

FINANCE COMMITTEE

Tuesday, 13 October 2020

Draft Minutes of the meeting of the Finance Committee held virtually on Tuesday, 13 October 2020 at 1.45 pm

Present

Members:

Jeremy Mayhew (Chairman)
Deputy Jamie Ingham Clark (Deputy
Chairman)
Munsur Ali
Rehana Ameer
Randall Anderson
Deputy Roger Chadwick
Alderman Sir Peter Estlin
Alderman Prem Goyal
Alderman Gregory Jones QC
Angus Knowles-Cutler
Oliver Lodge

Alderman Nicholas Lyons
Paul Martinelli
Andrew McMurtrie
Deputy Robert Merrett
Susan Pearson
John Scott
Sir Michael Snyder
Deputy James Thomson
Deputy Philip Woodhouse
Deputy Catherine McGuinness (Ex-Officio
Member)
Sheriff Christopher Hayward (Ex-Officio
Member)

Officers:

John Cater - Committee Clerk
Peter Kane - Chamberlain
Caroline Al-Beyerty - Chamberlain's Department
Christopher Bell - Chamberlain's Department
Michael Cogher - Comptroller and City Solicitor
Paul Wilkinson - City Surveyor
Karen Atkinson - Chamberlain's Department
Sean Green - Chamberlain's Department
Bruce Hunt - Remembrancer's Department
Kate Limna - Chamberlain's Department
Sanjay Odedra - Communications Team
Julie Mayer - Committee Services Team
Antoinette Duhaney - Committee Services Team

1. APOLOGIES

Apologies for absence were received from Nicholas Bensted-Smith, Dominic Christian, Michael Hudson, Wendy Hyde, Clare James, Hugh Morris, Benjamin Murphy, Ian Seaton and Mark Wheatley.

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

The Chairman declared a non-pecuniary interest in respect of item 11 (City Re Limited – Performance Monitoring) by virtue of being a Director of City Re (appointed due to his role as Chairman of Finance Committee).

3. **MINUTES OF THE PREVIOUS MEETING**

RESOLVED – That the public minutes of the meeting held on 21st July 2020 be approved as an accurate record, subject to the following amendment:

John Scott clarified that he attended the meeting and asked the Committee Clerk to amend the records.

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

The Committee received a joint Report of the Town Clerk and the Chamberlain concerning the Committee's workplan for the next ten months.

The Chairman confirmed that whilst, in the past, we have tended to cancel the March meeting of the Committee, it is anticipated that, given the current circumstances, next year's meeting will go ahead.

RESOLVED – that the Committee noted the Report.

5. **APPOINTMENT OF A FINANCE COMMITTEE MEMBER TO THE PERFORMANCE AND RESOURCE MANAGEMENT (POLICE) COMMITTEE**

The Committee considered a Report of the Town Clerk concerning the appointment of a Finance Committee representative to the Performance and Resource Management (Police) Committee.

The Chairman of the Police Authority Board (PAB), who is also a Member of Finance Committee (FC), emphasised that the proposal to recruit a representative from FC presented an opportunity to strengthen scrutiny around governance and financial discipline. He emphasised that ongoing foci for PAB was to ensure that the Force had both a balanced Medium-Term-Financial-Plan, and that maximum benefits and efficiencies are accrued from the Transform Programme.

The Chairman of FC thanked the Member for his comments and welcomed the steps that he had taken, since becoming the Chairman of PAB, to improve both the mood music and substance of the discussion; it was important to build upon this progress over the upcoming months. Both agreed that, whilst some of the issues were not easy to overcome, it was important to maintain a good and transparent dialogue.

RESOLVED – that Members endorsed Jamie Ingham Clark as FC's appointment to serve on the Performance and Resource Management (Police) Committee for the remainder of the 2020/21 civic year.

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

The Committee received a report of the Town Clerk which advised Members of the key discussions which had taken place during recent meetings of the Committee's Sub-Committees.

The respective Chairmen of the Sub-Committees updated Members as follows:

Corporate Asset Sub-Committee (CASC)

The Chairman of CASC, informed Members that the Sub had instructed officers to examine the timelines of the Cyclical Works Programme (CWP); the current cycle of three years was too long as it didn't properly reflect the urgency of the repairs and maintenance work – Members were of the view that the CWP should be more focused, where possible, on an annual basis.

Digital Services Sub-Committee (DSSC)

The Chairman of DSSC informed Members that discussions were ongoing concerning the City Corporation's website and this would form a key workstream over the coming months.

Efficiency & Performance Sub-Committee (E&P)

Given the Prime Minister's recent announcement of further restrictive measures, the Chairman noted that the mood of the discussion at the recent meeting of E&P was now, regrettably, somewhat out-of-date. He, however, stressed that, despite the unlikely prospect of welcoming back Members and officers to Guildhall in larger numbers in the immediate term, he was keen that the Corporation should continue to endeavour, where it could, to lead by example, namely, by carrying out as much business as was both safe and practicable in Guildhall.

Finance Grants Oversight & Performance Sub-Committee

The Chairman of the Sub informed Members that there had been a considerable increase in grants funding over recent months, reflecting the extraordinary times.

The Chairman of the Finance Committee informed Members that a Report would be submitted to the November meeting of the Committee concerning the status of FC's International Disaster Fund. He asked the Committee clerk to circulate this paper to the Chairman and Deputy Chairman of the Sub-Committee for their information, in good time before the Committee meeting.

RESOLVED – that the Committee noted the report.

7. **RESETTING OF DEPARTMENTAL BUDGETS 2020/21**

The Committee considered a Report of the Chamberlain concerning the re-setting of departmental budgets.

The Chairman opened the discussion by emphasising the significant challenges ahead. He stressed that, whilst service Committees are being informed, they would not be invited to debate the size of the revised budget envelope; they

were being asked to consider how they are going to hit the new budget. Additionally, the Chairman stated that he would be sceptical of any departments proposing to raise significant income projections as a way to plug the gap; it was evident that the primary driver to hit the new budget would have to be through cutting expenditure. We operated with a high-cost base and there was significant scope to do things more efficiently and effectively.

The Chairman highlighted that, whilst all areas of the Corporation faced a challenging period, some institutions, particularly, the Barbican Centre, were in a difficult position, given the huge impact the crisis has had on ticketing and commercial income. Whilst commending the Barbican Centre's significant efforts to reduce spending, clearly, its prospects were tethered to whether a) restrictions endure further into 2021 and b) more draconian restrictions are imposed in the coming weeks/months.

The Chairman concluded by remarking that, whilst we all wanted to maintain our ambitions and emerge from the crisis on the front-foot, it was incumbent on everyone to ensure that sound finances were at the heart of our decisions and, crucially we cut our cloth accordingly. He cautioned Members that if we do not start that heavy lifting now, then next year's budgets will be much more difficult. He urged Members to go back to their various Service Committees and ensure this message was conveyed unambiguously and push back on any attempt to resist the revised budgets.

The Chamberlain remarked that both the in-year and next year's forecasts were still uncertain; they were subject, in large part, to how the crisis unfolded over the coming months, in parallel with the potential short-term implications of Brexit; so, in short, the numbers had to be caveated. The Chamberlain and the Surveyor's department were beginning to see the emerging impact the crisis had taken on our rental income; this would become clearer by the end of this quarter and would be reported to Members in more depth.

He added that officers were doing all they could to mitigate the risk to the City's financial position and he stressed that the Corporation was still in a strong position compared to other local authorities in London. The medium-term outlook was still relatively sustainable if we took action now and in 2021.

In response to a query concerning the Barbican Centre's costs and savings, the Chamberlain confirmed the Centre had forecast a 21% reduction in overall spending; this was a considerably higher percentage compared to what other departments and institutions had proposed. The Chairman added that, whilst the 21% was a step in the right direction, given the unfolding crisis, the short to medium term prospect of increasing ticket and commercial income was remote; so, more would need to be done. He emphasised that the Corporation should honour its commitments and stand behind the Barbican, but the Centre must continue to bear down on costs.

The Chamberlain added that the spend at the Barbican is now forecast at £11.2m, the figure on p18 of the Report outlined a figure of £12.45m.

The Chamberlain also explained that, whilst the Barbican (following the lead of the Corporation) chose not to furlough staff back in the spring, it had subsequently reversed this policy. The Chamberlain confirmed that the furlough support was backdated to 19th March, so, in effect, this support was not missed out on. In response to a separate Member query concerning the total amount spent on “topping up” the furlough, the Chamberlain would come back to the Member after the meeting with the figure.

A Member asked the Chamberlain to speculate as to the likely prospects for the Corporation’s finances in 2021. The Chamberlain responded that the potential upside would be around the slower pace at filling vacancies. The downside risk came principally from the deteriorating rental income position (a clearer picture of which should emerge in the next couple of months as the concerns of tenants become clearer and the furlough scheme is wound down). An additional concern was around the potential outcomes of the Government’s Spending Review in late November – at this stage, this was unlikely to be good news.

The Chamberlain added that, whilst the challenges were formidable, Members had an opportunity to set the Corporation on a sustainable footing with the successful implementation of the re-budgeting for 2020/21 and a positive approach to the 2021/22 budget. Furthermore, it should be highlighted that shortfalls may well ultimately be felt on the reserve funds for the major projects, so, a frank discussion around rephasing the projects would be something that Members may need to consider.

In response to a query, the Chairman, the Chamberlain, and the City Surveyor confirmed that no money or officer time was currently being spent on the Centre for Music project; the project was paused.

In response to a query concerning GSMD, the Chairman, whilst agreeing that a healthy buffer of reserves was desirable, stressed that reserves are there for a rainy day and accessing those reserves now was a logical step in the face of once-in-a-generation crisis. He reiterated that the core proposition was to bear down on expenditure but using a healthy proportion of its reserves was a legitimate component in GSMD’s arsenal.

It should also be kept in mind that GSMD had a co-funder, namely, the Office for Students (OfS), and that ongoing discussions around further financial support were not straightforward. The Chamberlain responded that the utilisation of reserves was a justified part of a robust response to get back on to a sustainable footing. It should be highlighted that GSMD’s position is worsening and this ultimately posed a risk to City’s Cash as the City is the banker of last resort. He added that further work was needed from GSMD and others to ensure that expenditure had been fully “pressed down upon”.

Finally, a Member asked officers to ensure that robust risk assessments were carried out when Members were presented with choices to stop doing things, or indeed not to start things. Officers needed to set out clearly what and why a project/item was being proposed for postponement/cancellation and understand

the potential risk(s) of that cancellation. The Chairman, whilst sympathetic to the spirit of the Member's concerns, stressed that, whilst he viewed the Finance Committee as the focal point when it came to setting the overall envelope, he was in favour of devolution when it came to how money was then spent; it was the job of Service Committees to prioritise by making choices, and to be demanding with officers when it came to how they planned to meet departmental budgets. He added that the exceptions would be if Services Committee's came back "shroud waving" or were clearly proposing things in contravention of corporate priorities.

RESOLVED – that the Committee approved the following:

- Note the steps already taken by officers to reduce the financial impact of the COVID-19 pandemic.
- Recommend to the Court of Common the adjusted departmental budgets totalling £15.2m outlined in this report, including a reduction of £400K to the original proposal to Resource Allocation Sub Committee for Open Spaces explained at paragraph 9 and the downward revision of circa £1m as outlined above for the Barbican Centre.
- Approve proposals to continue working with departments to identify further savings where possible.
- Approve continuation of recruitment controls aligned to the TOM which may give further savings in the year.
- As Service Committee, note the increase in budget of £1,084K for the Remembrancer

8. **DRAFT BHE ANNUAL REPORT & FINANCIAL STATEMENTS**

The Committee considered a Report of the Chamberlain concerning the draft BHE Annual Report and Financial Statements.

The Chamberlain confirmed that the Audit & Risk Management Committee had considered the Report at its meeting on 1 October, whilst A&RM Members recommended Finance Committee approve the Report, it noted an "emphasis of matter" concerning the valuation of the property portfolio; this was in light of the impact of Covid. More details have been included in the final report and this issue is considered uncontentious.

The Chamberlain briefly touched on some of the highlights for BHE across 2019/20, namely:

- The transfer of £200m from the unrestricted income fund – to the grant making designated fund
- A revised reserves policy specifying £35m in reserves
- A record breaking 11 months for visitor numbers at Tower Bridge
- Grant making – record high of £33.7m

Alongside the discussion around the “emphasis of matter”, A&RM noted some other non-material issues – these were highlighted to Finance Committee Members before today’s meeting and the paper had been updated to include these revisions.

In response to a Member raising concerns around whether our giving is as pacey as it could be, the Chairman and the Chamberlain assured Members that the CBT and Central Grants Teams were processing a record number of grant applications and were not facing impediments in relation to giving more in response to the crisis; in short, “we were doing all we could”.

The Chairman added that the total allocation was now set over a 5-year period – this had brought extra flexibility as we could front-load our grant giving into the first and second years in response to Covid, although this would clearly have implications for years 4 and 5.

RESOLVED – that the Committee approved the following:

- Approve the BHE Annual Report and Financial Statements for the year ended 31 March 2020, taking into account any observations from the Audit and Risk Committee; and
- Agree that the BHE Annual Report and Financial Statements for the year ended 31 March 2020 are signed by the Chairman and Deputy Chairman of the Finance Committee on behalf of the Court of Common Council, being the Trustee of BHE.

9. **Q2 BUDGET MONITORING**

The Committee received a Report of the Chamberlain concerning the financial position and the impacts of COVID-19 on budgets up to the end of September.

RESOLVED – that the Committee noted the Report.

10. **REVENUE OUTTURN 2019/20 - FINANCE COMMITTEE OPERATIONAL SERVICES**

The Committee received a Report of the Chamberlain concerning the revenue outturn for 2019/20.

The Chamberlain apologised for the delay in submitting this paper; future iterations would be brought to the July meeting. She added that carry-forwards are much lower this year; this reflected the steer from the Chairman of Finance and the Chair of Policy & Resources to impose a much tougher line on carry-forwards.

In response to a query concerning a carry-forward for the MS extended Support line (appendix 2) – the Chamberlain would revert to the Member after the meeting to clarify the situation.

In response to a query concerning the impact of the £1m underspend in the Chamberlain's department, the Chamberlain assured Members that the department's previous levels of productivity and output had been maintained.

The Chamberlain added that the £347,000 carry-forward highlighted in the Report was for IT projects which had slipped into the current financial year.

RESOLVED – that the Committee noted the Report.

11. CITY RE LIMITED - PERFORMANCE MONITORING

The Committee received a Report of the Chamberlain concerning City Re Ltd.

A Member raised a query as to why the Corporation had not sought to place this business in London, given our role as a champion of the UK's Financial Services sector. The Chamberlain responded that captive insurance is not offered in London which is why we have placed our business within the market leader, namely, Guernsey. The Deputy Chairman added that Guernsey is a centre for this market and the Corporation derives value for money from placing our business there. It should also be recognised that much of the captive insurance business is initially brokered through London, so we are not completely locked out of this area.

The Member responded that this was unfortunate, given our role and asked whether we could make representations to HMT about examining how this market could be developed in London. The Chair of Policy & Resources responded that she would reach out to officers in the Department for Innovation and Growth and come back to the Member in the next few days with more details. She added that it would be important to understand whether this issue was something which the industry in London wanted to explore, as a change in regulation would need a broad cross-sector consensus.

The Chairman welcomed these comments and pointed out that, particularly post-Brexit, potential changes to regulation should be viewed from the perspective of challenger businesses not just the incumbents.

RESOLVED – that the Committee noted the Report.

12. FINANCIAL SERVICES DIVISION QUARTERLY UPDATE

The Committee received a Report of the of the Chamberlain concerning the Financial Services Division (FSD).

The Chairman commended the team for their hard work during these challenging times.

A Member raised two queries:

a) He asked if the Chamberlain could say a little more about the better communications workstream.

The Chamberlain responded that communicating effectively was a vital part of FSD's role, it was important to set out figures and data in a way which was more widely accessible; for instance, the team was moving away from using tables in favour of more up-to-date visually distinct features, such as dashboards.

b) What emphasis was the Division giving to diversity and inclusion within the workstreams?

The Chamberlain responded that all the workstreams aimed to enhance and meet the Corporation's aims around diversity and inclusion. In particular, the Division was currently focused on improving coaching and other learning opportunities across the team.

RESOLVED – that the Committee noted the Report.

13. **CHAMBERLAIN'S DEPARTMENT RISK MANAGEMENT - MONTHLY REPORT**

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

The Chamberlain confirmed that Audit & Risk Management Committee had decided that the Risk concerning Police Funding (CR23) should remain a separate risk.

The Chamberlain stressed that, whilst there was still much work to do, he was confident that the Police's finances would be restored to a sustainable footing over the next four years.

The Chairman of the Police Authority Board (who is also a Member of FC) echoed these sentiments and separately suggested that, given their deteriorating financial outlooks, both GSMD and the Barbican should be highlighted as risks in future iterations of this Report.

The Chairman asked that, given the serious financial climate we now face, the Risk Report item should be raised higher up future agendas.

RESOLVED – that the Committee noted the report.

14. **CENTRAL CONTINGENCIES**

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

The Chairman signalled an upcoming Report of the Central Grants Unit (due at the November meeting of FC) concerning the future of the International Disasters Fund, he added that he would not be surprised, given the events of this year, if the Fund was, for the first time since its inception, exhausted before year end.

RESOLVED – that the Committee noted the report.

15. DECISIONS TAKEN UNDER DELEGATED AUTHORITY AND URGENCY PROCEDURES

The Committee received a report of the Town Clerk which provided information of the action taken by the Town Clerk since the last meeting of the Committee, in consultation with the Chairman and Deputy Chairman, in accordance with Standing Orders 41(a) and 41(b). The decisions related to two donations to a) the DEC coronavirus appeal (£20,000) and b) the British Red Cross' Beirut emergency appeal (£20,000).

RESOLVED – that the Committee noted the report.

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

There were no questions.

17. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT

There were no urgent items.

18. 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.

19. NON-PUBLIC MINUTES OF THE PREVIOUS MEETING

The non-public minutes of the meeting held on 21st July 2020 were approved as an accurate record.

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

The Committee noted a report of the Town Clerk which advised Members of the key discussions which had taken place during non-public sessions at recent meetings of the Committee's Sub-Committees.

21. MAJOR WORKS PROJECT MANAGEMENT FRAMEWORKS – STAGE 2 AWARD

The Committee considered a Report of the Chamberlain concerning the Major Works Project Management Frameworks.

22. CENTRAL CONTINGENCIES - NON-PUBLIC APPENDIX

Members noted the non-public appendix for the Central Contingencies Report.

23. STAGES 1 (STRATEGY) & 2 (CONTRACT AWARD) COMBINED REPORT FOR PROVISION OF ELECTRICITY AND GAS SUPPLIES

The Committee considered a Report of the Chamberlain concerning the award of contracts for the supply of electricity and gas.

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

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

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

Members considered a non-public question relating to the work of the Committee.

26. 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 3.52 pm

Chairman

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