

Committee(s)	Dated:
Finance Committee	19 January 2021
Subject: Financial Services Division – Quarterly Update	Public
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: Chamberlain’s	For Information
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Summary

Over the last quarter, Financial Services Division has continued to operate to a very high standard on an increased and very challenging workload. COVID has had a significant impact on the division’s key performance indicators, in particular the Corporation’s major income streams- business rates and property rents as shown with the amber indicators in the division's KPI scoreboard.

Key highlights from recent months have been:

- Medium term financial planning, in particular the departmental bilaterals between Service Committee Chair, Chief Officers and Senior Members of Resource Allocation Sub Committee; and fund modelling and stress testing of revenue assumptions and predicted balance sheet growth;
- Agreement of capital programme for 2021/22;
- Business Rates London Pool- modelling and support for the decision to suspend the Pool for 2021/22;
- Work to support businesses in the square mile – administration of grants;
- Publication of audited accounts for the three Funds;
- FSD Transformation; and
- Financial advice to the major projects, in particular the Markets.

Recommendation

Members are asked to note the report.

Main Report

Current Position

1. 21/22 Budget and MTFP

The aim of the 2021/22 budget round is to set us on the flight path to achieving a sustainable budget over the medium-term. Based on a number of key assumptions

around business rate income, progress on the Target Operating Model (TOM) and forecast COVID impact, this translates into a requirement for an average saving in Corporation funding of 12%, adding up to £22m, across 2021/22 City Fund and City's Cash budgets.

2. Since the flight path and savings target were discussed in Resource Allocation Sub Committee in July, there have been four key developments, to enable budget setting:

- Departmental Bilaterals between Service Committee Chairs / Chief Officers with senior Members of Resource Allocation Sub Committee and the Chamberlain. These have demonstrated a shared commitment to achieving the 12% savings.
- Members have now agreed the architecture of the TOM, with detailed plans being worked through. Anticipated savings will start to come through in the latter part of 2021/22, which means that in practice this should be seen as a transition year. This in turn has delayed some Fundamental Review savings, which have been put on hold pending the further work on the TOM. Such cases will be rephased to 2022/23.
- External factors: Local Government and Police settlements have been announced and the anticipated removal of business rate income growth has been delayed, in part due to COVID.
- Detailed scenario modelling has been completed for COVID impacts on major income streams- business rates income and investment property rents; and also estimates of the ongoing financial impact of income losses in business activities, most notably at the Barbican, GSMD and Tower Bridge.

3. The overall financial position and medium term financial plan will be discussed at the joint meeting of resource Allocation Sub Committee, Efficiency and Performance Sub Committee and service committee chairmen, prior to this Committee's consideration in February.

4. **21/22 Capital Programme**

The annual capital allocation process delivered by the Finance team has in partnership with colleagues across the organisation successfully secured commitment from senior members, chief officers and service committee chairmen to key organisational capital priorities; and enabled £43m funding of the new climate action strategy within existing resources. Resource Allocation Sub Committee approved schemes to form the 2021/22 capital programme at its December meeting. Projects ranked 'amber' which did not make into this year's programme will form a 'bench' of schemes which can be pursued should there be underspends on other schemes in year.

5. **Business Rates**

In relation to the Government Business Support schemes, since April 2020 the Revenues Team has administered to date:

- £130 million in Business Rate Relief meaning around 2300 businesses in the retail and leisure sector have no business rates to pay in 20/21
- The City has paid out over £20.4m in Small Business and Retail and Leisure Grants to around 1,400 SME businesses.

- The City has administered approximately £730K in discretionary grants to assist a 100 small medical businesses, market traders and small charities that were not able to access the other Government grant schemes.
 - The City Revenues Team are in the currently administering the National Restriction Grants and have so far paid 601 businesses a total of £1,464,040.00.
 - The Team are also in the process of paying £64,000 in Christmas Support Payments to “wet-led” pubs and bars.
6. The KPIs included in Appendix 1 shows a dip in Business Rates collection in Quarter 2, the third quarter results are more encouraging. The Business Rates and Commercial Rent collection trends are feeding into the modelling analysis being undertaken by Corporate Accounting.
- 7. London Business Rates Pool**
The pandemic has led to a far worse economic outlook than was anticipated in October. Following Spending Review confirmation that business rates holidays for Retail, Hospitality and Leisure businesses would end in March, the Finance team have been working with colleagues at London Councils and the GLA to forecast likely benefit of the pool in 2021/22, to inform Leaders decision on whether to discontinue the pool in 21/22. Leaders have now written to Government to propose discontinuing the pool in 2021/22 pending a decision to reconstitute it in the Autumn.
8. **20/21 Accounts** Although we published draft accounts to statutory deadlines and in good time, delays in the audit led to later publication of the accounts.
- 9. Finance for the Future (FSD Transformation) workstreams**
In early December 2020 the FSD Transformation: Finance for the Future had its official kick-off meeting, contributors met to provide updates and share the set objectives of each workstream. There was a healthy discussion and agreement to keep a focus on the importance of the correlation of the six workstreams.
10. A key aspect of transformation is to enable increased effectiveness of strategic decision making. Significant work has been done to develop the sophistication of fund modelling over the medium to longer-term, including understanding of balance sheet implications and funding options for the Major Projects. Work has also kicked off on improving VFM assessment and assurance, in particular through development of options appraisal and whole life costing for new initiatives.
11. While work on developing the future Finance TOM, including shape and size of the function, is dependent on next steps for the Corporation’s TOM, options for corporate finance, business partnering and transactional finance strategies are under active consideration.
12. A strong focus of the transformation is the requirement build for the replacement finance system which will commence in January 2021, a number of workstreams will feed in to ensure that the new system addresses inefficiencies or challenges experienced.

13. Throughout October and November Financial Services undertook 'Smart Display of Infographics' training to gain an understanding of how to display financial information and data effectively to ensure clarity in understanding and target necessary action. An example of this is attached as Appendix 1. The tools and templates are available to all of the Financial Services Division via the FSD Transformation SharePoint site that has been setup for information sharing, tools, templates and recordings of the meetings.

14. The Review of Financial Regulations workstream have undertaken an in-depth review of the current financial regulations. The draft changes are being prepared for review, the changes consider the inter-relationship with other financial regulations including but not limited to Standing Orders, Procurement Regulations and Project Procedures to improve consistency, efficiency and clarity.

15. KPI Scorecard- other matters

The closure of Chamberlain's Court, with consequential reduction in the number of Freedoms, has led to a loss of income. Online Freedoms are starting to pick up

Appendices

- Appendix 1 – FSD KPI Scoreboard
- Appendix 2 – Letter from Leaders on London Business Rate Pool

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