

FINANCE COMMITTEE

Tuesday, 24 July 2018

Minutes of the meeting of the Finance Committee held at Guildhall, EC2 on Tuesday, 24 July 2018 at 1.45 pm

Present

Members:

Jeremy Mayhew (Chairman)	Tim Levene
Deputy Jamie Ingham Clark (Deputy Chairman)	Oliver Lodge
Randall Anderson	Paul Martinelli
Deputy Roger Chadwick	Deputy Robert Merrett
Dominic Christian	Hugh Morris
Simon Duckworth	Alderman Andrew Parmley
John Fletcher	Susan Pearson
Christopher Hayward	Deputy Henry Pollard
Deputy Tom Hoffman	James de Sausmarez
Michael Hudson	Ian Seaton
Deputy Wendy Hyde	James Tumbridge
Deputy Clare James	Deputy Catherine McGuinness (Ex-Officio Member)
Alderman Alastair King	

Officers:

John Cater	- Secretary
Peter Lisley	- Assistant Town Clerk
Angela Roach	- Assistant Town Clerk
Peter Kane	- Chamberlain
Simon Latham	- Town Clerk's Department
Ian Dyson	- Commissioner of the City of London Police
Paul Wilkinson	- City Surveyor
Caroline Al-Beyerty	- Chamberlain's Department
Christopher Bell	- Chamberlain's Department
Sean Green	- Chamberlain's Department
Philip Gregory	- Chamberlain's Department
Richard Jeffrey	- Comptroller and City Solicitor's Department

1. APOLOGIES

Apologies for absence were received from Nick Bensted-Smith, Karina Dostalova, Sophie Anne Fernandes, Alderman Robert Howard, Deputy James Thomson and Deputy Philip Woodhouse.

The Chairman welcomed James Tumbridge to the Committee. Mr Tumbridge had been elected to serve on the Finance Committee at the Court of Common Council meeting in June.

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

Ian Seaton declared a non-pecuniary interest in respect of item 8 due to being a Member of the Livery Committee.

3. **MINUTES OF THE PREVIOUS MEETING**

RESOLVED – That the public minutes of the meeting held on 5th June be approved as an accurate record, subject to the following amendment –

Hugh Morris attended the meeting; this will be amended in the minutes.

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

The Committee received verbal reports of the respective Sub-Committee Chairmen which advised Members of the key discussions which had taken place during recent meetings of the Corporate Asset Sub-Committee, the Efficiency and Performance Sub Committee, and the Information Technology Sub Committee.

RESOLVED – That the Committee noted the reports.

5. **CHAMBERLAIN'S DEPARTMENT RISK MANAGEMENT - QUARTERLY REPORT**

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

The Chamberlain and the Chairman of the Information Technology Sub-Committee both pointed to the success the IT team had had in transforming the Corporation's IT over the previous year, noting that CR19 (IT Service Provision) had been reduced to green status at the IT Sub Committee meeting on 10th July. The risk reduction for CR16 (Information Security), from red to amber, was still under consideration after discussions at IT Sub.

The Chairman requested that a discussion on CR23 (Police Funding) should take place under ITEM 6.

Additionally, in noting that senior officers had proposed that CR25 (GDPR) be closed and any outstanding mitigations and actions be absorbed into the IT Security risk, some Members expressed some concern about the risk being closed due to the continued high profile of GDPR's introduction, and Mazars' audit report which was anticipated in September. It was felt that, subject to receipt of the necessary assurances later in the year, the risk could then be closed.

RESOLVED – That the Committee noted the report.

6. **2017/18 CITY FUND AND PENSION FUND FINANCIAL STATEMENTS**

The Committee considered a Report of the Chamberlain concerning the 2017/18 City Fund and Pension Fund Financial Statements.

The Chamberlain opened the discussion by noting that, overall, the statements were positive. The City was well positioned in the short term; however, headwinds, including any negative consequences from a potentially disorderly Brexit in March 2019, and some of the major building projects coming on stream over the next couple of years, could have implications for the City's medium-term financial outlook. Members praised the Report for being readable, well presented, and a significant improvement on previous years.

The Deputy Chamberlain highlighted that the City was on track to eliminate its pension deficit in 15 years; officers informed Members that this length of time was considered healthy and "normal" amongst local authorities nationally, and, some local authorities it was added, were still facing a 20 year plus period.

A Member added that, with the likelihood of interest rates rises over the next few years, there was a distinct possibility that the deficit could turn into a surplus. Another Member responded that the way the City accounted for its pensions deficit meant it was linked to the Bank of England's "yield curve", so, in effect, reasonable rate rises were priced in. If the economic environment shifted unexpectedly in the medium term, and monetary policy became more aggressive in response, there was the potential to overshoot the curve and that would result in a surplus. The Chairman urged caution in looking too far ahead; the Report under consideration concerned FY17/18 and, here and now, we should keep focused on the near term. He did, however, request that the actuary report on the pension scheme that goes to the Finance Investment Board should be shared with the Finance Committee, so as to give Members a greater insight into the City's long-term financial outlook.

Discussion then turned to the Police; the Chairman opened by pointing to real concerns around the robustness of the Police's financial planning. The Chairman referred to the external auditor's comment at Audit and Risk management committee in particular, that its audit opinion would have been qualified if CoLP had been a standalone organisation. The assurance given to the auditors that the City Corporation, as a whole, has appropriate financial control arrangements - which had picked up and corrected the weakness - had "saved the day". This situation was unacceptable, and work must be undertaken to turn this around.

The Chairman raised three next steps that would support these efforts:

- Internal Audit to provide a better picture of the Police's finances and greater scrutiny going forward
- Police Authority side to be beefed up – this needed to include a review on how the Police Committee could increase its financial oversight and scrutiny; and for lines of communication and data sharing between the Police and the Chamberlain's department to be significantly enhanced and made more transparent.
- Cultural issues that were creating obstacles to be tackled head on.

The Commissioner opened his remarks by stressing that he understood the significance of the Report and he accepted responsibility for “where we were at the end of FY17/18”. He accepted the tenor of what the auditors said but did not want Members to assume that the Police’s finances are in a bad shape; they, in fact, had come in broadly within budget. The issue is the checks and systems in place, and the mechanisms to report properly information to the Authority, were not fit for purpose.

The high turnover of staff had proved very damaging; unusually, on four separate occasions, candidates for the Police’s Finance team failed their vetting, which left the team understaffed at a critical time.

To help ensure the situation is turned around for the end of FY18/19, a new accountant has been appointed in the Commissioner’s team, the vacancies in the Finance team have been filled, and another force has come in to review and spot check CoLP’s systems and control - and found no significant concerns. In addition, the Deputy Chamberlain was working with the Police to improve matters.

The Commissioner concluded his opening remarks by emphasising that, in the context of oversight, CoLP were in a different constitutional position to other departments, whilst this was not a defence of the failures highlighted by the auditors, it should be recognised that imposing a one-size-fits-all approach would be unsuitable. Whilst there was full recognition that CoLP retaining operational independence was critical, financial forecasting needs to be significantly improved. Collaborative discussions were ongoing at senior levels, to enable greater clarity and certainty about the relationship between the Police Authority and the CoLP.

The Chairman responded that he was encouraged by the ongoing discussions, but highlighted the £3.1m (relating to the IBM contact for Action Fraud) that was marked as a saving in the budget monitoring report; this sum has slipped into FY18/19. This typified the lax grasp of the data and helped to create doubts on the part of Members, when the Police asked for new funding. In mitigation, officers responded that discussions with IBM were ongoing – a resolution was taking a considerable amount of time to reach.

A Member expressed the view that “we are where we are”, the CoLP was a special and unique force that was much closer to its police authority than other police forces across the UK. It was time to look forward, with adequate resources put in place, and with CoLP and the City working together in partnership to turn things around.

Members emphasised that much more needed to be done to improve financial controls and forecasting, including paying qualified professionals to work alongside the Commissioner to get on top of these issues. Finance Committee should stress the absolute seriousness with which it takes this challenge.

The Deputy Chairman said that it was critical not to be in this situation again next year; he welcomed everything that had been said, but it was imperative that things were turned around.

The Chairman added that much more consideration was now needed to be paid to the City's role as a Police Authority. Proposals were due to be presented to Members in the autumn.

A Member asked whether CoLP could return responsibility for Action Fraud to the Home Office; in response, officers cautioned that this would be unhelpful in the current climate and the CoLP was determined to make a success of Action Fraud – it was one of the pillars that gave CoLP a significant national footprint.

In response to a query, officers confirmed that any surplus or deficit in the Police pension fund for Police Officers is covered by the Home Office, as it is an unfunded scheme.

The Commissioner responded that he was aware that this was a serious situation and he was certain that it would not be repeated. He re-emphasised that the heart of the issue was the failings in CoLP's financial checks and systems, as opposed to the Police budget being out of control.

The Chamberlain stressed that we should now look ahead; over time, the model could very possibly evolve to incorporate more shared services, whilst retaining the operational independence of CoLP and the Commissioner retaining independent financial advice. The Commissioner responded that he was concerned about the tenor of the discussions at the recent meeting of the Audit and Risk Management Committee – whilst collaboration should be a primary driver for the Police, the importance of retaining independence in certain areas was paramount.

The Chairman informed Members that the Town Clerk had sent a note to the Commissioner outlining proposals for the future relationship; a Report will be circulated to the Finance Committee in due course specifically focusing on Finance Committee's function in this context.

Members noted that the sessions had raised a couple of queries which could stray into exemption categories 1, 2 & 3 (information relating to an individual/likely to reveal the identity of an individual and information relating to the financial or business affairs of any particular person or body) under the Local Government Act 1972 and they therefore requested members of the public to leave temporarily the room. A record of the subsequent discussion is included in the non-public section of the minutes.

RESOLVED – that the Committee approved the following:

- Considered the resolution from the Audit and Risk Management Committee and approve the City Fund and Pension Fund Financial Statements for the year ended 31 March 2018; and

- Delegate to the Chamberlain, in consultation with the Chairman and Deputy Chairman of the Finance Committee, approval of any material changes to the financial statements required before the signing of the audit opinion by BDO - which is expected to be by the end of July.

7. **PROVISIONAL OUTTURN 2017/18**

The Committee received a Report of the Chamberlain concerning the provisional outturn for 2017/18.

The Deputy Chamberlain highlighted an error on table 3; the September figures were incorrectly shown, updated December figures were tabled.

Pointing to the material differences in variances between December and March, the Chairman commented that officers had to overcome a long-standing departmental cultural instinct to build in a cushion; this suggested that fat existed in the system. He was disconcerted by the persistent underspending across the Corporation and reminded officers that where there was a sound and approved explanation, overspending would not always result in a harsh reprimand. It would be less concerning, if, in aggregate, the budget was being met and departments had good reasons for extra spending. In addition, he informed Members that, from now on, except for carry forwards, officers will not be adjusting the revenue budget in-year; Members welcomed this development.

A Member requested that, in future, separate variances in income and variances in expenditure would be outlined in these reports.

RESOLVED – that the Committee noted the Report.

8. **COMMITTEE AND MEMBERS SERVICES TEAM - REQUEST FOR ADDITIONAL RESOURCES**

The Committee considered a Report of the Town Clerk concerning a request for additional resources for the Committee Services team.

A Member was of the view that, with the creation of several new Committees and working groups over the last 12 months, this request would be hard to deny. He suggested that, while funding should be approved, a report should be produced presenting proposals on how this growth in Committees/working groups could be curtailed in future, as the growth we had seen in the last year was unsustainable. This echoed a request made at Establishment Committee on 9 July. Officers would present this Report to Members of the Policy and Resources Committee in the autumn.

A Member clarified that the Billingsgate Sub-Committee should be not be listed as one of the bodies which were “in the pipeline of being established” as it already existed; officers confirmed that it would be reinstated under the sub-heading of “consultative committees”.

RESOLVED – that the Committee approved the provision of £111k this year to fund the posts from its 2018/19 contingency.

9. CENTRAL CONTINGENCIES

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

RESOLVED – that the Committee noted the report.

10. FSD QUARTERLY UPDATE REPORT

The Committee received a Report of the Chamberlain concerning the Financial Services Division's Q1 update.

RESOLVED – that the Committee noted the Report.

11. Q1 2018/19 BUDGET MONITORING REPORT

The Committee received a Report of the Chamberlain concerning budget monitoring for Q1 2018/19.

RESOLVED – that the Committee noted the Report

11.A Police ICT Company financial guarantee

Members received a Report of the Chamberlain concerning the Police ICT Company.

RESOLVED – that the Committee approved the provision of a financial guarantee of £25k for the Police ICT company.

12. QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE

There were no questions.

13. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT

There were no urgent items.

14. 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.

15. NON-PUBLIC MINUTES OF THE PREVIOUS MEETING

The non-public minutes of the meeting held on 5th June 2018 were approved as an accurate record

16. REPORT OF THE WORK OF THE SUB-COMMITTEES - NON-PUBLIC ISSUES

The Committee received verbal reports of the respective Sub-Committee Chairmen which advised Members of the key non-public discussions which had taken place during recent meetings of the Corporate Asset Sub-Committee, the Efficiency and Performance Sub Committee, and the Information Technology Sub Committee.

RESOLVED – That the Committee noted the reports.

17. **CITY OF LONDON CORPORATION & CITY OF LONDON POLICE - IT STRATEGY - INITIAL FUNDING REQUEST**
Members considered a Joint Report of the Chamberlain and the Commissioner of the City of London Police.
18. **DELEGATION REQUEST - ACQUISITION OF 70 FLEET STREET EC4 & SIMULTANEOUS DISPOSAL OF EDEN HOUSE, SPITAL SQUARE, E1**
The Committee considered a Report of the City Surveyor.
19. **NON-DOMESTIC RATES - DISCRETIONARY RATE RELIEF APPLICATION**
The Committee considered a Report of the Chamberlain.
20. **ARREARS WRITE OFF - CITY FUND**
The Committee received a Joint Report of the Comptroller and City Solicitor and the City Surveyor.
21. **ADMITTED BODY STATUS FOR THE INTERIM SUPPLIER FOR THE POLICE FLEET MAINTENANCE SERVICES**
The Committee considered a joint Report of the Chamberlain and the Comptroller and City Solicitor.
22. **SUMMARY REPORT ON NON-COMPLIANT WAIVERS OVER £50K FROM APRIL 2018 - JUNE 2018.**
The Committee received a Report of the Chamberlain.
23. **NON-PUBLIC DECISIONS TAKEN UNDER DELEGATED AUTHORITY AND URGENCY PROCEDURES**
The Committee noted a report of the Town Clerk detailing two non-public decisions taken under delegated authority procedures since the last meeting.
24. **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.
25. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**
There were no items of urgent business.

The meeting ended at time not specified

Chairman

Contact Officer: John Cater
tel. no.: 020 7332 1426
john.cater@cityoflondon.gov.uk

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