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| Committee: | Date: |
| Finance Committee | 9 April 2019 |
| Subject: Financial Services Division – Quarterly Update | Public |
| Report of: The Chamberlain | For Information |
| Report author: Caroline Al-Beyerty, Deputy Chamberlain | |

Summary

Over the last year, Financial Services Division has been delivering well on work plans. On the division's key performance indicators, progress is generally very good. There is one amber indicator, business rates collection, which at 88% is slightly behind target.

Key highlights from recent months have been:

- Medium term financial planning, in particular the review of the Police position and 10 year modelling for capital projects;
- Business rates devolution and the London pilot;
- Earlier production and audit of the draft City Fund accounts;
- Bridge House Estates strategic review; and
- Financial advice to the major projects.

Recommendation

Members are asked to note the report.

Main Report

1. The key performance indicators in the Chamberlain's business plan for the division for 2017/18 are shown in appendix 2. There is one Amber indicator, relating to business rates collection. The business rate collection is down against the quarter 3 target, but it is only down 0.3% in comparison with the same point last year. Quarter 3 has proved to be a challenging target to hit in previous years; and the collection rate has always picked up in quarter 4 and the year-end target achieved. The Revenues Team continue to monitor collection closely to ensure that the collection of Business Rates is maximised.
2. A few key areas to draw out from the division's work over the last few months:
3. **Medium Term Financial Plan** - the medium term financial plan is dominated by the emerging large projects and the potential requirement for the City to borrow sums to fund capital investment. A 10-year forecast has been developed to analyse the prudence of borrowing and any limitations on the sums borrowed. The challenging medium-term financial position has highlighted the need to undertake a fundamental review of the City Corporation's priorities and expenditure over the next year to ensure that budgets are fully aligned with and support our Corporate Plan objectives. Service Committee Chairman were invited to the joint meeting with Resource Allocation Sub Committee and Efficiency and Performance Sub Committee which supported this review. The issues will be discussed with all

members at the Informal Court in February. There are three associated report on your Committee's agenda- relating to City Fund, City's Cash and Bridge House Estates and Capital Strategy.

4. **Police Finances** – the City Fund budget includes the Police budget, for which police reserves have now been fully utilised. We have over the last quarter strengthened the Police Authority finance function and worked on the medium-term financial plan. This work identified a significant increase in financial risk arising from this budget. Mitigations have been put in place that will help to address the budget deficits in 2018/19 and 2019/20. Further work is needed to balance the medium-term finances beyond 2019/20 in a comprehensive and strategic way. An interim Force Finance Director was appointed in January and is looking to improve Force financial capability to enable 'financial control' recovery and 'decision support' effectiveness.
5. **Business rates retention and the London pilot** - the Government, London Councils and the GLA have negotiated a pilot scheme for business rate devolution across London. The City of London Corporation is the lead authority – exercising administrative functions in connection with the pool. The scheme has a fiscally neutral starting base but enables any year-on-year growth to be retained in London. Some of this growth has been used to establish a Strategic Investment Pot (SIP) to focus on some major London-wide needs and activities, such as housing and infrastructure. Successful applications to the SIP have now been approved by London Government and funds are expected to be paid over shortly, once grant agreements are signed.
6. **Earlier accounts closedown** – the primary focus of this project is to produce draft 2018/19 accounts for City Fund by 1st May 2019 and working towards a secondary objective to synchronise the production of the 2019/20 accounts for all funds to this timetable. The 1st May deadline is proving very challenging, as it is becoming clear that more fundamental changes in processes are needed than we had capacity to implement this year, especially as project work and consequently capital entries have grown significantly in volume over recent months adding to the pressure. However, we continue to push for changes in approach that will meet or get close to that deadline; and have recently recruited two additional capital accountants to assist with the closedown and the new approach to capital. The experience and learning this year is informing plans on how to achieve the deadline for all funds next year.
7. The closure of the 2018/19 accounts also presents an opportunity to be more radical in the approach taken as we move to having one external auditor for all funds. We are working with our auditor, BDO, to move the audit work to earlier in the year. A key success has been the approach to valuations of investment property, the auditor will be involved much earlier in the process when the Surveyor's are quality assuring the work of our external valuers.
8. **Bridge House Estates (BHE) Governance Review** - over the past few months, our focus has been on establishing the valuation of the permanent endowment fund held by BHE, followed by the reconstitution of the 2017/18 financial statements to include this. The external audit timetable for the charity was extended to enable Moore Stephens and the Audit Panel to undertake their reviews of this piece of work. Our auditors provided us with a clean report, enabling both the Audit & Risk Committee and Finance Committee to recommend the Annual Report be approved. Filing with the Charity commission was achieved within the

regulatory deadline. Work now continues on the governance review of BHE, ensuring that the charity is taking advantage of the powers available to modern-day charities, where appropriate.

9. **Project support** – this is a substantial new growth area in demand for financial services. In particular, we have been fully engaged with the Markets Consolidation programme including arranging finance to purchase a potential site at Barking to meet an expectedly short lead in time to meet the seller's timetable. Work continues to support the programme team with financial modelling of the options and preparation of the business case for members decision later this year. In liaison with Town Clerks we are working on how best to resource the significantly increasing demand for more programme office and financial support for both the major and second tier capital projects; and are currently recruiting an additional project accountant.
10. Work continues on improving the quality and efficient production of financial **Management Information** for both management teams and committee reporting. A strategic dashboard has been developed in Oracle Business Intelligence (OBI) for reporting to Summit Group and is available on a self-service basis for Chief Officers to see their latest expenditure and income projections
11. The **number of Freedoms** for the year is ahead of target. The initiative by the female members of the Court of Common Council to nominate 100 Women to receive the Freedom to tie in with the 100th anniversary of the universal vote is progressing well.

Conclusion

12. Progress has been good over the last quarter across the division's work programme. The focus for the next quarter will be earlier closedown of final accounts and on working with colleagues in Town Clerks to frame an approach for the fundamental review of service priorities and expenditure.

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