

Committee(s)	Dated:
Finance Committee	15 February 2022
Subject: Chamberlain's Business Plan – 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

Highlights from the last three months have included:

- Completion of the audits of the Bridge House Estate's (BHE) and City's Cash accounts.
- 2022/23 budget setting process and Medium-Term Financial Planning.
- Progressing grant awards for the COVID Recovery Fund for local/curb-side businesses within the square mile.
- Progression in the 'Finance for the Future' workstreams, with work majoring on developing the Chamberlain's TOM proposal and continuing to drive improvements in modelling capability for the major projects and MTFP's for City Fund and City's Cash; and
- Series of workshops to shape the specification of the ERP system replacement.

KPIs show that business rate collection is a little lower than was expected. The impact of pandemic continues to hamper ongoing recovery with an in-year Q3 collection rate for 2021/22 of 88.98% compared with 89.06% in 2020/21 and 94.33% in 2019/20 - a drop of 5.35% on the comparable pre-COVID position. The collection rate has been negatively impacted by the ending of the 100% Enhanced Retail Relief at the end of June as bills were issued for the first time. The City has also accepted longer payment arrangements than in the past which will also reduce in-year collection. It is hoped that the collection rate will improve over Q4.

Council Tax collection continues to improve with in year collection at 80.03% compared to 75.53% in 20/21 and only 2.17% behind 19/20. Commercial rent collection for Q2 is 84.28% compared to target 98% prior to the pandemic.

Recommendation

Members are asked to note the report.

Main Report

Current Position

1. The last five months has been a productive period for the Finance team, with the production of the 2020/21 draft accounts and commencement of the audits; ongoing work relating to the COVID Recovery Fund; planning for the 2022/23 budget process and underpinning bilateral meetings; and continued work on the Finance for the Future workstreams to improve outcomes within the team and to its customers. Chamberlain's Court reopened for business in person 17 August 2021.
2. Chamberlain's staff have returned to the office a minimum of two days a week, with a minimum of three days a week from the end of February. Capacity of the office will shortly move from 40% to 60% bringing more desks back into action and allowing more colleagues to book desks on a given day.

20/21 Closing Accounts Update

3. Statutory deadlines for City Fund draft and final accounts have moved from 1 June and 31 July (respectively) to 1 August and 30 September for the next two accounting years (2020/21 and 2021/22).
4. The draft City Fund accounts were published on 30 July, in line with the statutory deadline. Despite all efforts to sign off the City Fund accounts in December, this was not achieved due to a late technical query which could not be resolved in time. We have now agreed with BDO the actions needed and this work will be completed in the next week or so. Please note that this issue relates to the disclosures that support the cashflow statement and does not impact for main statements or change the underlying numbers in the accounts.
5. As previously flagged the City Fund audit should have been completed by 30th September. This was unachievable due to BDO resource constraints linked to delivery of last year's audits which were delayed due to the pandemic coupled with additional audit requirements. The audit sector more widely is highlighting a capacity issue in delivering to the revised local authority accounts publication deadlines; and DLUHC recently wrote to local authorities recognising the issue and have proposed several actions to address the continued delays including:
 - ☐ Providing £45m of additional funding to support local authorities over the next 3 years to strengthen financial reporting and meeting increased audit requirements;
 - ☐ Strengthening training and qualification options for local auditors and audit committee members;
 - ☐ Reviewing whether certain accounting and audit requirements could be reduced on a temporary basis, where these are of lesser risk to council. CIPFA is currently consulting on amendments to the valuation's requirements of operational property and a delay to implementing IFRS 16 covering lease recognition to reduce to burden on prepares and auditors of accounts;

- Extending the 21/22 audit deadline to 30 November 2022, and then 30 September until 2027/28.

6. These are welcomed interventions, however, due to the backlog of work created by these delays, it is likely that the 2021/22 accounts audit will still be impacted which for City Fund is coupled with new auditors beginning their term.
7. The audits of BHE and City's Cash have been complete and signed off in December.

2022/23 budget setting

8. Proposals for the 22/23 budget have been drafted and were initially presented at a joint meeting of Resource Allocation and Efficiency and Performance Sub Committees on 14 January. The proposals have taken into consideration feedback from bilateral meetings held to date, focusing on service delivery with a reduced financial envelope, alongside assumptions around inflation, policy priorities, returns on investments, capital requirements (including the latest estimates for major projects) and the outcome of Government funding announcements impacting City Fund and the City of London Police.
9. This will form the basis of the final proposals to be agreed by Finance Committee and the Court of Common Council in February/March.

Corporate Treasury Update

10. The property insurance and the fine art insurance have both been successfully tendered (renewal date of 25 December). The Investment Consultant contract for the non-property investments for the Pension Fund, City's Cash and Bridge House Estates was successfully tendered and awarded to Mercer Limited

Business Rates, Business Support Grants, Council Tax & Accounts Receivable

11. Business Rates collection has been maintained in difficult circumstances, with an in-year collection rate for Q3 2021/22 of 88.98% compared with 89.03% at the same point in 2020/21. This is still down on the pre pandemic level of 94.33% at Q3. The Business Rate in year collection rate is measured and reported nationally and is calculated by measuring the amount of business rates billed during the year (the collectable debit), against the amount collected by year end on 31st March. This means that significant changes to the collectable debit during the year will impact the collection rate. It also means that achieving 100% collection is impossible as arrangements with debtors or changes in liability that are billed later in the year may not be collected in year.
12. The ending of the 100% Enhanced Retail Relief in the middle of the year has resulted in an increase in the collectable debit and meant that the collection rate has been negatively impacted. It is appreciated that this sector has been significantly impacted by the pandemic and that these bills will be more difficult to collect. However, it is still expected that collection will improve during Q4.

13. Whilst 2021/22 in year collection has not improved as quickly as anticipated, it should be noted that the Business Rate Team have agreed longer arrangements and more creative payment plans to try to assist businesses weather the economic impact. This obviously impacts in year collection. However, cumulative collection which includes previous years arrears, has improved with an increase of 2.28% on this point last year. This indicates that longer arrangements and ongoing recovery continues to be successful.
14. The Business Rate Team has administered the Expanded Retail and Hospitality Relief for 2021/22 with 100% relief continuing to apply for three months, from 1 April 2021 to 30 June 2021, and at 66% for the remaining period, from 1 July 2021 to 31 March 2022.
15. The Team have finalised assessing and paying the various Government Business Support Grants that were available during 2021. All Business Support Grants were paid by the end of July 2021.
16. During December 2021 the Government announced to additional grant schemes to support retail, leisure and hospitality businesses through the recent period of restrictions. There will be funding for the Additional Restriction Grant (ARG), this is a discretionary grant, and the City will need to decide how to target this support. There is also an Omicron Hospitality and Leisure Grant which mirrors previous grant schemes. This provides businesses up to £6,000 in grant support depending on the rateable value of the property. It is expected that this scheme will be delivered during January once Government clarify the guidance.
17. Council Tax collection continues to improve with significant improvement at Q3 when compared to last year. Current in year collection is at 80.03% compared to 75.53% in 20/21. This is now only 2.17% behind 2019/20.
18. Investment Property Income collection is at 84.28% with arrears of £22.2m of which £20.3m relates to rent. This represents a marginal decrease in arrears in comparison with Q3. Whilst the recovery moratorium remains in place it will be difficult to significantly improve this position although efforts continue to engage with tenants to secure payment arrangements.

COVID Recovery Fund

19. April saw the launch of the £50m COVID Recovery Fund for local/curb-side businesses within the square mile. Corporate Treasury and Revenues teams have worked to assess the grants and as at the 22 December, 311 payments have been approved with circa £13.7m paid.
20. Two Corporate Asset Recovery firms continue to review applications to the fund. This review ensures that the businesses we are supporting will be viable in 6-12 months. The firms give their recommendations, and the Corporation makes the final decision.

21. The scheme closed to new application at the end of July 2021, but payments may be made until end of March 2022.

Finance for the Future (FSD Transformation) workstreams

22. The big focus in this quarter has been on developing the Chamberlain's TOM proposals, in the context of the wider and major programme to transform financial capability and culture. The structuring proposals were put to Finance Committee in December 2021 and approved by Establishment Committee in January 2023. The department is currently out to consultation on the new structure.

23. Work is also moving at pace on the Strategic Financial Analysis capability workstreams, with continuing development and testing of the markets project model and further, significant development of the City Fund and City's Cash MTFP models to provide better decision support into Committees on the financial position, scenarios and mitigation proposals.

ERP Oracle Project

24. The Project will deliver the replacement of the current HR, Payroll and Finance systems (Midland HR and Oracle) into a single ERP solution primarily for the Corporation and its Institutional Departments in order to align with the new Target Operating Model (TOM). As the target operating model design has progressed and thinking on how enabling services will work, it is clear that the tools need to support a step change in culture and behaviours and free up resource for responsive value-added services, and agility in financial insight/advice. This replacement will enable the City to be "a first-class hub for financial and professional services", as well as provide the capability "to align teams and to provide those "enabling services to help the whole organisation to run effectively."

25. There are six phases to the ERP Programme:

- Discover
- Define and Develop Specification (Sept 2021- January 2022)
- Procure and Prepare (February – July 2022)
- Implementation (start September 2022)
- Embedding (Post go-live)
- Scale, Improve, Refocus (On Going)

26. The team have completed the Discovery phase- identifying the 'as-is' and the 'to be' architecture maps and conducted soft market testing with several vendors. The findings informed the option appraisal and the approved outline business case.

27. The workshops have been completed for the Define and Develop Stage and findings reported to the Project Board. Next steps are to finalise the tender documentation. An officer tender working group, meeting weekly, with representatives across the organisation has been established for this purpose.

28. The new Project Manager will be on boarded on 14 February to take the programme into the third phase.
29. A Members Steering Group has also been appointed from key Committees to provide oversight and steer to the Project Board. Meetings are in the process of being set up.

Internal Audit Update

30. Delivery of the programme of Internal Audit work is progressing well, with a total of 24 Audit reviews completed since 1 April 2021, work is at various stages of completion for a further 10 reviews.
31. In the past quarter, follow-up reviews have been undertaken in relation to 15 previous Audits. While recommendation implementation continues to be consistently high overall, this is currently found to be approximately 60% within the original timescales agreed. The Head of Audit and Risk Management is actively monitoring this performance measure.
32. The initial programme of work for 2022/23 has been prepared and reported to the January Audit and Risk Management Committee.

Freedoms

33. The Chamberlains Court have continued to conduct ceremonies from mid-August. As COVID-19 cases increase more stringent measures have been put in place. Since returning in August the team have taken the following precautions in line with Corporation's cautious approach to the return:
- Reduced the numbers of guests invited to each ceremony.
 - Reduced number of ceremonies in one day so that guests are less likely to pass one another.
 - Move to digital by default approach, specifically card only payments in Chamberlain's Court, streamlined application process with online payments, document verification undertaken virtually.
34. A new Freedom applications system is to be implemented by the end of this quarter. The new software will manage freedoms administration providing the ability for statistical analysis as well as digitalising formerly manual processes. Users of the new system are to be provided with an enhanced experience when completing the application process. The system will provide increased resilience replacing an old heritage system which is no longer fit for purpose.
35. As the current Court Clerk prepares for retirement the post will be advertised shortly.

KPI Scorecard- other matters

The Score card reflects the 2021/22 Financial Year

Appendices

- Appendix 1 – Chamberlain's KPI Scoreboard

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