5)**	**(72.6)**	**(50.4)**	**(52.6)**

15. Over the 5-year financial plan the cumulative deficit is £332m (including the planned £50m to finance Crossrail payments). This assumes an estimated drawdown on financial asset gain of £158m, meaning the overall operating deficit is in fact £490m before any assumed asset disposal or liquidation. The result produces an estimated overall net asset reduction (from 2023/24 to 2027/28) on the balance sheet over the medium-term – takes into account the drawn down on financial investments, steady growth in assets, plus the impact of approved Major Projects (assuming the Corporation delivers the construction of the Markets Co-location Programme).

16. The following areas are significant changes from the prior year's 2024/25 5-year forecast position:
    - Increase in CWP costs due to bow wave and additional funding (£8.8m)
    - Addition of GSMD CWP costs (£0.5m)
    - Additional cost pressures as per appendix 2 (£5.9m)
    - Increase in SRP schemes following a review and rephasing of the capital programme (£2.4m)
    - Loss of income on balances due to revised funding requirements (£10.9m)

17. Due to the scale of the pressures, on City's Estate in particular, an informal Resource Allocation Sub-Committee (RASC) meeting was held in November 2023 to consider potential solutions. The key outcomes being the need to prioritise health and safety work, consider the elements of the Markets Co-Location programme that constituted an investable 'product' to attract external investment and consider the scale and impact of asset disposals to ensure these are factored into forecasts.
18. Over a number of years, a significant backlog of works as part of the cyclical works programme (CWP) has built up, also referred to as the "bow wave". In response to this, members directed for total funding of backlog of works including forward plan, totalling £71m approved by Finance Committee in December 2023. Following Joint Resource Allocation Sub Committee and Service Committee Chairmen meeting in January 2024, additional headroom has been created to address urgent health and safety issues at the Guildhall School of Music and Drama over the next 5 years totalling £12.5m. The 5-year financial plan includes £65.3m in total of which £28.0m relates to backlog and £36.1m with forward plan and £1.2m ringfenced to resource to deliver the works (City Fund MTFP Appendix A paragraphs 22 to 28), amounts allocated for year 6 is recommended to be ringfenced against the financial year 2028/29.

19. The forecast includes capital bids of £4.8m approved by January Finance Committee; as well business as usual capital programmes forecast at £210.2m (excluding supplementary revenue programme) over the 5-year financial plan and is detailed in table 3 below.

20. Major Projects: Three major projects have been forecast under the 5-year financial plan. It is currently assumed these projects will be financed through borrowing (£450m private placement already in place); planned capital receipts; plus, a drawdown on non-financial investments. Drawdown on non-financial investments for Major Projects impacts on the rental income which currently supports the City's Cash revenue expenditure, which have been included in forecasts. Based on these assumptions, there is an interim requirement for internal borrowing utilising City Fund general cash balances – pending receipts from disposal of investment properties. Interest payments to City Fund have been forecasted based on losses to City Fund from investing cash balances. On the assumption that an external partner is engaged for the delivery of the MCP construction works, this could potentially reduce the overall operating deficit draw down by £24m over the 5-year financial plan, effectively removing the revenue loss from asset liquidation. The major projects are listed within the capital strategy.

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

21. This report recommends a number of measures to stabilise the position in 2024/25, however significantly more will be needed to shore up the medium to long-term. This will include: ensuring continuation of permanent year on year savings; major changes or stoppages to existing services provision and reduction in grants; building on collaboration breaking silos and increasing efficient ways of working; progressing with service transformation and RPR workstreams – supporting the change in the operating model which includes a review and disposals of operational properties, opportunities for income generation. This will require a renewed approach to transformation underpinned by a clear communication to all Members, so they are aware of the challenges ahead progressing with service transformation workstreams.

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

Additional Revenue Requests

23. Policy and Resources Committee and Finance Committee have messaged clearly that cost pressures should be managed within existing resources. Significant additional investment to fund the backlog of works for the CWP have been added this year which add further pressure to the existing operating deficit. When setting the budget for 2024/25, the intention has been to capture and consider pressures as part of that process. Therefore, the use of 2023/24 underspends to fund additional pressures has been considered for exceptional and one-off events. The wider intention is that any underspend on 2023/24 go into reserves in order to reduce the draw down required to fund the deficit.

GUILDHALL ADMINISTRATION

Overall Budget Position

24. Guildhall Administration encompasses most of the central support services for the City,

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

Table 2 – Guildhall Administration Revenue Budget

Guildhall Administration	**2023/24**	**2024/25**
by Committee ***Net (Expenditure)***	**Budget** **£m**	**Budget** **£m**
Corporate Services	(9.1)	(8.1)
Digital Services	(16.2)	(12.9)
Finance	(53.8)	(55.1)
Total Net Expenditure	**(79.1)**	**(76.1)**
Recovery of Costs	79.1	76.1
Total Guildhall Administration	0	0

25. The 2023/24 budget benefits from carry forwards from 2022/23 underspends and transfers from centrally held contingencies.

26. Appendix 3 shows the Guildhall Administration budgets by committee.

City's Estate Capital

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

Table 3 – City's Estate Capital Programme

CAPITAL PROGRAMME - CITY'S ESTATE	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	TOTAL £m
CAPITAL & SRP - BAU							
Barbican Centre	-	0.0	-	-	-	-	0.0
Chamberlain and Chief Finance Officer	30.1	34.6	-	-	-	-	64.7
City of London Freeman's School	2.2	0.6	-	-	-	-	2.8
City of London School	1.2	0.0	-	-	-	-	1.2
City of London School For Girls	4.4	0.2	-	-	-	-	4.6
City Surveyor and Property	55.7	28.3	7.4	-	-	-	91.5
Community and Children'S Services (Exl HRA)	0.6	0.2	-	-	-	-	0.8
Environment	4.0	3.9	5.8	3.8	-	-	17.6
Innovation and Growth	2.6	7.6	4.8	4.7	-	-	19.7
Principal GSMD	2.8	1.6	2.1	0.8	-	-	7.3
Sub-Total	103.5	77.2	20.1	9.4	-	-	210.2
CAPITAL & SRP - MAJOR PROJECTS							
Markets Consolidation	127.2	78.7	144.7	117.4	123.0	51.5	642.5
Museum of London	28.8	23.5	-	-	-	-	52.2
City Fund (Combined Courts)	30.4	39.0	95.9	31.0	2.7	-	198.9
Sub-Total	186.4	141.1	240.6	148.4	125.7	51.5	893.7
CAPITAL & SRP - CONTINGENCY & NEW BIDS							
Contingency and New Bids	-	-	5.0	5.0	5.0	5.0	20.0
TOTAL CAPITAL PROGRAMME	289.9	218.3	265.7	162.8	130.7	56.5	1,123.9

28. The City's Estate capital and supplementary revenue project budgets are being submitted to the Court of Common Council in March as part of the Summary Budget Book. Further detail is contained within the Capital Strategy (Appendix F of the City Fund Budget report).

29. Members are asked to **note** that the July Resource Allocation Sub Committee agreed an envelope of £5m for new capital bids for 2024/25 which has been maintained each year of the 5-year financial plan. As part of the 2024/25 Budget setting process all applicable bids were contained within the £5m envelope. A further £20m funding allocation is included for contingency and new bids over the 5-year financial plan.

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

Key risks and uncertainties – there are risks to achievement of the latest forecasts.

31. Within the City Corporation's Control:

- Ensuring permanent year on year permanent savings from existing savings programme and income schemes are delivered;
- Radical thoughts now needed for future as to how best to bring down the annual operating deficit, including major changes or stoppages to existing services provision and/or reductions in grants;
- Delay in RPR workstreams - unable to reprioritise resources to corporate prioritise and or create headroom to reallocate resource;
- Ability to retain / recruit staff under the current salaries structure;
- Major capital projects not being delivered within estimated costs; and
- Scale of ambition cannot be met through existing resources, radical decisions now required as cannot do everything.

32. Outside the City Corporation's control:

- Economists warning of a UK (global) recession during 2024, impact on income streams is unknown, particularly: rental income, event bookings, and student intakes – needs close monitoring.
- Inflation and interest rates – levels in recent years have been above anything seen in over a decade so long-term projections come with greater uncertainty.
- Political situation – the fixed term nature of current Parliamentary cycles mean that a general election will occur in the next financial year. Whilst the outcome of that election is not known, current polling suggests there is a high probability of a change in government. This brings with it significant uncertainty in a number of areas such as the wider economy as well as potential policy changes.

Conclusion

33. Recent years have seen major global events contribute to a very unstable economic environment. Interest rates have been at levels not seen for a number of decades, and whilst the City Corporation has benefited from higher interest rates over this period, they have not been sufficient to offset the growing price inflation which has now been built into contracts and ongoing costs.

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

35. This cost pressure, combined with the scale of the ambition, within Major Projects in particular, of the capital programme result in City's Estate continuing to have an operative deficit across the five-year financial plan. Therefore, without intervention and action these deficits will continue to erode available resources limiting the capacity of the City Corporation in future years.

Appendices

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

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City's Estate Medium Term Financial Strategy/Budget Policy

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

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

- manage the affordability to support major projects programmes now and in the future, including bring in third party investment.

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

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

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CITY'S ESTATE Budget

City's Estate 2024/24 and 2024/25 budgets shown by Committee in the table below:

City's Estate Summary by Committee ***Net Expenditure (Income)***	**2023/24 Budget £m**	**2024/25 Budget £m**
Culture, Heritage & Libraries	(0.4)	(0.6)
Education Board	(3.1)	(3.1)
Finance	(53.7)	(59.7)
G. P. Committee of Aldermen	(4.2)	(4.5)
Guildhall School of Music and Drama	(16.0)	(15.9)
Markets	(0.5)	0.0
Open Spaces :-		
Open Spaces Directorate	(9.2)	(9.1)
Epping Forest and Commons	(5.2)	(5.4)
Hampstead, Queen's Pk, Highgate Wd	(0.2)	(0.2)
Bunhill Fields	(1.2)	(1.2)
West Ham Park	(22.0)	(20.4)
Policy and Resources	49.2	51.9
Property Investment Board	(1.5)	(1.6)
Schools :-		
City of London School (1)	0.0	0.0
City of London Freemen's School (1)	(0.1)	(0.4)
City of London School for Girls (1)	(1.5)	(1.5)
City of London Junior School (1)	0.3	0.3
(Deficit) Surplus (from) to reserves	**(69.3)**	**(71.4)**

Approved budget for 2023/24 includes additional allocations as set out below:

Changes	**£'m**
2023/24 Original Budget	**(55.7)**
Carry forwards from 2023/24 underspends	(9.7)
Supplementary Revenue Projects	(2.1)
Interest on cash balances	(5.0)
Short term borrowing	3.2
2023/24 Revised Approved Budget	**(69.3)**

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

taken into account (lines 6 to 8).

	City's Estate Requirements 2023/24 and 2024/25		
		2023/24 Budget £m	**2024/25 Budget £m**
1	Net expenditure on services	(120.1)	(121.0)
2	Cyclical Works Programme and SRP's	(13.9)	(17.8)
3	Estate rent income	56.6	60.0
4	Non-property investment income	3.9	5.0
5	Interest on balances	2.5	(0.8)
6	**Operating (Deficit) Surplus**	**(71.0)**	**(74.6)**
7	Profit on asset sales/deferred income	1.7	3.2
8	**(Deficit) Surplus funded by drawdown**	**(69.3)**	**(71.4)**

2. The City's Estate position in the current year is expected to be a deficit of £69.3m compared to £55.7m in the original budget. The deficit (less non-cash items such as depreciation) will be funded with a drawdown from the gain in financial investments.

Additional funded pressures

City's Estate	**2023/24 £'m**	**2024/25 £'m**	**2025/26 £'m**	**2026/27 £'m**	**2027/28 £'m**
Re-profile of FR savings	(0.51)	(0.81)	(0.60)	0.00	0.00
Shortfall in 2023/24 pay reward	0.00	(1.27)	(1.27)	(1.27)	(1.27)
State Banquet	0.00	(0.54)	(0.54)	(0.54)	(0.54)
Legal costs, internal recharges	0.00	(0.10)	(0.10)	(0.10)	(0.10)
Staff summer event and annual lunch	0.00	(0.15)	(0.15)	(0.15)	(0.15)
RASC Away Day	0.00	(0.02)	(0.02)	(0.02)	(0.02)
Volunteering funding	0.00	(0.11)	(0.11)	(0.11)	(0.11)
Grads Scheme	0.00	(0.38)	(0.71)	(0.71)	(0.71)
Reward Review	0.00	(2.00)	(2.00)	(2.00)	(2.00)
Member Allowance	0.00	(0.40)	(0.40)	(0.40)	(0.40)
Benefits in Kind review and annual reporting	0.00	(0.01)	(0.01)	(0.01)	(0.01)
Mayoralty & Shrievalty allowance	0.00	(0.15)	(0.15)	(0.15)	(0.15)
City's Estate additional pressures	**(0.51)**	**(5.94)**	**(6.06)**	**(5.46)**	**(5.46)**

GUILDHALL ADMINISTRATION

1. Shown by Committee is the table below:

Guildhall Administration by Committee *Net (Expenditure)*	**2023/24 Budget £m**	**2024/25 Budget £m**
Corporate Services	(9.1)	(8.1)
Digital Services	(16.2)	(12.9)
Finance	(53.8)	(55.1)
Total Net Expenditure	**(79.1)**	**(76.1)**
Recovery of Costs	79.1	76.1
Total Guildhall Administration	0	0

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

The net expenditure for 2024/25 is £76.1m, a decrease of £3m from the 2023/24 budget.

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Committee(s): Projects and Procurement Sub-Committee Finance Committee	**Dated:** 12/02/2024 20/02/2024
Subject: Proposed approach to the review of Procurement and Contract Management	**Public**
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	All
Does this proposal require extra revenue and/or capital spending?	**N**
If so, how much?	**c. £100,000**
What is the source of Funding?	**Existing transformation funding**
Has this Funding Source been agreed with the Chamberlain's Department?	**N/A**
Report of: Caroline Al-Beyerty, The Chamberlain	**For Decision**
Report author: Genine Whitehorne, Director Commercial, Change and Portfolio Delivery, Chamberlain's Department	

Summary

Strategic procurement is the process for managing the full procurement lifecycle including the identification of business needs, sourcing and supplier management, market development and contract management. Effective strategic procurement plays a pivotal role in shaping the efficiency, transparency, and sustainability of business operations and service delivery. As the City Corporation navigates through current and future challenges, the need for a strategic approach to procurement becomes increasingly important. The City Corporation spends roughly £151m a year purchased goods and services. In addition, construction works spend stands at approximately £292m a year. The City of London contract portfolio totals £2.24bn. These contracts cover the breadth of services delivered across the Corporation and its institutions.

The City Corporation's procurement and contract management is governed by the City's Procurement Code which forms part of the City's Constitution (contract standing orders). The professional leadership of procurement and contract management activity is the responsibility of the Commercial Service, led by the Director of Commercial, Change and Portfolio Delivery. Since the implementation of the TOM in 2022, procurement activity below £100k in total value has been devolved to services. The corporate team focusses on managing strategic procurement activity through a category management approach[1]. In terms of contract management, the role of the corporate team was refocussed in 2021, with the dedicated Commercial Contract Management team disbanded in favour of establishing commercial leads providing end to end support through framework setting and targeted intervention by exception. This change was based on the principle that accountability for effective contract management sits with the relevant service departments and, as such, contract management responsibilities should take place out in the business.

[1] Please refer to Appendix 3 for detail regarding COL contract management approach

Over the past two years, the following limitations of the current approach have been identified:

- Underutilisation of data and insight to drive decision making
- Lack of investment in procurement systems resulting in limited reporting capability
- Poor planning caused by capacity issues both within services and in the corporate Commercial Service resulting in limited procurement options being presented to Members
- Lack of assigned owners for some of the Corporation's older contracts
- Lack of confidence in contract management capabilities with recent examples of the service and financial implications of poor contract management
- Reduced corporate capacity to develop contract management approach and internal capability
- Lack of accountability for poor spend behaviour
- Lack of an embedded responsible procurement approach

Therefore, the proposed review will be comprehensive and will involve not only an assessment of governance arrangements but will also consider current practice, spend behaviours, roles and responsibilities across the organisation. This review aims to evaluate the efficiency, effectiveness, and compliance with current processes and identify areas for improvement. The review will be undertaken in phases with recommendations agreed at the end of each phase to address the most significant risks. Due to the recent examples of poor contract management, it is proposed to review this part of the strategic procurement lifecycle during phase one. It is anticipated that the entire review will be undertaken over a period of six months, utilising a combination of internal resources and specialist external consultancy support.
Alongside the challenges highlighted above, the following opportunities have also been identified:

- Creation of the new Commercial, Change and Portfolio Delivery division provides the opportunity to reassess the corporate Commercial Service structure and service offer.
- New Procurement Act due to come into effect in October 2024 will require the refresh of existing procurement governance supported by a comprehensive learning and engagement strategy across the Corporation.

Recommendations

Members are asked to:

- Approve the proposed scope of the procurement and contract management review.
- Note the proposed reporting arrangements.

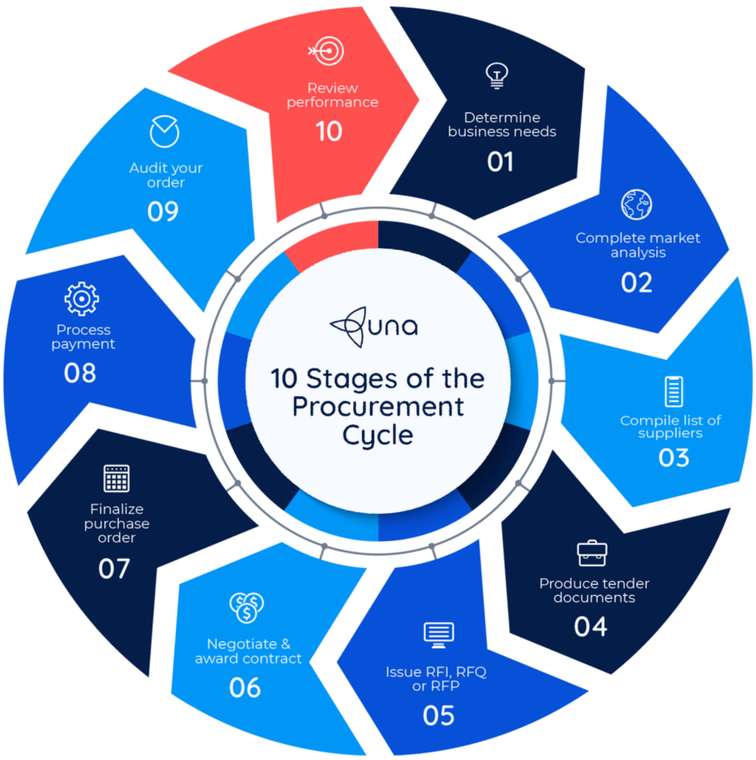
Main Report

Background

1. Going beyond the traditional notion of simply acquiring goods and services, strategic procurement involves a systematic and forward-thinking process that aligns with the specific needs of the business. Through the adoption of a strategic approach, effective procurement should ensure best value, foster innovation, ensure financial control and effective stewardship of public resources. Effective procurement is a core part of achieving brilliant basics and enabling the delivery of the outcomes set out in the Corporation's new Corporate Plan.

2. The end-to-end strategic procurement lifecycle includes important pre- and post- tender activities such as the identification of business needs, market engagement and effective contract management. In the context of increasing financial challenges, it is increasingly important to ensure effective financial control, proactively manage commercial risks and, to deliver best value through effective contract and supplier management.

Fig 1 – the strategic procurement lifecycle



3. The City's procurement approach is governed by the Procurement Code which is the policy that underpins all procurement and purchasing activity across the City Corporation and the institutional departments. Part one of the Procurement Code is the framework of overarching rules to be followed by any officer when purchasing goods, services or works and has been developed in line with UK Public Contracts Regulations 2015. Part two of the Procurement Code is the guidance document which provides context,

processes, and further information relevant to compliance with the rules outlined in Part one.

4. The Procurement Code not only aims to ensure compliance with relevant legislation, but also identifies best practice for internal governance and finance control. As such, the Procurement Code must be read in conjunction with the Finance Regulations.

5. The Procurement Code is updated annually. On review, and in comparison, with the contract standing orders of other public sector bodies, no significant issues have been identified with the Corporation's Code. However, whilst procurement activity remains technically compliant there is concern regarding capacity issues, poor planning, lack of procurement maturity, lack of accountability and ineffective use of data.

Current Position

6. Upon the creation of the former Operations department, a maturity assessment of the Commercial service was undertaken. This identified the service as level three (out of five). This presented a sound foundation for developing a more strategic and value adding service offering. However, due loss of key staff, ongoing significant capacity issues, the integration of the project governance division and a subsequent focus the project governance review, service development progress has been slow.

7. The Corporation's approach to strategic procurement is broken down into four key functional areas supported by the P2P process provided by the Financial Shared Service. The functional areas are strategic procurement, responsible procurement, contract management, commercial operations. A brief assessment of the current status of each area is provided below.

8. **Strategic procurement** – Strategic procurement includes all purchasing activity over £100k in total value. Anything below this value is devolved to services under Chief Officer delegated authority. The key thresholds for procurement activity are set out in Appendix 1.

9. Strategic procurement is managed through a category management approach which aggregates common areas of spend into categories in order to better manage and engage with the market and to benefit from potential economies of scale. See paragraph 36 for further information.

10. Each category is overseen by an officer Category Board. In addition, there is a dedicated City of London Police category board. The role of these Boards is to approve procurement options and contract awards under £2m and to act as an effective gateway for procurement options and contract awards requiring Member approval. The efficacy of the Category Boards varies, and it is proposed that a review of officer-level governance is included in the scope of this review.

11. The basis of effective strategic procurement is robust data and effective planning. These are areas that have been identified as current weaknesses for the Corporation. The historic lack of investment in procurement systems coupled with significant levels of staff turnover in recent years has hindered our ability to quickly access reliable and timely spend data in order to develop sourcing strategies and ensure a comprehensive corporate sourcing plan is in place. Urgent system upgrades have already been identified in order to address this particular issue and form part of the tactical improvement steps set out in paragraph 27 of this report.

12. Levels of compliance – there were two procurement breach waivers issued in the financial year 22/23. So far for 23/24 seven procurement breach waivers have either been approved or are currently subject to decision. The low issuance of procurement breach waivers in 22/23 is likely due to the raising of the Procurement Authorisation Report (PAR) threshold to £100k in January 2023.

13. Reviewing the implications of the increased PAR threshold is proposed as in scope of this review. Whilst this activity is technically compliant (under Chief Officer financial scheme of delegation), there are concerns that activity below this level does not represent best value and that best practice competition and transparency requirements (such as the publication of opportunities over £30k and the update of the contract register) are not being completed.

14. **Responsible procurement (RP)** – The Corporation has an ambitious RP policy that defines responsible procurement as having three main pillars: social value, environmental sustainability and ethical sourcing. A summary of RP policy commitments has been provided as Appendix 2.

15. An independent review by Action Sustainability carried out in 2023 scored the City Corporation 2.73 out of 5 against the Sustainable Procurement standard (ISO 20400). A score of 2.1 and above is considered good for a first-time assessment. The initial assessment concluded that the Corporation has a robust approach to responsible procurement in policy and strategy, but that these are not fully embedded with understanding and implementation reducing the further removed an officer is from the central responsible procurement team. The report recommended COL rollout the existing documents and upskill contract managers. Further improvement would be achieved by allocating owners for contract management where not yet in place and training to manage contracts for responsible procurement KPIs.

16. Given that an independent review has only recently been undertaken it is not proposed to include RP in the scope of the review but to combine the recommendations into a single comprehensive improvement plan.

17. **Contract management** – Contract management is an area of particular concern. A summary of the COL contract management framework is set out in Appendix 3.

18. As a result of the TOM, the dedicated Commercial Contract Management team was disbanded in favour of establishing commercial leads providing end to end support through framework setting and provision of support for category A (high value and high risk) contracts. This change was based on the principle that accountability for effective contract management sits with the relevant service departments and as such contract management responsibilities should take place out in the business. In this model, corporate support is largely focussed on Category A contracts though (following the changes to organisational structure in 2021), there have been significant capacity issues that have impacted the ability of the Commercial service to

proactively support these contracts and have instead provided targeted intervention by exception.

19. Outside of the Commercial Service, there are circa seven hundred colleagues named on the contracts register as having contract management responsibilities across the circa eight hundred live contracts. However, there are also key contracts that have suffered from a historic lack of ownership.

20. Contract management is an area of particular concern for the Corporation. An internal audit carried out in 2021 identified three main issues: 1) Commercial Service officers named as contract managers on the contract register rather than service leads; 2) corporate training on contract management has not been delivered and, 3) the Commercial Contract Management toolkit is not regularly updated. Some progress has been made in response to these issues, but due to a lack of capacity in the Commercial service, they remain areas of concern.

21. There have been recent examples of the consequences of poor contract management set out in procurement reports that have been put before Members for decision in recent months. These examples are a result of the historic erosion of contract management capacity across the Corporation, an underinvestment in training and development for contract managers, a lack of an effective assurance framework and illustrate the limitations of the current model that limits corporate support to firefighting rather than proactive and strategic management.

22. A review of contract management arrangements will be the priority of this review.

23. **Commercial Operations** – the operations function supports tactical buying and acts as a check and balance ensuring compliance with the Procurement Code and Financial Regulations before spending can occur. The raising of the PAR threshold was intended to reduce the volume of activity, allow for more support for activity above £100k but below the FTS threshold and for greater capacity to support the continued improvement of the Corporation's approach to strategic procurement with a particular focus on knowledge management. However, this has not occurred due to the level of support still required by services to effectively manage tactical buying and due to significant resourcing issues in the corporate team.

24. This lack of capacity has hindered the development of the Commercial Service offer however a new Commercial Academy was launched in January 2023 providing bite-sized eLearning for Corporation officers.

25. To summarise, several issues have been identified with the Corporation's existing approach to strategic procurement:

    a. Underutilisation of data and insight to drive decision making

    b. Lack of investment in procurement systems resulting in limited reporting capability

c. Poor planning caused by capacity issues both within services and in the corporate Commercial Service resulting in limited procurement options being presented to Members

d. Lack of ownership of some contracts

e. Lack of confidence in contract management capabilities with recent examples of the service and financial implications of poor contract management

f. Reduced corporate capacity to develop contract management approach and internal capability -

g. Lack of accountability for poor spend behaviour

h. Lack of embedded responsible procurement approach

Options

26. It is proposed to undertake a review of procurement and contract management across the Corporation. The review will provide a comprehensive improvement plan and form the basis for the development of a new Commercial strategy.

27. Whilst the review is being carried out a number of important actions will be taken as part of a tactical improvement plan to ensure an immediate focus on the known issues and to increase capacity to support the review and take forward recommendations. Key steps of this tactical plan include:

    - The creation of a Deputy Director Commercial Strategy post as part of the new Commercial, Change and Portfolio Delivery division. This post was agreed by Court of Common Council in December 2023 and will provide greater senior strategic capacity in the division and, enable greater focus on developing commercial acumen across the Corporation and project manage the review process.
    - The repurposing of an existing vacancy in the Commercial Service to introduce a Strategic Contract Management Lead post to support the first phase of the review and to own implementation of the phase 1 recommendations.
    - Undertaking of urgent system upgrades to allow for more effective reporting and increased data integrity to ensure inputs to the review are timely and accurate. This will be funded from existing transformation funding.

28. Projects and Procurement sub-Committee will receive regular updates on these tactical steps alongside project reporting for the main review.

29. The aim of the review will be to achieve a future state with the following characteristics:

- COL contracts are proactively managed ensuring value for money and proactively managing potential service and commercial risks
- Procurement decisions are robust and informed by reliable data and market insight

- All COL people understand their role and how it contributes to procurement success
- COL has well developed procurement and contract management internal capabilities
- The Commercial Service has a well developed service offer with a clear value proposition and evidenced return on investment
- Elected Members/residents/auditors are confident effective financial controls are in place
- Responsible procurement is at the heart of all strategic procurement activity
- COL is considered a buyer of choice by suppliers
- The Corporation is innovative and commercially savvy making the most of alternative service delivery models.

30. The following options have been considered for delivery of the review.

Option	Potential benefits	Potential disbenefits	Recommendation
Internal delivery – review process to be led by the Commercial Service with support from Internal Audit	• Low cost • No duplication of other reviews or internal audit work	• Lack of internal capacity would affect ability to carry out a comprehensive review at pace. • Missed opportunity to benefit from external challenge and best practice. • May not deliver honest reflection of status quo	Not recommended
External delivery – a consultancy to be appointed to deliver the entire review	• External challenge and validation of existing reviews and internal audit work • Ability to deliver at pace	• High cost • Implementation plan may lack internal ownership. • Potential duplication of previous reviews • May cause misalignment with interdependent activities	Not recommended
Blended (hybrid) approach – review to be broken down into key phases and workstreams with a mix of	• Managed costs • Benefit from external challenge and validation	• More complex project governance required.	Recommended

external and internal leadership.	• Enable knowledge transfer and management • Support development of internal capabilities • Ability to flex resource and capacity in response to issues identified • Ensure alignment with other interdependent activities		

Proposals

31. It is proposed to initiate a strategic procurement review through the development of a blended project team making use of specialist external expertise supported by internal resources. The scope of the review will include all procurement and contract management activity across the Corporation. The objective of the review will be to consider COL practice and assess against a recognised industry standard, including:

    - Procurement planning
    - Sourcing (tactical and strategic)
    - Contract mobilisation/transition
    - Contract management and Supplier Relationship Management
    - Contract review

32. The split between internal and external delivery is proposed to be as below. However, this will be reviewed throughout the delivery of the review and in conjunction with the external consultancy appointed.

Area of focus	**Proposed delivery model**	**Rationale**
Review of existing policy and procedures	Peer review	Policy and procedures are generally considered to be of a good standard. This is supported by internal audit findings and the recent RP ISO assessment. However,

		some external review would ensure external best practice is considered. In addition, a peer review by another public sector body would also provide assurance regarding COL preparedness for the new Procurement Act.
Assessment of the effectiveness of existing governance, excluding Member governance but including officer levels of delegation and officer governance forums i.e. category boards	Internal	To be led by the corporation transformation and improvement team who sit outside of procurement governance and as such can bring an objective lens to review of this area whilst benefitting from corporate knowledge. The team have key skills including change management and business process improvement.
Review of current roles and responsibilities, compliance and accountability considering the culture, behaviours and relationships	Internal	To be carried out internally through a multidisciplinary team across finance, commercial, transformation and HR.
Assessment of internal capability across the Corporation and within the corporate Commercial Service	External	A comprehensive training needs analysis will be commissioned to take this forward.
Responsible procurement – further embedding	Internal	The recent ISO assessment provides a good basis for developing next steps of our RP approach and as such can be managed by the RP manager.
Focussed review and risk assessment of existing Contract management arrangements and model	External	This is a priority area that needs to be taken forward at pace. External specialist support is required to provide assurance and to embed industry standards and best practice.
Review of the Commercial Service and relationship with organisation-wide procurement roles	Internal	This will be carried out in light of the establishment of the new CCPD division and taking into account the output from the other areas of focus of this review.

establishing a clear RACI model and VfM assessment		
Strategic procurement baselining and maturity assessment	Peer review	External view of current maturity.

33. The potential outputs of the review include:
    - A risk assessed compliance audit
    - A comprehensive improvement plan for procurement and contract management across COL
    - Maturity assessment/diagnostic
    - COL case studies identifying existing best practice
    - A commercial assurance framework setting out future data and reporting requirements
    - Corporate capability assessment and proposed training plan
    - Commercial Service catalogue and draft Service Level Agreement
    - Refreshed Procurement Code
    - Proposals for refreshed officer level governance (i.e. Category Boards)
    - Framework for a new Commercial strategy

Timescales

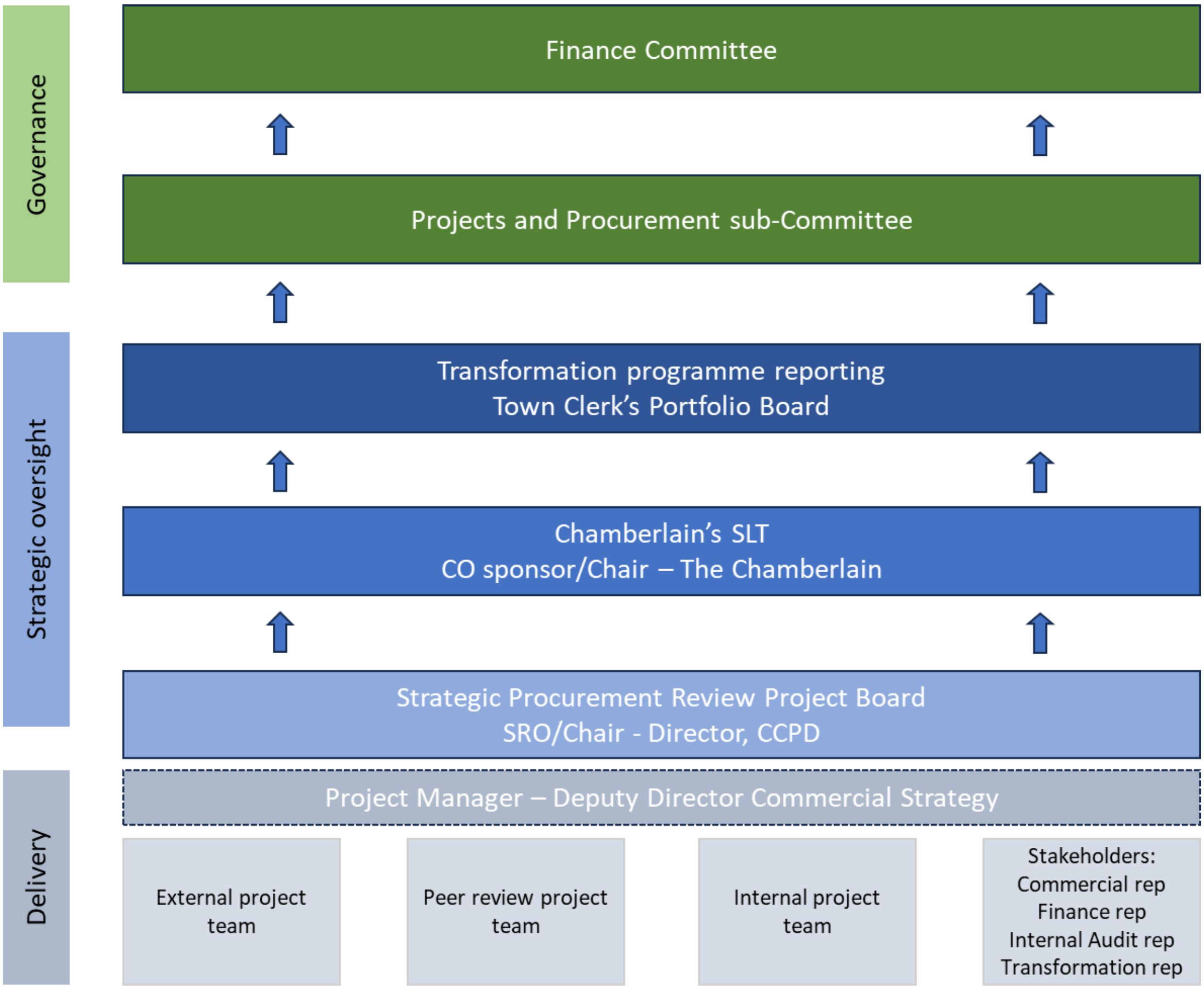
34 The scope set out in this paper is comprehensive and will need to be delivered in a phased way. Taking a risk-based approach, the first stage of the review will be to commission specialist external support to undertake a review and risk assessment of existing contract management approach. At the end of each phase a summary report with clear recommendations and delivery plan will be reported to the relevant committee and implementation will begin immediately and be delivered concurrently with subsequent phases of the review being undertaken. An indicative timeline for delivery is set out below.

Review area of focus	Likely duration	Target date
Priority 1 - Contract management review and risk assessment	6-8 weeks	May 2024 (report to Finance Committee)
Peer review of Procurement Act preparation	2 weeks	June 2024 (report to PPsC)
Review of procurement practice and governance	6-8 weeks	July 2024
Training needs assessment	4 weeks	July 2024

Design of future operating model with key recommendations	6 weeks	August 2024
Approval of overall improvement plan	-	September 2024 (report to PPsC and Finance)

Governance

35 The diagram below sets out the proposed governance arrangements. If the proposals set out in this report are approved, a full Project Initiation Document (PID) will be developed that will provide greater detail regarding the terms of reference for the boards set out below.



Interdependencies

- Commercial, Change and Portfolio Delivery reorganisation
- Portfolio Management implementation
- Resources and Priorities Refresh programme: commercial workstream delivery

Key Data

36 The City Corporation spends roughly £440m per year through contracted services. The Corporation procurement categories and their total contract values are set out below:

Spend categories	No. of contracts	Total contract value £m	Invoiced spend £m 01/01/23 – 31/12/23
Property & Major Projects	224	998	292.5
People Incl. Pan London	80	416	20
Environment and facilities	155	672	41
Corporate	196	120	70
IT & Digital	133	43	20
TOTAL	**788**	**2,249**	**443.5**

37 In addition, there are circa eight hundred contracts on the Corporation's contract register.

Corporate & Strategic Implications –

Strategic implications – effective strategic procurement plays an important role in delivering against strategic priorities and objectives. Responsible procurement in particular, can ensure that the Corporation delivers added value through its third party spend with tangible and measurable benefits.

Financial implications – no additional funding is required as a result of this report as the recommendations set out can be funded from existing budgets. The recommendations of the review may require additional investment however these will be presented to relevant committees for decision. The implications of the review will have a significant impact on internal financial assurance and control. Effective sourcing and robust contract management will ensure Corporation contracts represent best value and the that cost assurance is provided thorough the lifetime of individual contracts.

Resource implications – there are no immediate resource implications. However, the assessment of COL roles, responsibilities and capability are in scope of this review. The findings will have direct implications on organisational structure and learning and development. In addition, any changes to policy, procedures and systems will have a significant impact on officers across the Corporation and its institutions. As such all changes will be managed in accordance with change management best practice and include a comprehensive stakeholder and engagement plan.

Legal implications – the review is intended to ensure compliance with relevant legislative and regulatory frameworks. An assessment of the Corporation's preparedness for the new Procurement Act, 2023, forms an important part of these proposals.

Risk implications – the proposals set out in this report, directly address risks identified as part of the Chamberlain's local risk register. In addition, the review will also address unresolved internal audit findings. Effective risk management is an important part of any robust contract management framework and as such this will be a particular focus of the design of any new guidance materials.

Equalities implications – there are no direct equalities implications of this report. Any recommended changes to policy, procedures or practice as a result of this review will be subject to equality impact assessments.

Climate implications – none as a direct result of this report.

Security implications – none as a direct result of this report.

Conclusion

38 Strategic procurement is an important enabling activity that can support the City to achieve the priorities set out in the Corporate Plan whilst ensuring best value and effective use of scarce resources. This review will provide a common vision for COL best practice and a comprehensive improvement plan setting out the necessary steps for achieving that vision over the next 'fantastic five years' and beyond.

Appendices

- Appendix 1 – Procurement thresholds
- Appendix 2 – Responsible Procurement Policy summary
- Appendix 3 – Contract management framework summary

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Procurement Code thresholds

Table 1 – Procurement thresholds

Type of Procurement	**Goods & Services**	**Works**	**Guidance**
Operational Purchasing	Up to £100,000	Up to £100,000	Officers may seek quotations directly from suppliers in accordance with the process outlined in Part 2. Once a quotation has been obtained, a requisition must be created on iProcurement and submitted to the Commercial Service who will issue a Purchase Order to the selected supplier. Where a Corporate Contract exists, it must be used.
One-off Purchasing	-	More than £100,000 but less than £400,000	Request for Quotation must be undertaken by the Commercial Service through the eTendering portal. A minimum of three firms to be invited to submit written quotations one of which should be a local firm, SME, or a Social Enterprise.
Strategic Purchasing	More than £100,000	£400,000 or more	Options Appraisal must be undertaken by the Commercial Service. Any resulting procurement must go through the tendering portal.

Table 2 – contract letting thresholds

Value	**Approval Process**
£100,000 and below	Options appraisal – Chief Officer Contract Award - Relevant Chief Officer/or an Officer with Delegated Authority from the Chief Officer.
>£100,000 - less than £2,000,000	Options appraisal - Relevant Category Board Contract Award - Relevant Category Board

£2,000,000 or More - less than £4,000,000	Options (Stage 1): Report for Relevant Category Board and Projects and Procurement sub-Committee, or Bridge House Estates Board for Bridge House Estates Procurement, for approval to proceed with a procurement and for the procurement strategy. Contract Award (Stage 2): Report for Relevant Category Board and Projects and Procurement Sub Committee, or Bridge House Estates Board for Bridge House Estates Procurement, which receives final recommendation on contract award.
£4,000,000 and above	Options (Stage 1): Report for Relevant Category Board, Operational Projects and Procurement Sub Committee and Finance Committee, or Bridge House Estates Board for Bridge House Estates Procurement, for approval to proceed with a procurement and for the procurement strategy. Contract Award (Stage 2): Report for Relevant Category Board, Projects and Procurement Sub Committee and Finance Committee, or Bridge House Estates Board for Bridge House Estates Procurement, and Court of Common Council which receives final recommendation on contract award.

Defining Responsible Procurement as social value, sustainability and ethical sourcing:

- Social Value means protecting and enhancing the health and wellbeing of local people and the local environment, reducing inequalities, providing skills and employment opportunities, promoting the local economy and building resilience through diverse supply chains.
- Environmental sustainability means reducing negative environmental impacts by working towards net zero and supporting environmental protection and improvement including animal welfare.
- Ethical Sourcing means ensuring that human rights and employment rights are protected throughout the City Corporation's UK and global supply chains.

The Corporation's Responsible Procurement Policy identifies six key commitments set out below:

- Take **Climate Action** and minimise environmental impacts of procurement on our operations and throughout our supply chain
- Encourage and facilitate **Supplier Diversity** (Diverse Owned Enterprises and SMEs) through direct contracts, partnerships and active monitoring
- Embed **equity, diversity and inclusion** throughout the contract process and work with suppliers who have proven to take active steps within their own organisations, supply chain and industry
- Protect human rights in our supply chain by working with suppliers who undertake due diligence to guard against **modern slavery** and other human rights abuses
- Facilitate **meaningful work-related opportunities**, which are actively targeted to enable social mobility and inclusion

Achieve **meaningful social value outcomes** according to organisational and stakeholder priorities through internal collaboration, community input and supplier engagement

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Summary of COL contract management approach:

Benefits of Commercial Contract Management:

- Assurance of delivery of contractual obligations
- Improved performance in service quality and delivery
- Avoidance of service failure
- Better management of risk
- Better communication between the Corporation and its supply chain
- Early identification of problems and their resolutions
- Opportunities for innovation
- Making financial savings

The Corporation's commercial contract management framework sets out three main parts to Contract Management. These are:

- *Contract Administration* - concerned with the routine documentation and administrative tasks required of the contract. It is an important function for which the department and the supplier will rely on when issues need to be clarified, agreements are questioned, or the history of events needs to be investigated.
- *Service Delivery Performance Management* - involves the setup and continuous tracking of operational measures which have been agreed with the department's suppliers. Service levels are the standards that the supplier needs to perform to and are framed within a range that is acceptable to a department, set out in a Service Levels Agreement (SLA) of a contract.
- *Strategic and Commercial Management* - to establish a two-way, mutually beneficial relationship between the Corporation and the supplier. It consists of collaborative and relationship building activities targeted at the most strategic and critical supply partners that deliver added value to the Corporation, such as longer-term commercial benefits, innovation, joint risk management and potentially investment.

The Corporation's contracts are tiered into three categories based on value and risk. These categories determine the level of contract management required.

Category	Definitions of Category
Category A Suppliers	(Contract value above £1m) High risk, business critical, reputational risk, legislative
Category B Suppliers	(Contract value spend between FTS threshold - £1M) Medium risk, business critical, reputational risk, legislative
Category C Suppliers	(Contract value spend between £50k - FTS threshold) Low risk, business critical, reputational risk, legislative

Committee(s)	Dated:
Streets and Walkways Sub Planning & Transportation Finance Court of Common Council	30th January 2024 31st January 2024 20th February 2024 7th March 2024
Subject: Annual On-Street Parking Accounts 2022/23 and Related Funding of Highway Improvements and Schemes	**Public**
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	**n/a**
Does this proposal require extra revenue and/or capital spending?	**No**
If so, how much?	**n/a**
What is the source of Funding?	**n/a**
Has this Funding Source been agreed with the Chamberlain's Department?	**n/a**
Report of: The Chamberlain	**For Information**
Report author: Simon Owen, Chamberlain's Department	

Summary

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

The purpose of this report is to inform Members that:

- the surplus arising from on-street parking activities in 2022/23 was £10.186m;
- a total of (£5.620m) was applied in 2022/23 to fund approved projects; and
- the surplus remaining on the On-Street Parking Reserve at 31st March 2023 was £56.218m, which will be wholly allocated towards the funding of various highway improvements and other projects over the medium term.

Recommendation

Members are asked to:

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

Main Report

Background

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

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

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

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

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

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

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

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

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

      - for an “environmental improvement” in the City.

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

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

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

2022/23 Outturn

4. The overall financial position for the On-Street Parking Reserve in 2022/23 is summarised below:

	£m
Surplus Balance brought forward at 1st April 2022	51.652
Surplus arising during 2022/23	10.186
Expenditure financed during the year	(5.620)
Funds remaining at 31st March 2023, wholly allocated towards funding future projects	**56.218**

5. Total expenditure of (£5.620m) in 2022/23 was financed from the On-Street Parking Reserve, covering the following approved projects:

Revenue/SRP Expenditure:	**£000**
Highway Resurfacing, Maintenance & Enhancements	(2,142)
St Paul's Gyratory	(368)
Climate Action Strategy – Cool Streets & Greening	(318)
Concessionary Fares & Taxi Card Scheme	(277)
Off-Street Car Parking Contribution from Reserves	(171)
Traffic Review Order	(151)
West Smithfield Area Public Realm & Transportation	(78)
Cleaning Maintenance Lord Mayors Show	(59)
Aldgate Maintenance for City Open Spaces	(40)
Special Needs Transport	(29)
City Streets COVID 19 – Phase 3	(23)
Climate Action Strategy – Pedestrian Priority	(18)
Planting Maintenance for City Open Spaces	(10)
London Wall Car Park Waterproofing and Repairs	(6)
Temple Area Traffic Review	(4)
Total Revenue/SRP Expenditure	**(3,694)**
Capital Expenditure:	
Barbican Podium Waterproofing – Phase 2	(828)
Bank Junction Improvements (All Change at Bank)	(544)
Climate Action Strategy – Pedestrian Priority	(325)
HVM Security Programme	(132)
Climate Action Strategy – Cool Streets & Greening	(43)
Baynard House Fire Safety	(32)
Traffic Enforcement CCTV	(15)
Holborn Viaduct & Snow Hill Pipe-Subways	(7)
Total Capital Expenditure	**(1,926)**
Total Expenditure Funded in 2022/23	**(5,620)**

6. The surplus on the On-Street Parking Reserve brought forward from 2021/22 was £51.652m. After expenditure of (£5.620m) funded in 2022/23, a surplus

balance of £4.566m was carried forward to future years to give a closing balance at 31st March 2023 of £56.218m.

7. Currently total expenditure of some £102.7m is planned over the medium term from 2023/24 until 2027/28 (as detailed in Table 1), by which time it is anticipated that the existing surplus plus those estimated for future years will be fully utilised.

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

9. The programme also covers ongoing funding of future revenue projects, the main ones being Highway Resurfacing, Enhancements & Road Maintenance Projects; Concessionary Fares & Taxi Cards; Traffic Review Order; Contributions to the Costs of Off-Street Car Parks (including CWP works); Special Needs Transport; Cleansing Maintenance for the Lord Mayors Show; Annual Maintenance of Aldgate; Secure City CCTV system; street cleansing contract; City Gardens highways & cleansing maintenance; Highways ground penetrating radar system; Highways street furniture ASB protection measures; and streets decluttering.

10. Following Member requests to allocate On-Street Parking surplus monies, a newly formed Priorities Board chaired by the Town Clerk now considers all new eligible bids for surplus funds before recommending successful bids to Members of RASC and P&R Committees for decision. This new mechanism has been designed to ensure surplus monies are allocated to eligible projects in an efficient and speedy process to meet spending priorities, a number of which schemes are now included in paragraphs 8 and 9 above to be spent in the medium term.

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

Table 1 **On-Street Parking Account Reserve Projections 2022/23 to 2027/28**	**2022/23** **Actual** **£m**	**2023/24** **Forecast** **£m**	**2024/25** **Forecast** **£m**	**2025/26** **Forecast** **£m**	**2026/27** **Forecast** **£m**	**2027/28** **Forecast** **£m**	**Total** **£m**
Income	13.8	12.6	13.1	13.5	13.9	14.3	81.2
Expenditure (*Note 1*)	(3.6)	(4.1)	(4.0)	(4.1)	(4.3)	(4.4)	(24.5)
Net Surplus arising in year	**10.2**	**8.5**	**9.1**	**9.4**	**9.6**	**9.9**	**56.7**
Capital, SRP and Revenue Commitments	(5.6)	(36.5)	(28.4)	(17.0)	(9.3)	(11.5)	(108.3)
Net in year contribution (from)/ to surplus	**4.6**	**(28.0)**	**(19.3)**	**(7.6)**	**0.3**	**(1.6)**	**(51.6)**
(Deficit) / Surplus cfwd at 1st April	51.6	56.2	28.2	8.9	1.3	1.6	
(Deficit) / Surplus cfwd at 31st March	**56.2**	**28.2**	**8.9**	**1.3**	**1.6**	**0.0**	

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

12. A reduction in income is forecast from 2022/23 onwards for a number of years, mainly due to suspension of enforcement at Beech Street, ongoing long term works and changes to Bank Junction, future projections of motorist's compliance and CCTV enforcement suspension at Throgmorton Street. The suspension at Throgmorton Street is due to a major closure which is expected to continue until February 2024.

Conclusion

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

Background Papers

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

15. Final Accounts 2022/23.

Appendix
Appendix 1 – Non-Public Confidential Appendix of Proposed OSPR Schemes

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

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Committee(s):	Dated:
Finance Committee – For information Corporate Services Committee – For Information	20 February 2024 21 February 2024
Subject: Enterprise Resource Planning (ERP) Programme Update Report	**Public**
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	7,9,10
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: Chief People Officer & The Chamberlain	**For Information**
Report author: Simon Gray, Chamberlain's Department	

Summary

The Enterprise Resource Planning (ERP) Programme is the project for the City of London Corporation to replace its current legacy systems; City People (Midland i-Trent) for HR & Payroll and Oracle R12 for both strategic and operational finance. The new ERP Solution will modernise the technology we rely upon to deliver back-office services. A vital component of the new ERP Solution is that it will support the City of London Corporation's culture change. It will promote and enable self-service for all employees to access their information, provide access to real-time information and enable informed business decisions. There is a notable change workstream factored into the overall programme, this is driven by the 'adopt not adapt' principle.

To successfully deliver and implement the ERP Programme, the programme needs to be appropriately resourced. Key roles have been identified and a recruitment campaign will be launched to ensure the correct resources are in place to deliver the successful delivery of the programme. Members should note Finance Committee and Digital Services Committee have since endorsed the budget increase which supports the resources required for the programme for onward approval of Court of Common Council in March.

Recommendation(s)

Members are asked to note the report.

Main Report

Background

1. The City Corporation has used the same core back-office systems for Finance, HR, Payroll and Procurement for over 20 years. The systems are now either out of support (Oracle) or an unsupported platform (City People) which causes the City of Corporation the need to procure third-party support and invest staff time in prolonging their life to deliver critical services.

2. The current HR and Finance systems currently work in isolation and require significant manual interventions or manipulations to support our business-as-usual operations. Creating inefficiencies and impacting data-supported business decision-making.

3. It is agreed that an Enterprise Resourcing Planning (ERP) System will replace the ageing systems. The ERP will deliver a cloud-based integrated Finance and HR solution. Workshops with system users and administrators were undertaken to determine what requirements the City of London Corporation including its Institutions wanted and needed in a new ERP system.

4. A Find a Tender Service (FTS) Restricted Procedure was undertaken to procure the ERP Cloud SaaS Solution, with the Court of Common Council approving the award to the preferred bidder in November 2023.

Current Position

5. The implementation of the new ERP solution will modernise the technology we rely upon and support the Corporation’s culture change. The new system will support increased self-service for all staff, giving access to real-time data. Therefore, enabling the streamlining of back-office and optimising resources through efficiencies.

Change Programme

6. An essential component to deliver the successful implementation of the ERP Solution is the change programme. The programme plan includes a significant commitment to change resources throughout the programme’s lifespan.

7. The ‘adopt not adapt’ or “fit to standard” principle refers to the approach by organisations that embrace modern technologies, methodologies, and changes rather than merely modifying the solution to fit with their current ways of working. This principle encourages a proactive and open attitude towards change.

8. The programme resources include:
   - Change Managers - to lead the engagement across the Corporation and focus on the “adopt not adapt” principle.
   - Business Analysts - to focus on the benefits of the to-be model and how we can drive benefits from our existing working practices.

9. The programme will look to establish standard ways of working with minimal variations primarily based on legislative requirements (e.g. City Bridge Foundation and the Corporation's charities have specific statutory finance requirements that differ from the rest of the Corporation), or the specific terms and conditions that staff have in place that must be reflected.

10. The programme has significant sponsorship and visibility across the Corporation with representation from all the relevant Departments and c.72 senior stakeholders identified for input. The programme has set up change engagement meetings with each of the Departments to both inform and listen to current challenges, capture critical success factors and determine the best way to engage with impacted users across the Corporation

Recruitment approach

11. The ERP Programme has identified 65 roles to enable the delivery of the new ERP solution. Many of the roles will be filled with internal resources (where possible). This approach will assist in engaging our key talent on this journey of change and ensure ongoing ownership of the solution within the Corporation through knowledge transfer. Where required, existing roles will be backfilled to ensure business-as-usual service can continue to be delivered.

12. External expertise is required to fill 25 of the programme roles. These roles include Change Leads, Business Analysts, Project Management Officers, Integration Developers, and technical resources aligned to the preferred supplier. The preferred recruitment approach is to appoint successful candidates to fixed-term contracts (FTCs). This approach will support the consistency of resources throughout the lifespan of the programme. The timeframes are shown in Appendix A.

13. The recruitment process will benchmark roles to establish the correct market rate (either interim, permanent or FTC) and commence a recruitment campaign to bring the right talent into the organisation addressing value for money and creating the internal capacity. The standard approval process will be followed with roles over £100k per annum being submitted to CSC and Court of Common Council Approval.

14. All recruitment to the programme will be carried out in line with our Recruitment & Selection policy along with related procedures.

Phased go live

15. The programme is focused on delivering a return on investment by implementing a modular approach to delivery and where possible, avoiding a "big-bang approach" where all functionality goes live simultaneously. The benefits of this approach, particularly for the HR function, provide flexibility around the deployment of desired modules such as performance management and learning and development. It allows the development to be aligned with business needs rather than a technology roadmap.

16. It is to be noted that Core HR, Payroll and Finance functions are required to have an aligned ‘Go Live’ and are limited in the modular phasing. We will be working with Departments to establish the best phasing for the programme to deliver early value. See Appendix A for an indicative phasing – subject to agreement with the chosen System Integrator.

Corporate & Strategic Implications

Strategic implications - The ERP Programme supports the Corporate Initiatives to deliver brilliant basics and mitigates the risk of unsupported legacy systems.

Financial implications - Finance and Policy and Resources Committees have approved the budget envelope to bring in the relevant resources including backfills.

Resource implications - The requirement of resourcing is detailed in this paper.

Legal implications - All staff resourcing, and employment contracts will comply with statutory requirements and be in line with best practice.

Risk implications - Failure to baseline the programme roles would place a risk on the organisation. Further assurance on resources will be sought upon boarding the System Integrator planned for June 204

Equalities implications - An Equalities Impact Assessment was done initially and is currently being updated and will be brought back for review. This will be routinely updated throughout the life of the programme.

Climate implications - None

Security implications - None (other than standard vetting requirements)

Conclusion

17. The successful implementation of the ERP Solution is tied to the change programme, which plays a pivotal role in supporting the transformative era for the Corporation. Embracing the 'adopt not adapt' principle signifies a proactive stance towards modernisation and encouraging a cultural shift. The ERP Programme's commitment to utilising internal resources and a modular delivery approach gives a strategic emphasis on sustainable ownership, knowledge transfer, and a phased implementation for optimising efficiency. Regular updates on the overall programme will be routinely presented to this committee. This is expected to be no less that Quarterly.

Appendices
Appendix A - Indicative People Phasing

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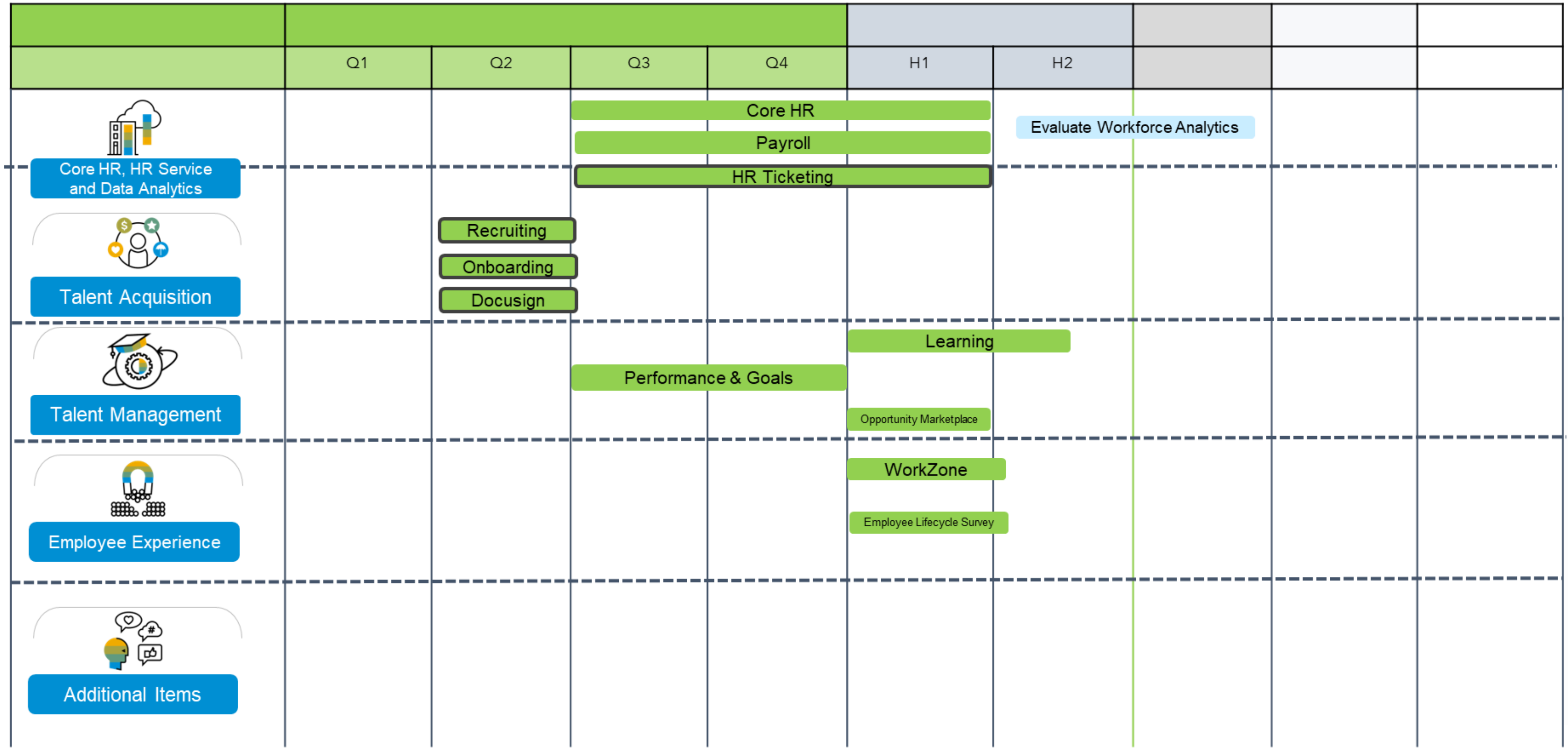
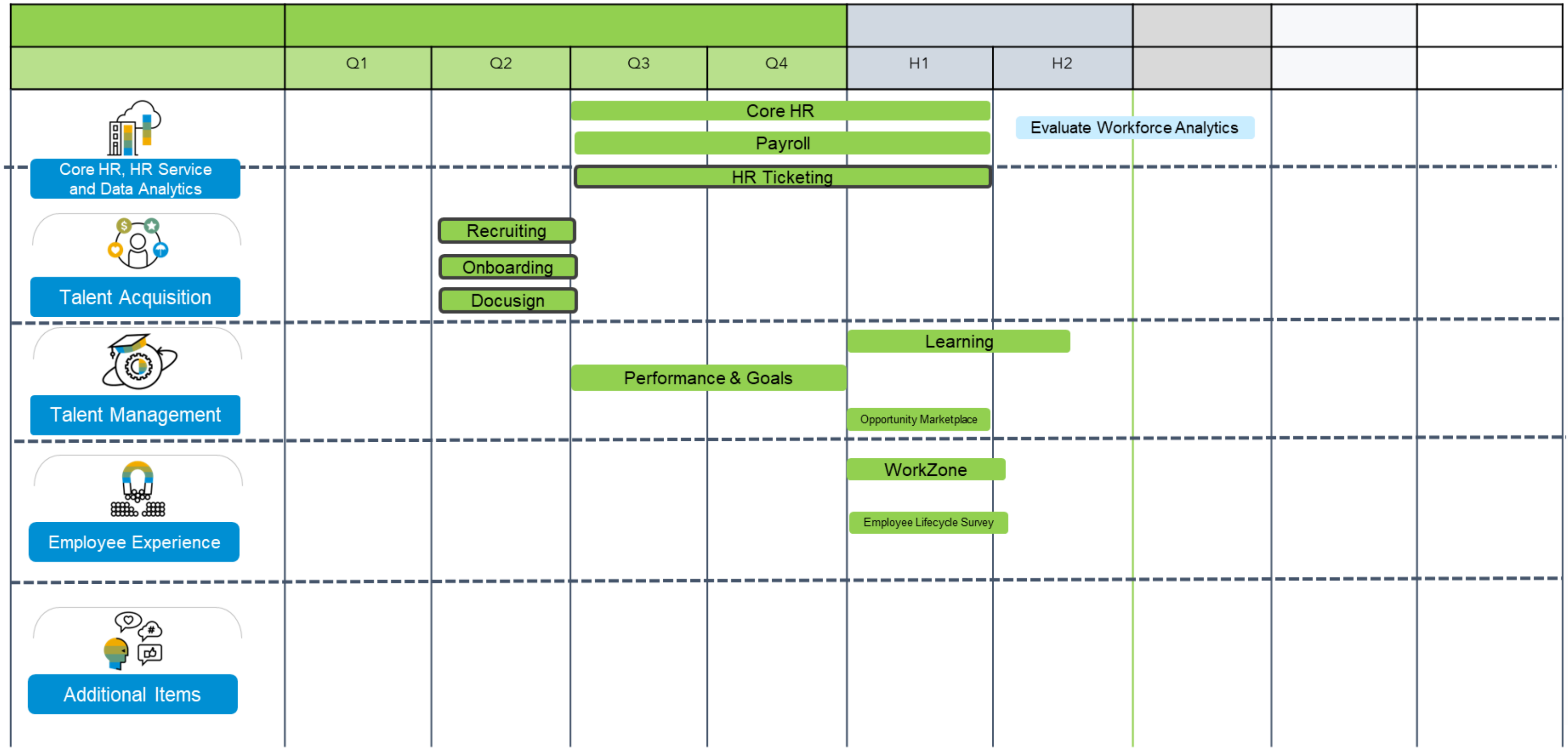
Appendix A - Indicative People Phasing



HR Vision to Value License Roadmap

Figures = of items



Committee(s): Finance Committee	**Date: 20 February 2024**
Subject: Budget Monitoring Quarter 3 2023/24 update	**Public**
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	All
Does this proposal require extra revenue and/or capital spending?	N
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: Daniel Peattie – Assistant Director, Strategic Finance	

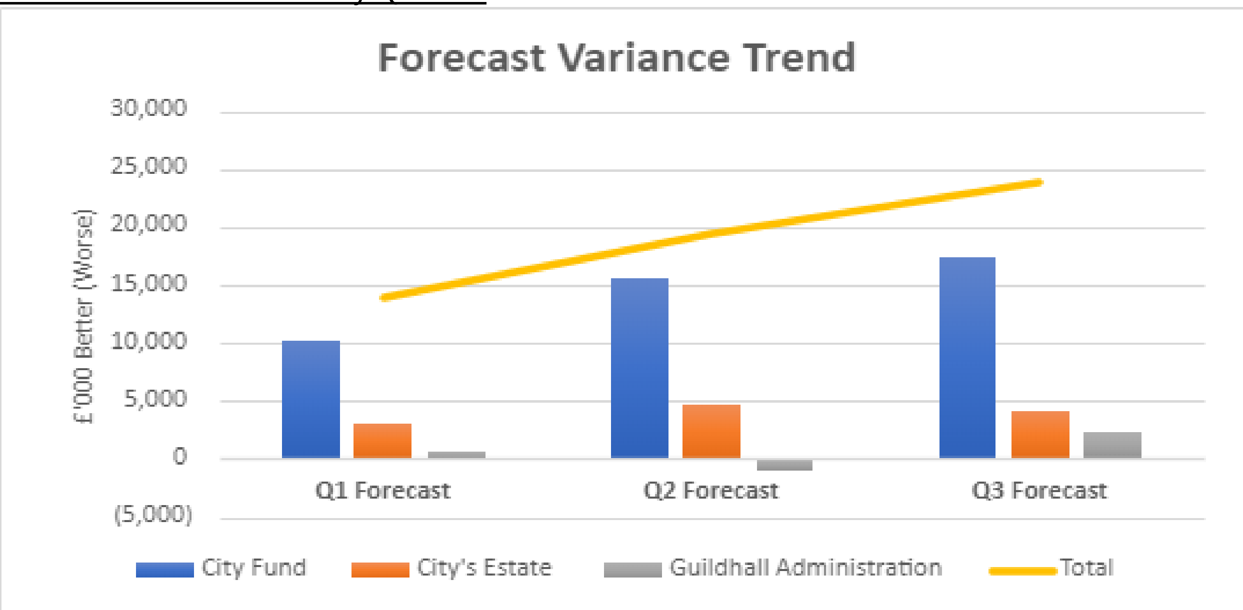
Summary

The report below outlines the latest forecast position for the 2023/24 financial year as at the end of Quarter 3 (December). This report, for the first time, combines the monitoring for both revenue and capital.

Revenue

At the end of Quarter 3, the 2023/24 revenue forecast outturn position is an underspend of £23.9m against budget which is an improvement of £5.9m compared to Quarter 2.

Chart 1: Forecast trend by Quarter



The forecast underspend of £23.9m comprises underspends of £17.5m, £4.1m and £2.3m on City Fund, City's Estate and Guildhall Administration respectively.

Table 1: Revenue forecast by Fund Variance Better/(Worse)

As at 30 Sept 2023		As at 31 December 2023			
Total		**City Fund**	**City's Estate**	**Guildhall Administration**	**Total**
£'000		**£'000**	**£'000**	**£'000**	**£'000**
(2,648)	Chief Officer Cash Limited Budgets	(1,179)	(1,415)	509	(2,085)
21,995	Central Risk Budgets	18,660	5,516	1,796	25,971
19,347	**Total**	**17,481**	**4,101**	**2,305**	**23,887**

Capital

At the end of Q3, the capital forecast for the financial year is an underspend of £219m which represents c28% of the opening budget. This variance is most likely caused by slippage rather than reductions in project costs, but further work is being undertaken with project managers to review and close down projects where applicable to crystalise any genuine underspend. City Fund is forecasting a capital underspend of £142m (34%) and City's Estate £77m (21%). Table 2 and 3 provide summary of the forecast expenditure at the end of the third quarter (Q3), for the current year and future years expenditure on Capital and Strategic Revenue Projects (SRPs) – including the major projects – across both City Fund and City's Estate, against agreed budgets set and approved by the Court of Common Council in March 2023.

Table 2: Summary of City Fund Capital Forecast

CITY FUND	Budget 23/24	Current Year Actuals at 31/12/23	Current Year Forecast at Q3	Forecast vs Budget in year	Future years budget	Future years forecast	Forecast vs Budget future years	Total budget vs Total Forecast
	£m	£m	£m	£m	£m	£m	£m	£m
BAU and SRP	161.7	43.2	103.2	**(58.5)**	258	264.9	6.9	**(51.6)**
Major Projects	256.9	75.2	173.7	**(83.2)**	565.9	643.7	77.8	**(5.4)**
Total	**418.6**	**118.3**	**276.9**	**(141.7)**	**823.9**	**908.6**	**84.7**	**(57.0)**

Table 3: City's Estate Capital Forecast

CITY's ESTATE	Budget 23/24	Current Year Actuals at 31/12/23	Current Year Forecast at Q3	Forecast vs Budget in year	Future years budget	Future years forecast	Forecast vs Budget future years	Total budget vs Total Forecast
	£m	£m	£m	£m	£m	£m	£m	£m
BAU and SRP	110.3	51	108.1	(2.3)	139.6	150.3	10.7	8.4
Major Projects	254	103	179.7	(74.3)	695.9	714.1	18.1	(56.2)
Total	**364.3**	**154**	**287.7**	**(76.6)**	**835.5**	**864.3**	**28.8**	**(47.8)**

Main Report

1. As well as the analysis by Fund, the variance is split between a Central Risk favourable variance of £26m, which predominantly relates to increased interest received on Money Market Funds (£17.0m), partially offset by an adverse variance of £2m on Chief Officer Cash Limited Budgets. The Chief Officer Cash Limited budget significant variances are Barbican Residential (£1.2m) mainly relating to a new provision for a legal challenge from leaseholders along with a reduction in car parking income. The Chief Officer Cash Limited Budgets forecast is an improved position of £0.7m compared to Quarter 2, predominantly due to the Destination City Programme being put on hold whilst an external review of the programme is conduced.

2. Significant forecast variances by Chief Officer are summarised in the following paragraphs. Please note that the data has not been fully remapped to the new Chief Officer structure (Chief Strategy Officer and Executive Director Corporate Communications) due to timing of this change, however work is underway to resolve this and will be in place for the final outturn.

   City Fund Revenue

   a) Director of Community and Children's Services (£1.5m overspend, **adverse movement of £0.2m from Q2**) – Barbican Residents Committee is forecasting a possible overspend as a result of making a provision of £935k for a legal challenge from leaseholders regarding costs allocated for temporary staff to the service charge over the last 6 years. Counsel opinion has been sought and we are waiting for an update, should the provision materialise, we would look to cover from Finance Committee contingency. Income from the Barbican car parks is lower than budget by £0.1m. In addition, the children's social care budget is showing an overspend of £0.4m due to two new clients arriving since the budget was set, one of which has very high needs. This pressure will need to be addressed going forward and the proposals to Finance Cttee in February includes an uplift of £470k, any additional clients over and above the ones highlighted will add further pressure.

   b) Executive Director Innovation and Growth (£1m underspend, **positive movement of £1m from Q2)** – there is an anticipated underspend against the Destination City growth bid of over £700k due in the main to activity being put on hold whilst an external review of the programme is conducted. Continuation of Destination City may result in the ringfenced funding to be carried forward.

   c) Executive Director Environment (£0.5m overspend, **positive movement of £1.5m from Q2**) – The projected outturn for City Fund is currently on target, subject to revised income forecasts remaining stable, which is a positive movement of £1.5m from Q2. The previous projected overspend which was primarily due to a significant loss in trade of c£1.8m at Heathrow Animal Reception Centre has now been offset by a variety of increased income streams throughout the department, with the favourable movement from Q2 to Q3 being predominantly due to increased Planning Application and Pre-Planning Advice income projections (£0.7m improvement) along with staff vacancies (£0.6m)

City’s Estate Revenue

d) Executive Director Environment (£0.6m overspend, **adverse movement of £0.8m from Q2**) The projected overspend (and adverse movement since Q2) is mainly due to increased costs in relation to professional and consultant fees for the Parliament Hill masterplan (£0.1m), health & safety and swimming pool cleaning equipment (£0.1m), Constabulary contract fees (£0.2m), and increased water usage (£0.1m). In addition, the Monument still has a forecast overspend of £0.2m due to ongoing reduced income making the revised target unachievable following COVID.

e) City Surveyor (£4m underspend, **positive movement of £0.3m from Q2**) – This is principally due to increased rental income as per below partly offset by overspending on the departmental salary budget as a result of the vacancy factor not being achieved and residual unidentified savings yet to be achieved. Other minor variances across services largely offset each other.

3. Corporate Income Budgets are forecast to be better than budget by £22.4m, a positive movement of £0.3m from quarter 2.

Table 4: Major income budgets

	Budget	Forecast	Forecast Variance Better / (Worse)	
	£’000	£’000	£’000	%
Property Investment Income				
City Fund	41,245	40,839	(406)	(1%)
City's Estate*	56,840	62,803	5,963	10%
Total Property Investment Income	**98,085**	**103,642**	**5,557**	**6%**
Interest on Cash Balances				
City Fund	27,026	48,296	21,270	79%
City’s Estate	5,507	1,179	(4,328)	(77%)
Total Interest on Cash Balances	**32,533**	**49,475**	**16,942**	**52%**
Grand Total	**130,618**	**153,117**	**22,449**	**17%**

*Recommendation all surplus income under City’s Estates is ringfenced to repay back the private placement loan.

4. Property Investment Income is forecast to be £103.6m which reflects the September 2023 rental estimates, **a negative movement of £1.5m from quarter 2**. City’s Estate £6m forecast surplus reflects the acquisition of two industrial estates, the delay to the sale of 55-61 Charterhouse Street and assumes that a number of leases are renewed rather than expire on the

Tottenham Court Road Estate. The change in forecast is a combination of lease terminations and rent reviews being determined by 3rd party experts at rents lower than expected.

5. Income from Interest on Money Market funds Income from interest on cash balances is currently forecast to exceed budget by £16.9m due to higher than anticipated interest rates (n.b. the Bank of England base rate has increased from 3% in November 2023 to 5.25% in August 2023 and currently remains at this level). **This is a positive movement of £0.3m from Q2.** The return on investments and valuations will be volatile throughout the year due to changes in interest rate expectation. These changes will be reviewed as part of the budget setting process for 24/25 and 5-year forecast.

Cyclical Works Programme (CWP)

6. The CWP programme covers essential health and safety cyclical repairs and maintenance of the operational property portfolio. CWP spend tends to be revenue due to it being similar to regular repairs and maintenance, however programmes can grow and then be capitalised if they are over materiality thresholds. To improve visibility, CWP forecasts are being included in the consolidated monitoring report for the first time. Table 5 below shows the current position per fund. Unspent balances have previously been rolled over to subsequent years if the projects are still within the lifetime of the project. The City Surveyor is working towards delivering his projects before 31st March 2024. Table 5 below sets out the position as at the end of quarter 3.

Table 5: CWP Forecast Quarter 3

	Budget	Actual & Commitments	Variance Better / (worse)
	£'000	**£'000**	**£'000**
City Fund	6,048	3,894	2,154
City's Estate	3,326	3,634	(308)
Guildhall Administration	1,294	1,081	214
Grand Total	**10,668**	**8,608**	**2,060**

Capital Programme

7. Regular monitoring and reporting of the Capital programme has been on hold for a number of years due to resourcing constraints within the organisation. During 2023/24 this has been reintroduced to provide transparency on progress and variances to senior officers and members. The Q3 forecast represents the second iteration of reporting this financial year and saw a significant increase in the number of forecasts completed by programme managers reflecting the collaborative engagement with members of Chamberlains in producing this information.

8. Appendix 4 shows the forecast expenditure for City Fund Capital and SRP Projects, split between Business as Usual (BAU) and Major Projects. The forecast for the year is £276.9m for the year, comprising £103.2m BAU projects and £173.7m across the City Fund Major Projects. This represents a forecast slippage of £141.7m during the current year, or £57.0m across all years. Appendix 5 shows the latest major projects update.

9. There are significant underspends identified against Planning and Transportation (£8.0m) and the HRA (£23.7m). These underspends are expected to be slippage rather than genuine project underspend. Planning is an area predominantly financed by grants and contributions, and assumptions around future grant income will be aligned to current expenditure plans for the forthcoming MTFS review. The HRA is a statutory ringfenced account, and the planned schemes will be incorporated as part of the continued review of the 30-year business plan. Other spend committees with significant projected underspends include.
    a. Police with an aggregated forecast £8m underspend. The Police service recognise the capacity to deliver against agreed capital projects and are enhancing their Project Management Office (PMO) capability to support a longer-term view of their capital investment requirements.
    b. Barbican Residential (£1.9m) represents agreed funding blocks for ringfenced areas, for which individual schemes are being developed to draw down against.
    c. Investment Committee (£6.4m) includes significant slippage against the 1-6 Broad Street Refurbishment scheme.
    d. Policy and Resource Committee (£7.4m) slippage relating primarily to various works on the Central Criminal Court.

10. Appendix 4 shows the breakdown of the forecast for City's Estate of £287.7m, with £179.7m projected on major projects and a further £108.1m on BAU Capital and SRP. This represents a forecast net slippage of £62.5m in year, and £122.4m including future years. Appendix 5 shows the latest update on major projects.

11. The main areas of underspend relate to:

    a. Museum of London Landlord works within the major project's portfolio, is currently forecasting an underspend of £56.9m. Works are expected to be completed by the end of this calendar year except for further works on the Annex. The underspend includes an amount of unutilised costed risk provision. This is being removed as part of the MTFP for 2024/25.
    b. Investment Committee is currently projecting a £3.7m underspend relating to an approved allocation for planned future investment property purchases, to be funded from the Designated Sales Pool. The variance represents the agreed funding envelope, for which future Investment property purchases are to be drawn down against, subject to successful bid appraisals.
    c. City of London School future years projection of £19.2m relates to a forecast for the CLS phase 2 & 3.

Corporate and Strategic implications

Strategic implications – The budget is developed in conjunction with corporate plans to ensure it aligns with strategic objectives. Any variances and impacts on delivery are noted within the report.

Financial implications – Contained within the body of the report

Resource implications – Contained within the body of the report

Legal implications – No direct implications

Risk implications – Financial variances highlighted and contained within the body of the report

Equalities implications – None

Climate implications – No direct implications

Security implications – No direct implications

Conclusion

12. At the end of Quarter 3 2023/24 the overall revenue forecast position is an underspend of £23.5m against budget comprising Central Risk Budget favourable variance of £25.6m partially offset by an adverse variance of £2m on Chief Officer Cash Limited Budgets.

13. The Capital programme is forecasting an underspend of £219m. This is split between City Fund and City's Estate by £141.7m and £76.6m.

Appendices

- Appendix 1 – Chief Officer Cash Limited Budgets by Fund
- Appendix 2 – Central Risk Budgets by Fund
- Appendix 3 – Capital Forecast by Committee
- Appendix 4 – Capital Forecast by Service
- Appendix 5 – Major Projects monitoring dashboard

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Appendix 1 – Chief Officer Cash Limited Budgets by Fund

Chief Officer Cash Limited Budgets							
Outturn 2022/23		Chief Officer	Full Year Forecast as at 31 December 2023				Movement in Forecast Variance from Q2 Better / (Worse)
Budget	Outturn		Revised Budget	Forecast	Variance Better / (Worse)		
£'000	£'000		£'000	£'000	£'000	%	£'000
		City Fund					
(18,991)	(18,749)	Barbican Centre Managing Director	(17,573)	(17,848)	(275)	2%	243
(1,685)	(1,171)	Chamberlain	(1,821)	(1,861)	(40)	2%	(122)
(88)	(255)	Chief Operating Officer					(11)
(4,941)	(4,974)	City Surveyor	(4,966)	(5,182)	(216)	4%	(234)
(7,756)	(7,639)	Deputy Town Clerk	(6,282)	(6,443)	(161)	3%	71
(13,666)	(13,852)	Director of Community and Childrens Services	(15,531)	(16,843)	(1,312)	8%	(210)
(22,658)	(22,006)	Executive Director Built Environment	(24,036)	(24,037)	(1)	0%	1,082
(9,387)	(8,587)	Executive Director Innovation and Growth	(9,465)	(8,694)	771	(8%)	782
(79,172)	**(77,233)**	**Total City Fund (excluding Police)**	**(79,674)**	**(80,909)**	**(1,235)**	**11%**	**1,601**
		City's Estate					
(109)	(8)	Chamberlain	(101)	(50)	51	(50%)	69
(1,622)	(89)	Chief Operating Officer			0	0%	(21)
(14,605)	(15,401)	City Surveyor	(16,908)	(17,676)	(768)	5%	(329)
(3,410)	(4,215)	Deputy Town Clerk	(3,743)	(3,775)	(32)	1%	(301)
(805)	(824)	Director of Community and Childrens Services	(840)	(840)	0	0%	(0)
(10,230)	(9,661)	Executive Director Built Environment	(11,767)	(12,321)	(554)	5%	(840)
(1,003)	1,486	Head of the Boys School	(813)	(813)	0	0%	0
1,089	2,421	Headmaster of City of London Freemens School	555	413	(142)	(26%)	(142)
(365)	(284)	Headmistress of City of London School for Girls	(806)	(806)	(0)	0%	0
(70)	(16)	Head of the Junior School	356	356	(0)	(0%)	0
(8,551)	(1,062)	Principal Guildhall School of Music and Drama	(9,639)	(9,637)	2	(0%)	67
(1,435)	(1,499)	Remembrancer	(1,488)	(1,451)	37	(2%)	65
		Executive Director Innovation and Growth	0	(8)	(8)	0%	(8)
(41,116)	**(29,152)**	**Total City's Estate**	**(45,194)**	**(46,609)**	**(1,415)**	**3%**	**(1,439)**
		Guildhall Administration					
(8,499)	(889)	Chamberlain	(20,968)	(20,553)	415	(2%)	628
(14,418)	(14,647)	Chief Operating Officer			0	0%	301
(9,329)	(9,067)	City Surveyor	(7,643)	(7,485)	158	(2%)	221
(859)	(731)	Comptroller and City Solicitors	(1,074)	(1,155)	(81)	8%	(488)
		Chief People Officer	(703)	(648)	55	(8%)	55
(4,205)	(4,279)	Deputy Town Clerk	(8,979)	(9,061)	(82)	1%	(315)
392	412	Remembrancer	400	444	44	11%	0
(36,918)	**(29,201)**	**Total Guildhall Administration**	**(38,967)**	**(38,458)**	**509**	**(1%)**	**402**
(157,206)	**(135,586)**	**Grand Total (excluding Police)**	**(163,835)**	**(165,976)**	**(2,141)**	**1%**	**564**
(92,086)	(90,946)	Commissioner of Police	(101,005)	(100,948)	57	(0%)	(0)
		Police Authority Board	(1,000)	(1,000)	0	0%	0
(249,292)	**(226,532)**	**Grand Total**	**(265,840)**	**(267,925)**	**(2,085)**	**1%**	**563**

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Appendix 2 – Central Risk Budgets by Fund

Central Risk Budgets							
Outturn 2023/24		Chief Officer	Full Year Forecast as at 31 December 2023				Movement in Forecast Variance from Q2 Better / (Worse)
Budget	Outturn		Revised Budget	Forecast	Variance Better / (Worse)		
£'000	£'000		£'000	£'000	£'000	%	£'000
		City Fund					
(3,733)	(3,803)	Barbican Centre Managing Director	(2,990)	(2,930)	60	(2%)	60
(6,267)	13,560	Chamberlain	(9,353)	12,159	21,512	(230%)	1,033
2,418	4,144	Chief Operating Officer				0%	(25)
44,028	42,907	City Surveyor	50,554	50,026	(528)	(1%)	222
(1,231)	(1,897)	Deputy Town Clerk	(1,367)	(1,275)	92	(7%)	276
836	(780)	Director of Community and Childrens Services	(299)	(507)	(208)	70%	(50)
7,294	6,486	Director of the Built Environment	7,688	7,207	(481)	(6%)	424
(6,159)	(6,281)	Executive Director Innovation and Growth	(9,915)	(11,702)	(1,787)	18%	(1,671)
37,186	**54,336**	**Total City Fund**	**34,318**	**52,978**	**18,660**	**54%**	**270**
		City's Estate					
(36,269)	(18,921)	Chamberlain	(30,894)	(35,329)	(4,435)	14%	(523)
3,236	2,998	Chief Operating Officer				0%	(269)
51,008	46,646	City Surveyor	57,419	62,145	4,726	8%	(89)
(9,571)	(11,524)	Deputy Town Clerk	(7,060)	(3,766)	3,294	(47%)	142
(2,416)	(2,433)	Director of Community and Childrens Services	(2,291)	(2,277)	14	(1%)	0
645	322	Director of the Built Environment	1,365	1,351	(14)	(1%)	(12)
(2,755)	(2,713)	Executive Director Innovation and Growth	(4,487)	(2,863)	1,624	(36%)	1,543
(129)	19	Head of the Boys School	(15)	(15)	0	0%	0
27	(376)	Headmaster of City of London Freemens School	26	26	0	0%	0
23	11	Headmistress of City of London School for Girls	(21)	(21)	0	0%	0
(2,815)	(2,818)	Principal Guildhall School of Music and Drama	(2,862)	(2,865)	(3)	0%	0
(2,068)	(1,806)	Remembrancer	(2,212)	(1,902)	310	(14%)	4
(1,084)	**9,405**	**Total City's Estate**	**8,968**	**14,484**	**5,516**	**62%**	**796**
		Guildhall Administration					
(15,749)	(17,018)	Chamberlain	(19,075)	(19,167)	(92)	0%	875
(3,830)	(2,840)	Chief Operating Officer				0%	(127)
		Chief People Officer	(196)	(137)	59	(30%)	
(4,533)	(4,598)	City Surveyor	(4,185)	(3,598)	587	(14%)	468
200	0	Comptroller and City Solicitors	200	0	(200)	(100%)	0
(1,064)	(922)	Deputy Town Clerk	(2,221)	(648)	1,573	(71%)	1,562
204	0	Remembrancer	131	(0)	(131)	(100%)	73
(24,772)	**(25,378)**	**Total Guildhall Administration**	**(25,346)**	**(23,550)**	**1,796**	**(7%)**	**2,910**
11,330	**38,363**	**Grand Total**	**17,940**	**43,911**	**25,971**	**145%**	**3,977**

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Appendix 3 – Capital Forecast by Committee

CITY FUND	Budget 23/24	Current Year Actuals at 31/12/23	Current Year Forecast at Q3	Forecast vs Budget in year	Future Years Budget	Future Years Forecast	Forecast vs Budget in Future Years	Total Budget vs Total Forecast
BAU Capital and SRP	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
CF - Open Spaces, City Gardens & West Ham Park	0.1	-	0.1	**0.0**	0.1	0.1	-	**0.0**
CF - Barbican Centre	5.1	0.5	2.2	**(3.0)**	0.3	10.2	**9.9**	**7.0**
CF - Barbican Residential	5.2	1.0	3.3	**(1.9)**	17.1	18.1	**0.9**	**(0.9)**
CF - Community & Childrens Services	1.3	0.7	1.3	**0.0**	0.4	-	**(0.4)**	**(0.4)**
CF - Culture Heritage & Libraries	0.2	0.1	0.2	**(0.0)**	0.2	0.1	**(0.0)**	**(0.0)**
CF - Education	-	-	-	**0.0**	-	-	**0.0**	**0.0**
CF - Finance	8.8	0.3	8.8	**(0.0)**	0.9	0.9	**(0.1)**	**(0.1)**
CF - Housing HRA	0.2	0.0	0.2	**0.0**	0.1	-	**(0.1)**	**(0.1)**
CF - Housing Revenue Account	63.1	22.5	39.4	**(23.7)**	87.3	92.7	**5.4**	**(18.2)**
CF - Investment	8.4	1.8	2.0	**(6.4)**	8.6	0.7	**(7.9)**	**(14.3)**
CF - Non - Housing Revenue Account	0.5	-	0.5	**(0.0)**	0.1	-	**(0.1)**	**(0.1)**
CF - Open Spaces, City Gardens & West Ham Park	2.2	0.2	1.4	**(0.8)**	3.3	2.5	**(0.7)**	**(1.5)**
CF - Planning & Transportation	29.8	7.3	21.9	**(8.0)**	97.8	102.8	**4.9**	**(3.0)**
CF - Police	18.7	5.3	10.7	**(8.0)**	23.4	26.7	**3.3**	**(4.7)**
CF - Policy & Resources	16.4	2.7	9.0	**(7.4)**	16.8	8.8	**(8.1)**	**(15.4)**
CF - Port Health	1.7	0.7	2.2	**0.6**	0.4	0.1	**(0.2)**	**0.3**
CF - Port Health & Environmental Services	0.1	0.1	0.1	**(0.0)**	1.2	1.2	**(0.0)**	**(0.0)**
CF - Spitalfields Market	-	-	-	**0.0**	0.0	-	**(0.0)**	**(0.0)**
Subtotal	**161.7**	**43.2**	**103.2**	**(58.5)**	**258.0**	**264.9**	**6.9**	**(51.6)**
Major Projects								
Salisbury Square	148.5	39.1	73.0	(75.5)	346.0	421.4	**75.4**	(0.1)
Bastion House	5.7	0.8	1.3	(4.4)	-	-	**0.0**	(4.4)
Museum of London	97.7	35.3	94.5	(3.2)	164.5	167.6	**3.1**	(0.1)
Future Police Accommodation	5.0	-	4.9	(0.2)	55.4	54.7	(0.7)	(0.9)
Subtotal	**256.9**	**75.2**	**173.7**	(83.2)	**565.9**	**643.7**	**77.8**	(5.4)
Total	**418.6**	**118.3**	**276.9**	(141.7)	**823.9**	**908.6**	**84.7**	(57.0)

CITY ESTATE	Budget 23/24	Current Year Actuals at 31/12/23	Current Year Forecast at Q3	Forecast vs Budget in year	Future Years Budget	Future Years Forecast	Forecast vs Budget in Future Years	Total Budget vs Total Forecast
BAU Capital and SRP	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
CC - Billingsgate Market	0.7	0.4	0.6	**(0.1)**	0.1	-	**(0.1)**	**(0.1)**
CC - Board of Governors City of London School	1.6	0.5	0.9	**(0.7)**	0.1	19.2	**19.1**	**18.4**
CC - Board of Governors CoL Freemens School	2.2	0.6	1.7	**(0.5)**	37.9	37.3	**(0.6)**	**(1.1)**
CC - Board of Governors CoL School for Girls	4.4	1.5	3.6	**(0.7)**	0.2	-	**(0.2)**	**(1.0)**
CC - Central Markets	0.1	0.0	0.1	**0.0**	0.8	-	**(0.8)**	**(0.8)**
CC - Epping Forest and Commons	1.0	0.0	0.5	**(0.4)**	13.5	12.5	**(1.0)**	**(1.4)**
CC - Finance	16.0	1.2	16.7	**0.6**	30.9	30.3	**(0.6)**	**(0.0)**
CC - GP Aldermen	0.0	0.0	0.1	**0.0**	0.2	-	**(0.2)**	**(0.1)**
CC - Guildhall School of Music & Drama	2.8	(0.0)	2.4	**(0.3)**	4.6	4.3	**(0.3)**	**(0.6)**
CC - Hampstead Heath, Highgate Wood & Queen`s Park	**3.0**	**2.4**	**3.5**	**0.5**	**0.0**	**-**	**-**	**0.5**
CC - Investment	52.2	44.8	50.8	**(1.5)**	23.1	20.9	**(2.2)**	**(3.7)**
CC - Policy & Resources	25.3	0.0	25.5	**0.1**	27.9	25.6	**(2.3)**	**(2.1)**
Subtotal	**110.3**	**51.0**	**108.1**	**(2.3)**	**139.6**	**150.3**	**10.7**	**8.4**
Major Projects								
Museum of London Landlord Works	28.8	7.6	28.8	**0.0**	80.3	23.5	(56.9)	(56.9)
Markets Co-location	146.1	95.4	120.5	(25.6)	496.4	522.0	**25.6**	**0.0**
Combined Courts	79.1	0.0	30.4	(48.7)	119.2	168.6	**49.4**	**0.6**
Subtotal	**254.0**	**103.0**	**179.7**	(74.3)	**695.9**	**714.1**	**18.1**	(56.2)
Total	**364.3**	**154.0**	**287.7**	(76.6)	**835.5**	**864.3**	**28.8**	(47.8)

Appendix 4 – Capital Forecast by Service

CITY FUND	Budget 23/24	YTD Actual @ Q3	FY Forecast @ Q3	Forecast vs Budget in year	Future Years Budget	Future Years Forecast	Forecast vs Budget in Future Years	Total Budget vs Total Forecast
BAU Capital and SRP	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Barbican Centre	5.1	0.5	2.2	**(3.0)**	0.3	10.2	**9.9**	**6.9**
Chamberlains & Chief Operating Officer	7.6	-	7.6	**0.0**	0.9	0.9	**(0.1)**	**(0.1)**
City Surveyor	25.0	5.5	14.4	**(10.6)**	25.3	9.3	**(16.0)**	**(26.5)**
Commissioner of Police	21.7	5.3	11.3	**(10.5)**	23.4	26.7	**3.3**	**(7.1)**
Community & Children's Services	76.3	24.7	50.8	**(25.5)**	110.4	115.5	**5.2**	**(20.3)**
Environment	25.7	7.1	16.8	**(8.9)**	97.3	101.8	**4.5**	**(4.3)**
Subtotal	**161.7**	**43.2**	**103.2**	**(58.5)**	**258.0**	**264.9**	**6.9**	**(51.6)**
Major Projects								
Salisbury Square	148.5	39.1	73.0	**(75.5)**	346.0	421.4	**75.4**	**(0.1)**
Bastion House	5.7	0.8	1.3	**(4.4)**	-	-	**0.0**	**(4.4)**
Museum of London	97.7	35.3	94.5	**(3.2)**	164.5	167.6	**3.1**	**(0.1)**
Future Police Accommodation	5.0	-	4.9	**(0.2)**	55.4	54.7	**(0.7)**	**(0.9)**
Subtotal	**256.9**	**75.2**	**173.7**	**(83.2)**	**565.9**	**643.7**	**77.8**	**(5.4)**
Total	**418.6**	**118.3**	**276.9**	**(141.7)**	**823.9**	**908.6**	**84.7**	**(57.0)**

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CITY ESTATE	Budget 23/24	Current Year Actuals at 31/12/23	Current Year Forecast at Q3	Forecast vs Budget in year	Future Years Budget	Future Years Forecast	Forecast vs Budget in Future Years	Total Budget vs Total Forecast
BAU Capital and SRP	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Chamberlains & Chief Operating Officer	37.0	0.7	37.1	**0.1**	50.1	49.3	**(0.8)**	**(0.7)**
City of London Freemen's School	2.2	0.6	1.7	**(0.5)**	37.9	37.3	**(0.6)**	**(1.1)**
City of London School	1.6	0.5	0.9	**(0.7)**	0.0	19.2	**19.1**	**18.5**
City of London School for Girls	4.4	1.5	3.6	**(0.7)**	0.2	-	**(0.2)**	**(1.0)**
City Surveyor	57.7	45.8	56.9	**(0.8)**	32.4	27.6	**(4.8)**	**(5.6)**
Commissioner of Police	0.0	0.0	0.0	**0.0**	0.5	-	**(0.5)**	**(0.5)**
Community & Children's Services	0.6	(0.5)	1.1	**0.5**	0.2	0.1	**(0.1)**	**0.4**
Environment	4.0	2.4	4.2	**0.1**	13.6	12.5	**(1.0)**	**(0.9)**
Principal GSMD	2.8	(0.0)	2.4	**(0.3)**	4.6	4.3	**(0.3)**	**(0.6)**
Subtotal	**110.3**	**51.0**	**108.1**	**(2.3)**	**139.6**	**150.3**	**10.7**	**8.4**
Major Projects								
Museum of London Landlord Works	28.8	7.6	28.8	**0.0**	80.3	23.5	**(56.9)**	**(56.9)**
Markets Co-location	146.1	95.4	120.5	**(25.6)**	496.4	522.0	**25.6**	**0.0**
Combined Courts	79.1	0.0	30.4	**(48.7)**	119.2	168.6	**49.4**	**0.6**
Subtotal	**254.0**	**103.0**	**179.7**	**(74.3)**	**695.9**	**714.1**	**18.1**	**(56.2)**
Total	**364.3**	**154.0**	**287.7**	**(76.6)**	**835.5**	**864.3**	**28.8**	**(47.8)**

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

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Committee(s): Finance Committee	Date: 20 February 2024
Subject: Chamberlain's Business Plan Quarter 3 2023/24 update	**Public**
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	3, 5, 8 & 10
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: Anna Flashman – Head of the Chamberlain's Office	

Summary

Overall, the Chamberlain's department has made good progress on its 2023/24 Business Plan.

1. In year collection rates for Council Tax and Business Rates during Q3 2023/24 have increased compared to the previous year's collection. Investment Property Income collection rates dipped slightly since the previous quarter during conversion to the new property system. Arrears now stand at £8.2m compared to £7.4m at the end of Q2.

2. The City's performance for the payment of invoices within 30 days has improved since Q2, however, was a 4% shortfall of the target. The quantity of supplier invoices paid has increased by 2.14% which has placed slightly more pressure on the Accounts Payable team, which lost two team members at very short notice.

3. 2020/21 City Fund accounts were signed off in November with 2021/22 City Fund accounts signed off in December 2023. It is anticipated that sign off for both City Fund and City's Estate 2022/23 accounts will be completed in February, following the resolution of the few final queries. The budget setting process for 2024/25 is on track.

4. Pace has been maintained on the Chamberlain's Transformation Programme. In particular, the ERP Programme has made significant progress - the software procurement has been approved and the project team are now working on the procurement of an Implementation partner. Additionally, the Financial Shared Services team has successfully implemented a new Housing and Council Tax Benefit system. A new Income Manager system is scheduled to go live in April. The change workstream within the programme was established and numerous stakeholder meetings were held with key contacts across the Corporation and its Institutions. Data cleansing workstreams across both HR and Finance continued throughout the quarter, with progress in finance being made on the closing of historic purchase orders and invoices on hold. Slippage to the Capital Transformation and Matrix working transformation workstreams have primarily been a result of the a number of gaps in the base data, and the significant

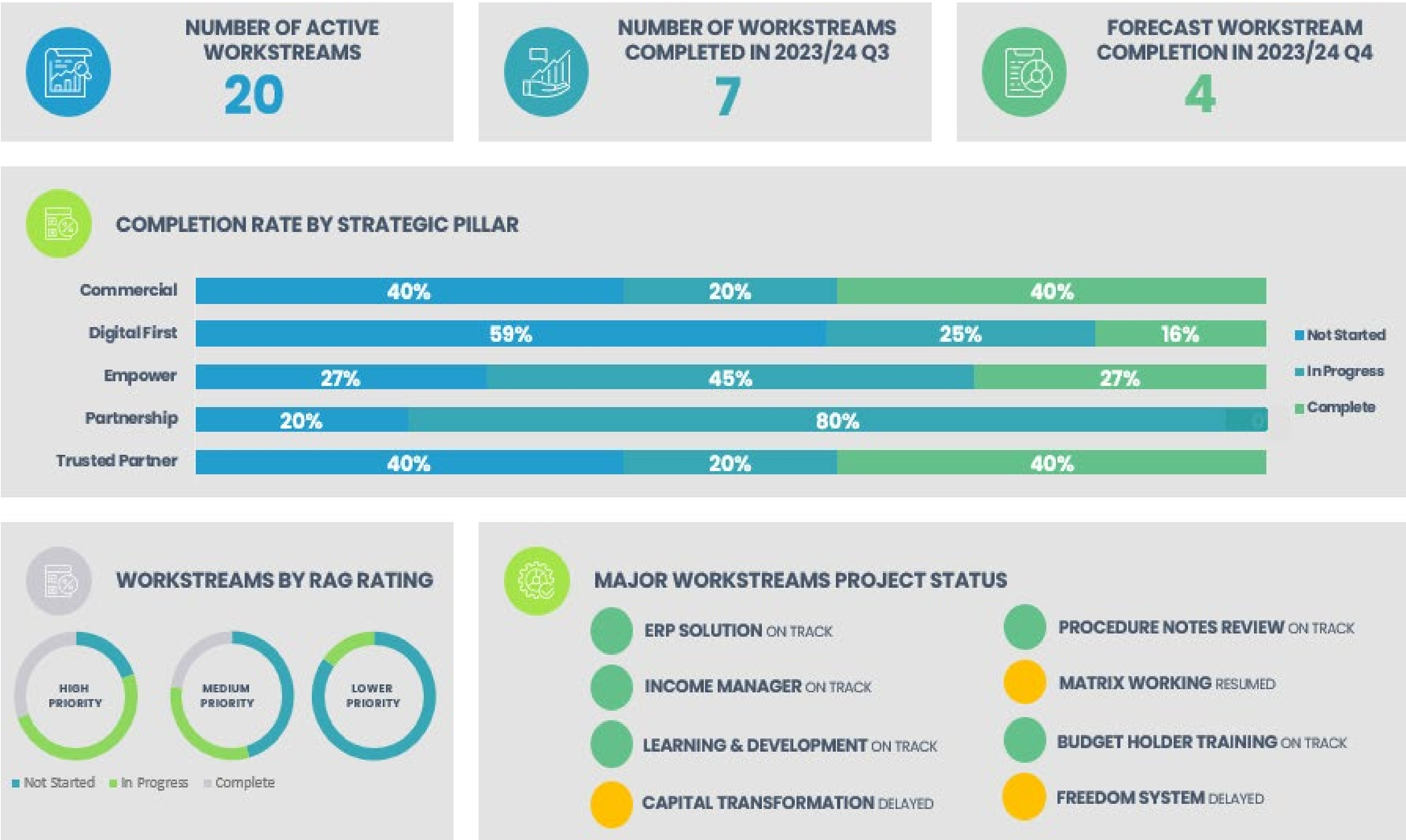
amount of work necessary to address these issues and the delays in the accounts which have diverted staff efforts to the audit. The implementation of the new freedom applications system has been pushed back due to a number of faults identified by the User Acceptance Testing which are currently in the process of being addressed. Following the transfer of DITS and Commercial to the Chamberlain's Department further workstreams have been added to the programme.

5. Financial Services Division continues to fill key positions which will improve the resilience of the service, including the arrival of the new permanent Chief Accountant.

Recommendation

Members are asked to note the report.

CHB Transformation Dashboard – Q3 2023/24



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Amber Major Workstreams Project Status Updates

Capital Transformation
The Capital Transformation programme is underway with two quarters of regular monitoring having taken place and progress made on updating the financing approach and implementation of asset registers. Following the 2024/25 Budget setting process further progress is expected to be delivered this quarter and the work will continue throughout 2024/25 as these changes are embedded.

Matrix Structure
The matrix structure is ready to be launched subject to confirmation from HR colleagues around the need for any formal letter confirming changes to job titles. A kick off session was held in November within further discussions since to ensure staff who are impacted are engaged and aware of the changes. Once confirmation around the letters is received this can move forward at pace.

Freedom Application System
Continuous User Acceptance Testing has identified a number of faults in the system which are being in the process of being addressed by developers, including payment automation. Regular supplier management meetings are taking place to track and monitor the resolution of issues and to ensure that the system is fit for purpose. It is anticipated that the new system will be implemented in Q1 2024/25.

Corporate & Strategic Implications

Strategic implications – Strategic priorities and commitments are expressed in Appendix 1.

Financial implications – The 2023/24 Business Plan reflected a 12% reduction in the departmental budget agreed and implemented in previous years.

Resource implications – Any changes to resources have been identified and will be delivered through the implementation of the Target Operating Model.

Legal implications – None.

Risk implications – Key risks managed by the department are included in the Risk Update Report also received by this committee.

Equalities implications – The department has a separate Equalities and Inclusion Plan which aims to improve the department's Equalities position for employees. Where appropriate the department will complete Equality Impact Assessment for upcoming changes.

Climate Implications – Under the Climate action strategy the departments Corporate Treasury function is responsible for delivering Scope 3 emission actions related to our financial investments.

Security implications – None.

<u>Appendices</u>
Appendix 1 – Chamberlain's Business Plan update

Anna Flashman
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Anna.Flashman@cityoflondon.gov.uk

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Key updates from this quarter

- City Fund Accounts for 2020/21 and 2021/22 have been signed by auditors.
- Recruitment into key roles has continued, focusing on bringing in new talent as well as providing internal opportunities through lateral development and progression. Final vacant posts are out to advert with an external recruiter as well as being advertised internally.
- Permanent Chief Accountant now in post.
- 2024/25 MTFP finalised and prepared for formal approval in Q4.
- Approval of a funding strategy for £133m of Cyclical Works Programme (CWP) spend.
- Capital bids reviewed and 2024/25 programme updated to include those approved.
- Quarterly monitoring process completed for Q2 and reported to ELB and enhanced for Q3 with capital process initiated in December to ensure all areas had the opportunity to access additional support.
- FSD away day and town hall events took place which facilitated a broader discussion of ambitions and plans for the department.
- Chamberlain's and City Surveyor's work on major projects funding strategy - update to Investment Working Party was taken in October and informal RASC in November 2023.
- Appointment of ERP supplier, deep dive on budgets.

Challenges faced over this quarter

- Delays in resolving prior year accounts has pushed back work on the 2022/23 accounts so original intention to achieve sign off for both City Fund and City's Estate in December was not met.
- Recruitment challenges across finance sector - employees market where the interim market is more lucrative (shift from permanent to interim market).
- Inflationary pressures need careful monitoring and risk management accounting continues.
- ERP programme delays have meant work on the new solution is yet to begin with the system integrator (SI).

Plans for the next quarter (Q4)

- Financial Services Director continues to focus on 3 key priorities - 1) Well being of staff; 2) Recruitment; 3) Getting the basics done.
- Complete audit work for City Fund 2022/23 and City's Estate 2022/23.
- Initiate the closedown process for the 2023/24 year-end circulating key dates and tasks to the wider organisation. Take the lessons learned from the recent audits to inform where further work is required to ensure suitable control is achieved – including training and development.
- Ratepayers consultation – January 2024.
- Budget setting for 2024/25 is finalised and taken for approval.
- Continuation of recruitment campaign to fill remaining posts.
- Go-Live with new FSD matrix structure.
- Continued work on Operational Property Review and income generation.
- Chamberlain's and City Surveyor's work on major projects funding strategy continues to be developed and refined in line with the overall MTFP.
- Appointment of System Integrator to support the ERP implementation, deep dive on budget – to Digital Services Committee and Finance Committee, data cleansing strategy.
- Continue work with Corporate Treasury and new CIO function (Stanhope) in developing a longer term robust cashflow.

Changes to our Business Plan priorities

- No changes to business plan priorities.

Financial Shared Services

Key updates from this quarter

- Collection rates have increased for Council Tax and Business Rates.
- A credit audit is underway to review historic credit notes.
- All power and gas invoices have now been fully automated reducing manual processing.
- Housing Benefit System conversion has been completed on time.
- New Property Management System has gone live.

Challenges faced over this quarter

- Continued delay in third party solution to automate invoices due to internal system restrictions.
- Change to Members PAYE references and HMRC requirement to move to a monthly payroll has added additional challenges to delivering the Members Allowance Scheme.
- Change from DHLUC to NNDR Multipliers has created complexity in delivering Annual Billing for 2024/25.
- Identification of discrepancies with Visiting Music Teachers (VMT) Pensions.
- The Accounts Payable Team have lost two team members at short notice which has impacted performance.

Plans for the next quarter (Q4)

- Continue to work with our supplier to deliver a solution to automate more invoices.
- Undertake 2024/25 Annual Billing for Business Rates and Council Tax.
- Launch of new online Charitable Relief application form.
- Replacement Income Manager system go live (April 2024).
- Council Tax and Business Rates E-billing and DD automation (AUDDIS) projects underway.
- Instigate an external review of all VMT pension contributions.

Changes to our Business Plan priorities

- No changes to business plan priorities

Corporate Treasury

Key updates from this quarter

- Production and distribution of the 2023 Pension Scheme Savings Statements in respect of the Annual Allowance.
- Implementation of the 'McCloud Remedy' for both the Local Government and Police Pension Schemes.
- Final user acceptance testing of Member Self Service for the Pension Administration system.
- GL Testing completed on the new Property Management system (Horizon).
- Finalisation of the strategic asset allocation for the Pension Fund.
- Pension Fund Annual Report and Financial Statements for 2020/21 and 2021/22 signed off by the external auditors.
- Completion of the December 2023 insurance renewals.

Challenges faced over this quarter

- Maintaining appropriate liquidity in light of the pace of potential spend on the major projects.
- Dealing with last minute additional audit queries around the 2022/23 accounts (City Fund).

Plans for the next quarter (Q4)

- Continuing the implementation of the many facets of the 'McCloud Remedy' for both the Local Government and Police Pension Schemes.
- Roll out of Member Self Service for the Pension Administration system.
- Preparing for year-end data collection to allow the production of the 2024 Annual Benefit Statements for both the Local Government and Police Pension Schemes.
- Commence exposure data collation for the June 2024 Insurance renewals.
- Continue user acceptance testing followed by implementation of the new Income Manager system (Go-live April 2024).
- Continuing collaboration with Corporate Accountancy and Stanhope (CIO function) in developing a longer term robust cashflow in light of the spend on Major Projects.
- Continued liaison with the external auditors in relation to the 2022/23 accounts
- Finalisation of the Treasury Management Strategy (TMSS) for 2024/25.
- Preparation of reports for various Committees/Boards.
- Continue to develop quarterly climate reporting and the Climate Action Strategy (CAS) Year 4 Plan for financial Investments.
- Attendance at LGC Investment Seminar (Pensions) in March 2024.

Changes to our Business Plan priorities

- No changes to business plan priorities

Internal Audit

Key updates from this quarter

- Internal Audit Apprentices made excellent progress.
- Delivery against anticipated programme of work for 2023/24 is good.
- Corporate Risk Assurance reviews reinstated at a more aggressive pace, on-track to complete all planned reviews for current year.

Challenges faced over this quarter

- Of the 2 Senior Auditors recruited in Q2, one did not complete probationary period, therefore, currently one vacancy in the team.
- Long term sickness absence has further impacted available resources, but impact largely managed within the team.
- High profile work continues to require significant time commitment from Head of Internal Audit.

Plans for the next quarter (Q4)

- Launch recruitment for Senior Auditor.
- Completion of planned Internal Audit Reviews.
- In-depth review of outstanding and overdue Internal Audit recommendations.
- Audit Planning for 2024/25.

Changes to our Business Plan priorities

No changes to business plan priorities.

Chamberlain's Office

Key updates from this quarter

- Gross profit generated by the CHB Court shop from Q1 to Q3 has increased by 30% compared to the same period in 2022/23.
- Number of freedom ceremonies from Q1 – Q3 have increased by 33% compared to 2022/23.
- Continuously received very positive feedback from guests and participants of freedom ceremonies and throughout the application period.
- Hosted successful reception after the Silent Ceremony for key stakeholders, Freemen and the Chamberlain.
- Significantly reduced the backlog of ceremonies as a result of COVID-19 by encouraging the Livery to have group ceremonies. The Court is now booking 11 weeks ahead, instead of 15 weeks in Q2.
- Finalising plans with Mansion House regarding "en masse" Freedoms for the Lord Mayor and invitations have been sent out.
- Continued testing of the freedom application system.
- Appointment of new Court apprentice to support Court capacity challenges.
- Completed draft of CHB 2024/25 Business plans in consultation with key stakeholders.
- PIF/Contingency VFM Fund Bid Review 22/23 and policy refresh completed and ratified by Policy and Resources Committee in December.
- Developed CHB strategic approach to DSE assessments.
- Progression of the development of finance training for non-financial managers workstream.
- Updated /published content on COLNET pages.

Challenges faced over this quarter

- The Chamberlain's Court continues to have capacity challenges to meet pressing deadlines and last-minute stakeholder requests when staff are absent.
- Delay on freedom application system (Agenda) implementation due to testing.
- The transfer of DITS and Commercial to the Chamberlain's Department has increased the workload of the Business Support team.

Plans for the next quarter (Q4)

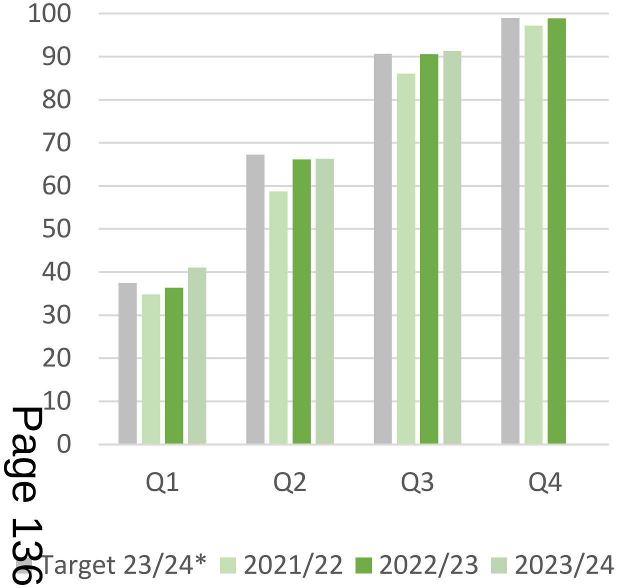
- Further testing on the new freedoms application system and meetings with supplier to ensure that the system is fit for purpose.
- Managing an increase in Freedom applications – it is anticipated with the Lord Mayor's special Freedoms will generate an additional 150-200 applications from his office for this mayoral year.
- Further work to support the smooth transfer of DITS and Commercial.
- Continue to progress and monitor Chamberlain's Transformation projects/workstream.
- Draft CHB Health & Safety Business Plan 2024/25.
- Deliver new PIF/Contingency policy briefings.
- Planning/scoping CHB customer survey.

Changes to our Business Plan priorities

- No changes to business plan priorities.

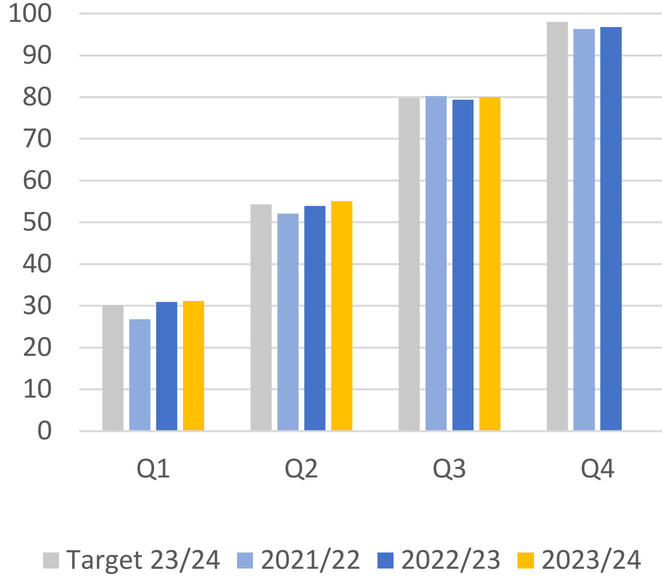
Key Performance Indicators

Business rates in year collection 23-24
% collected

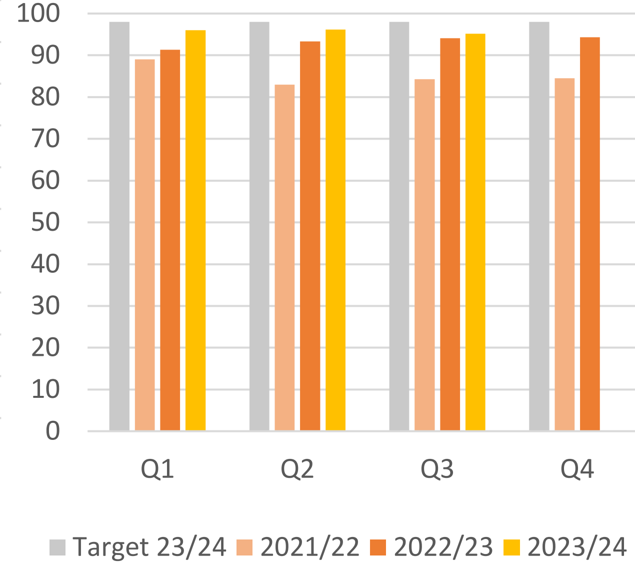


The target in the 23/24 business plan agreed by Members was 98%, however, following the 22/23 outturn a stretch target of 99% has been set.

Council tax in year collection 23-24
% collected



Commercial rent collection 23-24
% collected



Publication of the Draft City Fund Accounts within Statutory Deadline of 31st May. The authority has been unable to comply with this requirement due to the additional workload from the delayed audit of 2020/21 and 2021/22 statements. This is partly due to a national issue on the accounting for infrastructure assets, and also due to the pensions triennial valuations impacting 2021/22 accounts. 2022/23 Draft City Fund accounts were published on 12th July. Final City Fund accounts 2020/21 and 2021/22 were signed and published in November and December.

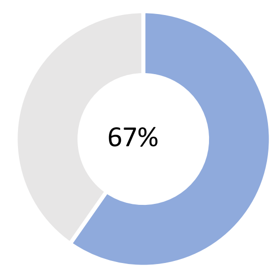
Publication of City Fund Audited accounts on 30th September. **Impacted by the above and delay to auditing of accounts with just 2022/23 now outstanding.**

Publication of draft CBF Accounts end of July and Publication of draft City's Cash Accounts end of August.

IN PROGRESS
Effective financial management: expenditure against departmental local risk budgets (Target < 1%)

IN PROGRESS FOR 24/25
Delivery of a balanced budget and Medium-Term Financial Plan for City Fund, approved by Court of Common Council by 7 March

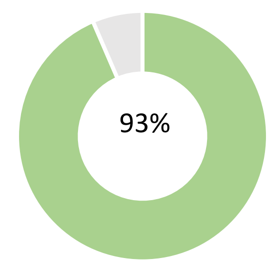
Invoices paid to SMEs within 10 days Q3 23-24



Target 88%

10 Day SME transactions 11,349, 3,703 paid after 10 days

Invoices paid within 30 days Q3 23-24



Target 97%

16,860 transactions, 1 ,213 paid after 30 days

Appendix 1

Payment of invoices

- In Q3 the City's performance for the payment of invoices within 30 days was 93% representing a 4% shortfall of the target but an improvement on Q2. The quantity of supplier invoices paid has increased by 2.14% which has placed slightly more pressure on the Accounts Payable team who lost two team members at very short notice.

Month	All transactions Qty	Paid after 30 days Qty	30 days on time %
Apr-23	4,927	243	95%
May-23	5,214	438	92%
Jun-23	5,296	389	93%
Q1	15,437	1070	93%
Jul-23	5,326	446	92%
Aug-23	5,904	550	91%
Sep-23	5,277	483	91%
Q2	16,507	1479	91%
Oct-23	5,749	405	93%
Nov-23	5,906	486	92%
Dec-23	5,205	322	94%
Q3	16,860	1,213	93%

- The team continue to focus on clearing the invoice processing backlog as well as progress the Invoice Automation Project with a third-party provider to reduce manual invoice processing conducted by the AP team by using data extraction and e-invoicing routes. It is anticipated further improvements will be seen in future quarters.

- Delivery of a data cleansing plan is underway to tackle long outstanding POs, invoices on hold and outstanding credit notes in preparation for the ERP implementation.

- New self-service reports were developed for Open Orders and AP Holds to enable all Oracle users to show who is responsible for taking action to resolve them. An overview dashboard was developed to show high level summary statistics, analysing this information by department, age and person responsible to allow the resolution progress to be easily monitored

- Training to Oracle users across all departments continues to ensure awareness of the actions they need to take for both PO and AP open items and how to use these new reports.

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Committee(s): Finance Committee – For Information	Dated: 20 February 2024
Subject: Chamberlain's Departmental Risk Management Update	**Public**
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	5, 7,8 & 9
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: Leah Woodlock, Chamberlain's Department	

Summary

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

There are currently two RED risks on the Corporate Risk Register within the responsibility of the Chamberlain and two RED risks on the Chamberlain's departmental risk register.

The Chamberlain's department consistently assesses and revises its risk registers to accurately capture emerging risks and associated mitigation actions. In January, the Commercial and Project Governance management team conducted a risk workshop to scrutinise and validate the existing risk registers. The Digital Information Technology Services (DITS) management team maintains regular meetings to assess the effectiveness and consequences of implemented mitigations. Simultaneously, the finance team is diligently finalising the City Fund and City's Estate budgets and producing the medium-term financial plans, which will be presented to this committee.

Recommendation(s)

Members are asked to note the report.

Main Report

Background

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

Current Position

2. This report provides an update on the current risks that exist in relation to the operations of the Chamberlain's Department. The risk register has been reviewed and the details are reflected in the appendix of this report.

3. The **CR38** Unsustainable Medium-Term Finances - City's Estate risk score remains at RED 16. The next iteration of the City's Estate Medium Term Financial plan is presented to this committee for consideration.

4. The departmental risk **COO DITS 045** PSTN Switch Off 2025 remains at RED 16. This risk covers the impact of the Public Switched Telephone Network (PSTN) being switched off across the UK. The team are currently investigating what reliance we have upon the network and developing a project plan to implement the replacement service. The Corporate Strategy and Performance Team (CSPT) are now reviewing the updated risk and will upgrade the risk to a corporate risk, following the recommendation of the Chief Officer Risk Management Group.

5. **CHB 002** Housing Revenue Account Financials risk remains at a score of RED 16. Continued close monitoring of the related capital projects and reviewing the level of internal recharges remains key to mitigating this risk. Recommendations are being presented to this committee to bring the Housing Revenue Account to a balanced budget across the Medium-Term Financial Plan. Note a 7.7% uplift in rents was confirmed as part of the Budget Estimates for the HRA at the 25 January Children's and Community Services Committee and is reflected in the 5 Year Forecasts.

6. The Corporate Strategy and Performance Team (CSPT) in February will be updating the reference codes on the Ideagen Risk management system, to remove references from the COO to replace them with CHB reference codes.

Conclusion

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

Appendices

- Appendix 1 – CHB Corporate and Departmental Risk Register
- Appendix 2 – DITS 045 PSTN Switch Off 2025 Risk

Background Papers

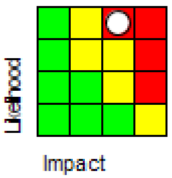
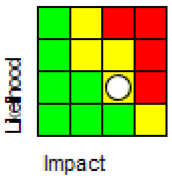
Chamberlain's Departmental Risk Management Update Reports to Finance Committee.

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

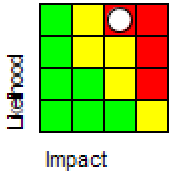
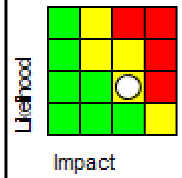
Appendix 1: CHB Corporate and departmental risks - detailed report EXCLUDING COMPLETED ACTIONS

Report Author: Anna Flashman
Generated on: 02 February 2024

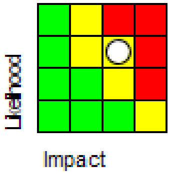
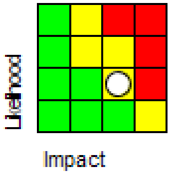
Rows are sorted by Risk Score

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
CHB 002 Housing Revenue Account Financials 16-Oct-2023 Mark Jarvis; Sonia Virdee	**Cause**: The embedded increased impact of inflation, following peak of 10.7% in Autumn 2022. Potential issue around non-recoverability of elements of service charge costs due to inadequate s20 consultation process **Event**: Inability to contain financial pressures on the Housing Revenue Account, especially around repairs and maintenance costs, management costs and depreciation charges . Additionally, challenges in controlling construction inflation or the inability to readjust capital projects within budget parameters pose further risk. **Effect**: The City Corporation's reputation is damaged due to failure to deliver housing services.		**16**	The latest financial position on the overall HRA, including the reviews noted above will form part of the balanced HRA Estimates report being presented in January. The latest five year financial projections show the revenue funding position remains precarious and vulnerable to revenue overspends or significantly rising capital costs (leading to higher loan repayments and interest charges). Counsel opinion is expected in February on the S20 service charge recoverability issue. **02 Feb 2024**		**8**	31-Mar-2025 Reduce	Constant

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB002a	Close monitoring of capital schemes is required during 2023/24, update to be provided in regular reporting of capital forecasts next due in early November. Continue to monitor the risk around non-recovery of leaseholder contributions to capital projects following the Great Arthur cladding case decision.	Close monitoring of capital schemes is required during 2023/24, update to be provided in regular reporting of capital forecasts due in the HRA estimates and the revised 5 Year Plan reported e with the budget Estimates in January. Continue to monitor the risk around non-recovery of leaseholder contributions to capital projects following the Great Arthur cladding case decision.	Mark Jarvis	02-Feb-2024	31-Mar-2024
CHB002b	Impact of inflation - capital schemes forecast to exceed budget as well as much increased repairs and maintenance and energy costs.	The Savills report identified high repairs and maintenance costs, management costs and depreciation charges. The level of the internal recharge to the HRA is being reviewed as part of a City wide recalibration however this will not impact the current years estimates. The current repairs and maintenance contract has had to be extended by one year but is being re-procured for the following period. Further controls on the repairs and maintenance contract spend are being implemented by Housing. The calculation of the depreciation charge has been reviewed with external valuers and significantly reduced accordingly – this will offset some of inflationary revenue pressures. The latest 2023/24 position and 2024/25 draft Estimates show a finely balanced position.	Mark Jarvis	02-Feb-2024	31-Mar-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/Risk Approach	Current Risk score change indicator
CR38 Unsustainable Medium Term Finances - City's Estate 31-Oct-2022 Caroline Al-Beyerty	**Causes:** The embedded increased impact of inflation, following the peak of 10.7% in Autumn 2022 (as reported by the Office for Budget Responsibility). Aging estate crystallising high levels of expenditure over short time period, putting pressure on Reserves. Reduction in rental income from the property investment portfolio following post pandemic changes in workplace attendance reducing demand for grade B office accommodation. **Event:** Inability to manage financial pressures within the fiscal year, resulting in an inability to achieve anticipated savings and generate expected income, may necessitate additional reliance on Reserves. Additionally, challenges in controlling construction inflation or the inability to readjust capital projects within budget parameters pose further risks. **Effects: T**he City of London Corporation's reputation could suffer from failure to achieve financial goals or from reduced services to businesses and the community. Experience challenges in delivering the capital program and major projects within budgetary limits. Inability of expenditure to align with the corporate plan, leading to inefficient resource utilisation and reduced corporate performance.		**16**	Inflation rates to be monitored quarterly and an inflation contingency to be maintained in 2024/25. Earning more income from property investment portfolio – diversification of asset portfolio. The five-year financial plan includes cyclical works programme to cover bow-wave of outstanding works and provision of £62.7m p.a. for works going forward. Funding strategy identifies where best to bring third party capital into surplus operational property opportunities, reducing demand on own Reserves. Quarterly monitoring of capital programme against budgets. Developing income generation opportunities. **11 Jan 2024**		**8**	31-Mar-2025 Reduce	Constant

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CR38a	Monitoring the impact of revenue inflationary pressures (including pressures on energy costs, cost of London living wage) and construction inflation impacts on capex programme • Monitor the use of inflation contingency	• Regular monitoring the office of budget responsibility's inflation forecasts. • Identify areas that are forecasting to exceed budget envelope due to inflation increases, and review action.	Sonia Virdee	11-Jan-2024	31-Mar-2025
CR38e	Monitoring key income streams • i.e. rental income from the property investment portfolio.	This is being monitored monthly, with action being taken to within the portfolio to maximise income generation opportunities. Ensure income generation schemes are sustainable and on-going opportunities are explored, these include but not limited to: • Lord Mayor Show and events across the Corporation • Advertising • Filming inside and outside the square mile • Retail opportunities • Fees and Charges	Sonia Virdee; Genine Whitehorne	11-Jan-2024	31-Mar-2025
CR38f	Delivering the current savings programme and securing permanent year-on-year savings.	Quarterly revenue monitoring undertaken to ensure departments have appropriate plans in place to meet savings. High risk departments are undertaking monthly revenue monitoring.	Sonia Virdee	11-Jan-2024	31-Mar-2024
CR38g	Remain within the financial envelopes approved for major projects.	Monthly updates on major projects forecasts and issues arising.	Sonia Virdee	11-Jan-2024	31-Mar-2029
CR38h	Bringing third party capital to surplus operational property opportunities.	Identified initial opportunities which have been supported by Resource Allocation Sub Committee. Proposals for each opportunity to be worked up and submitted for member consideration to relevant Committees.	Sonia Virdee; Paul Wilkinson	11-Jan-2024	30-Jun-2024
CR38i	Undertake the Charities Review (Natural Environment)	The ability for charities to fundraise and generate more income to support ambitions for activities and operational property requirements.	Emily Brennan; Sonia Virdee	11-Jan-2024	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/Risk Approach	Current Risk score change indicator
CR33 Major Capital Schemes 14-Feb-2020 Caroline Al-Beyerty	**Cause:** The City Corporation has set itself the ambition to deliver at least three landmark multi-million pound capital schemes over the next decade (currently programmed to complete 2028). **Event:** there is insufficient technical and professional capability and resource to effectively deliver the schemes. **Effects:** • Schemes not delivered on time • Inability of the organisation to move at the required pace • Potential for increased capital costs as a result of delayed decision making • Reputational impact on the Corporation vis a vis key stakeholder across London and UK Govt. • Potential revenue impact of delayed delivery to services affected (e.g. Markets, Museum of London Grant, City of London Police) • failure to deliver on corporate outcomes		**12**	Risk is currently under review **16 Jan 2024**		**8**	31-Mar-2023 Reduce	Constant

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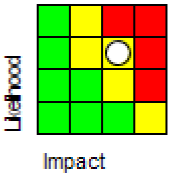
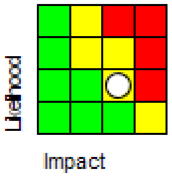
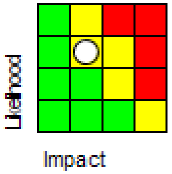
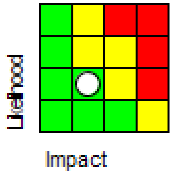
Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CR33h	Implement a new project governance approach	The Town Clerk’s portfolio board commenced in November 2023. A portfolio overview report has been prepared for the February 2024 Projects and Procurement sub-committee.	Genine Whitehorne	23-Jan-2024	30-Sep-2024
CR33i	Undertake Tier 1 programme health checks	The health check review will be undertaken by the Programme Governance team between February 2024 and April 2024.	Matthew Miles	23-Jan-2024	30-Apr-2024
CR33j	Refresh the Project Management Academy	Currently refreshing the project management academy with new learner types.	Matthew Miles	23-Jan-2024	30-Apr-2024
CR33k	Procure and implement a new project management system	Plans are being developed to procure and implement a fit-for-purpose project management system, which has the functionality of a portfolio view.	Matthew Miles	23-Jan-2024	30-Apr-2024
CR33l	Monitor the high-level cashflow/forecast monthly	The Investment Management Monthly Meeting has been established. Membership includes the CIO, Corporate Treasury, and Financial Services and is led by the Chamberlain.	Sonia Virdee	23-Jan-2024	31-Mar-2029
CR33m	Secure Third-Party Funding	Report being bought back by officers in the spring.	Sonia Virdee/ Paul Wilkinson	23-Jan-2024	30-June-2024
CR33n	Provide regular member updates	A project Update report has been prepared Finance Committee, City Bridge Foundation Board and Policy & Resources Committee.	Genine Whitehorne / Sonia Virdee	23-Jan-2024	31-Mar-2029

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
CR35 Unsustainable Medium Term Finances - City Fund 19-Jun-2020 Caroline Al-Beyerty	**Causes:** Persistent high inflation, as reported and forecast by the Office for Budget Responsibility. Aging estate crystallising high levels of expenditure over short time period, putting pressure on Reserves. Reduction in rental income from the property investment portfolio to support Major Projects programmes. Anticipated reductions in public sector funding (local government and Police), escalating demands (both revenue and capital), and an ambitious program for major project delivery pose a threat to sustaining the Square Mile's vibrancy and growth. The Police Transform program fails to achieve anticipated budget mitigations outlined in the MTFP. **Event:** The failure to manage financial pressures within the fiscal year and achieve sustainable savings as planned, or to boost income generation to address the Corporation's projected medium-term financial deficit. **Effect:** Inability to establish a balanced budget, which is a statutory requirement for the City Fund. The City of London Corporation's reputation could suffer due to failure to meet financial objectives or the necessity to curtail services provided to businesses and the community. Challenges in executing the capital program and major projects within affordable limits.		**12**	Inflation rates to be monitored quarterly and an inflation contingency to be maintained in 2024/25. The five-year financial plan includes cyclical works programme to cover bow-wave of outstanding works and provision of £71m p.a. for works going forward. Funding strategy identifies where best to bring third party capital into surplus operational property opportunities, reducing demand on own Reserves. Quarterly monitoring of capital programme against budgets. Developing income generation opportunities. **11 Jan 2024**		**8**	31-Mar-2026 Reduce	Constant

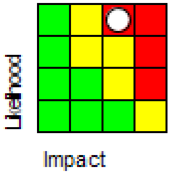
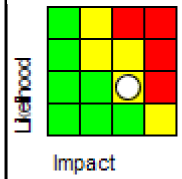
Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CR35a	Monitoring the impact of inflationary pressures (including pressures on energy costs) and construction inflation impacts on capex programme • Use of inflation contingency	• Regular monitoring the office of budget responsibility's inflation forecasts. • Identify areas that are forecasting to exceed budget envelope due to inflation increases.	Sonia Virdee	11-Jan-2024	31-Mar-2026
CR35c	Remain within the financial envelopes approved for major projects.	Monthly update on major projects forecasts and issues arising.	Sonia Virdee	11-Jan-2024	31-Mar-2029
CR35f	Delivering the current savings programme and securing permanent year-on-year savings (including Police Authority) • Develop income generation opportunities	Ensure income generation schemes are sustainable and on-going opportunities are explored, these include but not limited to: • HARC – Heathrow Animal Reception Centre • Events across the Corporation • Advertising • Filming inside the square mile • Retail opportunities • Fees and Charges.	Alistair Cook; Sonia Virdee; Genine Whitehorne	11-Jan-2024	31-Mar-2026
CR35n	Prepare a balanced Medium Term Financial Plan	The next instalment of the MTFP presented to Finance Committee in February 2024.	Daniel Peattie	02-Feb-2024	31-Mar-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/Risk Approach	Current Risk score change indicator
CHB 001 Chamberlain's department transformation and knowledge transfer 12-Nov-2021 Caroline Al-Beyerty	**Cause:** The TOM changes are insufficient or implementation of radical change fails. The impact of the flexible retirement scheme has been taken up by many long term colleagues leaving the corporation in March 2022. The TOM is also creating anxiety which in turn could cause colleagues to find roles elsewhere. **Event:** Culture change is insufficient. Corporate memory is lost. The Chamberlain's Department is not fit for the future. **Effect:** Chamberlain's Department fails to deliver its objectives.		**6**	A key risk remains but is reducing within Financial Services. The remaining key vacant posts in Financial Services Division are advertised throughout January. The Learning and Engagement Board has been relaunched to support and develop staff. A skills matrix assessment has been commissioned for Finance Staff to commence in Q1, 2024. **11 Jan 2024**		**4**	31-Mar-2024 Reduce	Constant

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB001b	Colleagues are provided with the training they need to fulfil their role.	The departmental Learning & Engagement Board was re-launched on 21 June with a renewed vision, terms of reference and refined learning objectives. An all-staff learning survey was circulated in to request feedback on individual needs which has informed the learning priorities for 23/24. A skills matrix review is planned to independently analyse strengths and areas for improvement for Chamberlain's staff. This will be undertaken by CIPFA in the coming weeks.	Phil Black	02-Feb-2024	31-Mar-2024

		Key workstreams for the board have been identified and are currently being progressed. A programme of learning events has been developed and the first took place in December which was well received.			
CHB001c	Chamberlain's TOM structure design and culture is fit for purpose.	A number of actions sit within the workplan for the Learning and Engagement Board and within the empowering transformation workstreams which will be delivered throughout 2023/24 and 2024/25.	Anna Flashman	11-Jan-2024	31-Mar-2024
CHB001f	Ensure procedure notes are in place, accurate and current. To avoid loss of critical knowledge and best practice approaches to departmental tasks and responsibilities.	Findings show that transactional services within Chamberlain's have a series of comprehensive procedure notes in place. Following the implementation of the Matrix working, procedure notes will be developed for Business Partnering service, depicting best practices and standardisation (where appropriate). A summary of the procedure note review will be presented to the CHB Transformation working group in January 2024	Leah Woodlock	11-Jan-2024	31-Mar-2024

APPENDIX 2 - DITS 045 PSTN Switch Off 2025 Risk

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
CHB DITS 045 PSTN Switch Off 2025 18-Aug-2023 Zakki Ghauri	**Cause**: BT will retire their PSTN (Copper) Network at the end of 2025. Rendering all current connections redundant. **Event**: All current PSTN (Copper) connections will become unusable by the end of 2025. Forcing an upgrade to digital fibre or mobile services. **Effect**: All our PSTN connections will cease at the end of 2025. This is in the range of 8,500 connections, which are linked to Lift/BMS/Fire Alarms and Door entry systems. Should these systems fail to be upgraded by the end of 2025, this could lead to essential services being inactive, without anyone being aware. This work will have significant financial impact to complete and failure to complete will have significant reputational impact		**16**	We are proposing that this be tracked as a corporate risk, and we are going through the required processes for this to be done. To mitigate the risk, a review of the connections, locations and services supplied will be required to fully identify the total number of connections supplying critical services. A Solutions Architect has been assigned to this. We are in regular communication with our various vendors and key stakeholders throughout the business to identify the services provided by these connections. We currently estimate this work to take 6 months. A programme of work will follow to migrate those connections onto digital fibre or mobile enabled services ahead of the 2025 sunset date. **31 Jan 2024**		**8**	01-Jun-2026	Constant

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CBH DITS 045h	CRMF Risk Management Forum Review	We will present this risk at the CRMF Risk Management Forum for review. The next CRMF is on 19 March. This will provide a ‘deep-dive’ into the PSTN risk, the cross-cutting nature of this and how the risk and actions have been drawn together. Making sure we have used best practice and all mitigations have been captured.	Chris Rawding	02-Feb-2024	31-Mar-2024
CHB DITS 045a	Investigations into the 8,500 connections identified as part of PSTN sunset in December 2025.	Our ongoing investigation, initiated and scheduled to conclude in June 2024, aims to identify the scope and dependency of the 8,500 connections on the PSTN infrastructure. The purpose is to gain insights into the services that are live, understand their criticality, and assess the potential impact of the sunset on each connection.	Chris Rawding	01-Feb-2024	01-Jun-2024
CHB DITS 045c	Service Assessment	Upon completion of the investigation, a comprehensive assessment of live services will be conducted. This will include identifying alternative communication services and understanding the upgrade paths/timings available for each connection.	Chris Rawding	01-Feb-2024	01-Jun-2024
CHB DITS 045d	Identify potential business owners	Engaging with FM (CoL/CoLP), H&S, ED&I and Security Operations. initially to highlight the PSTN risk across all departments and find potential business owners as services and impacts are highlighted	Chris Rawding	01-Feb-2024	01-Jun-2024
CHB DITS 045e	Business owner notification	By June 2024, a detailed report outlining the findings of the investigation will be compiled. This report will then be distributed to FM (CoL/CoLP), H&S, ED&I and Security Operations. The notification will include information about the potential risks associated with the PSTN sunset, details on the current services in use, and recommended upgrade paths.	Chris Rawding	01-Feb-2024	01-Jun-2024
CHB DITS 045f	Remediation Plan	FM (CoL/CoLP), H&S, ED&I and Security Operations will be responsible for developing and implementing a remediation plan for their respective services. This plan should outline the necessary steps to migrate or upgrade the affected connections to alternative and sustainable communication solutions.	Richard Gentry; Luca Pagliaroli; Paul Roberts; Dorian Price; Trevor Ulla	08-Feb-2024	06-Sept-2024
CHB DITS 045g	Review Plan	DITS PMO will review the remediation plans with FM (CoL/CoLP), H&S, ED&I and Security Operations. Making sure they are fit for purpose and capture all the relevant details.	Sam Collins	08-Feb-2024	01-Oct-2024
CHB DITS 045	Order New Lines and Hardware	DITS PMO will place the orders for the new connections along with any hardware requirements identified within the remediation plans.	Sam Collins	08-Feb-2024	01-Dec-2024

CHB DITS 045	New Services	DITS PMO will assist in the co-ordination of the implementation of new services, along with any installation of new hardware required.	Sam Collins	08-Feb-2024	01-Oct-2025
CHB DITS 045	Testing	DITS PMO will co-ordinate the post implementation testing for all new services and or hardware.	Sam Collins	08-Feb-2024	15-Nov-2025
CHB DITS 045	Continuous Monitoring	DITS PMO will provide continuous monitoring of progress, tracking the remediation efforts to help identify and address any issues promptly. This includes regular communication with business owners, providing support, and making adjustments to the plan as necessary.	Sam Collins	01-Feb-2024	31-Dec-2025

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