

Committee(s)	Dated:
Finance Committee	3 May 2022
Subject: Chamberlain's Business Plan – Year end/start of year 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 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
- On ERP, finalising scope and requirements in readiness to go out to procurement.

KPIs show that business rate collection has steadily improved. Whilst the impact of the pandemic continues to effect ongoing recovery it has recovered more quickly than anticipated. In-year Q4 collection for 2021/22 is 95.29% compared with 94.37% in 2020/21 and 97.36% in 2019/20. The City is now within 2.07% of pre-pandemic collection rates.

Council Tax collection continues to improve with in year collection at 96.3% compared to 94.4% in 20/21 and only 1.9% behind 19/20. Commercial rent collection for Q4 is 84.53% compared to target 98% prior to the pandemic.

Recommendation

Members are asked to note the report.

Main Report

Current Position

1. Despite significant challenges across the audit sector, a huge effort from both Finance team and auditor to sign off completion of 2020/21 accounts for Bridge House Estate's and City's Cash.
2. The last few months has been a productive period for the Chamberlain's team in:
 - finalising budget estimates and medium-term plans for City Fund, City's Cash and Bridge House Estates.
 - commencing year-end cycle for 2021/22 accounts. This includes the handover of City's Cash and Bridge House Estates audits from BDO to our new auditor – Crowe; ongoing work relating to the COVID Recovery Fund; and progressing grant awards for local/curb-side businesses within the square mile;
 - launching the 'Finance for the Future' workstreams that underpin the Target Operating Model (TOM) Transformation;
 - commencing recruitment to the new structure with the successful appointment of the Financial Services Director and the Clerk of the Chamberlain's Court; and
 - The Chamberlain and the Financial Services Director have been working closely with the Chief Operating Officer and Chief Strategy Officer and her team to define requirements for the Zero-Based review exercise approved at Court of Common Council on 10th March. Discussions are taking place with Chief Officers to build on a collaborative approach.
3. Chamberlain's staff have returned to the office a minimum of three days a week.
4. The following paragraphs explore the key deliverables in more detail.

2020/21 Closing Accounts Update

5. Statutory deadlines for City Fund draft and final accounts were moved from 1 June and 31 July (respectively) to 1 August and 30 September for 2020/21 accounting years (2020/21 and 2021/22). Further to this change, an extension has been made to the audit deadline for the 2021/22 accounts to November 2022 in response to the continued audit delays.
6. The draft City Fund accounts for 2020/21 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 has taken a significant amount of time and effort to complete. 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. Whilst the above issue is close to resolution, another issue, regarding the accounting for infrastructure assets, has been raised at a national level which is preventing sign-off of any outstanding accounts. Discussions between the audit firms and CIPFA are ongoing to seek a practical solution to this issue.

7. 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 wrote last year to local authorities recognising the issue, proposing 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 preparers and auditors of accounts;
 - Extending the 21/22 audit deadline to 30 November 2022, and then returning to 30 September until 2027/28.
8. 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.
9. The audits of BHE and City's Cash have been completed and signed off in December.

Corporate Treasury Update

10. The annual Treasury Management Strategy Statement for 2022/23 was approved at the March Court of Common Council. Going forward work has begun on the 2022 actuarial valuation for the Pension Fund.

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

11. Approximately £1.2 billion in business rates is collected per annum. Collection has been maintained in difficult circumstances, with an in-year collection rate for Q4 2021/22 of 95.29% compared with 94.37% at the same point in 2020/21. This is still down on the pre pandemic levels (97.36%) but shows a steady improvement. This improvement is despite the mid-year ending of the 100% Enhanced Retail Relief which resulted in a significant increase to the collectable debit. 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 will not be collected in year.

12. The Business Rates Team continue to support businesses, agreeing longer arrangements and more flexible 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 payment arrangements and ongoing recovery approach continues to be successful.
13. The Business Rates Team has administered the revised Retail and Hospitality Relief scheme for 2022/23 with 50% relief being applied automatically to eligible business rate accounts. Unlike previous years schemes the relief is now capped at £110,000 per business. The City will be administering the Covid Additional Restriction Relief (CARF) scheme over the coming months.
14. The Team have also finalised assessing and paying the various Government Business Support Grants that were available during 2021/22. All Government Business Support Grants have now been paid.
15. Approximately £9 million in Council Tax is collected per annum. Council Tax collection continues to improve with significant improvement at Q4 when compared to last year. In year collection is at 96.3% compared to 94.4% in 20/21. This is now only 1.9% behind 2019/20.
16. Investment Property Income collection is at 84.53% with arrears of £20.2m of which £16.6m relates to rent.

COVID Recovery Fund (up to £50m)

17. April 2021 saw the launch of the City's own COVID Recovery Fund for local/curb-side businesses within the square mile. The scheme closed to new applicants at the end of July 2021 with payments being made to the end of March 2022. A total of 308 grants have been awarded totalling £14.88 million.

Finance for the Future (FSD Transformation) workstreams

18. 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 completed consultation on the new structure on 25th February with go-live date implemented for 25th April.
19. 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. This is further complemented by the Chamberlain's transformation programme in flight, huge progress has been made to ensure the Chamberlain's TOM proposals are captured, clearly identifying the next steps defined and measured.

ERP Oracle Project

20. 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 significantly support the City towards being “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.”
21. There are six phases to the ERP Programme:
- Discover
 - Define and Develop Specification (Sept 2021- March 2022)
 - External challenge and approval to move to procurement stage (March – April 2022)
 - Procure and Prepare (April – July 2022)
 - Implementation (start September 2022)
 - Embedding (Post go-live)
 - Scale, Improve, Refocus (On Going)
22. 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.
23. The workshops have been completed for the Define and Develop Stage and findings reported to the Project Board. An officer tender working group finalised the scope and requirements for the tender documentation. External challenge has been commissioned to ensure we have carefully captured the scope and requirements.
24. The new Project Manager started on 14 February to take the programme into the third phase.
25. A Members Steering Group has also been appointed from key Committees to provide oversight and steer to the Project Board. However, due to elections and changes in Members the setup of these meetings has been slightly delayed. However, in the interim the Digital Sub Committee received an update on progress on 25th April.
26. The update highlights three key areas of work, which are currently being progressed in the project board in collaboration with senior officers:
- resourcing- given impact of vacancies and staff changes;
 - ensuring the procurement specification clearly outlines outcomes required as well as detailed system specification; and
 - securing chief officer commitment to the underpinning change programme.

Internal Audit Update

27. Internal Audit completed the programme of assurance work for 2021/22, enabling the Head of Internal Audit to provide an overall opinion that the internal control environment remains adequate. The following themes were identified from work undertaken and will be incorporated within the forward programme of work for 2022/23:

- Poorly defined roles and responsibilities
- Poorly defined deliverables
- Inconsistent approach to/formalisation of governance arrangements
- Instances of poor compliance and absence of enforcement
- Education and awareness
- Lessons learned

28. Follow-up reviews have also been undertaken in all cases where Audit recommendations were due to have been completed. While recommendation implementation continues to be consistently high overall, this is found to be approximately 60% within the original timescales agreed, the remainder largely being implemented within revised timescales and closed after a 2nd follow-up review. The Head of Audit and Risk Management is actively monitoring this performance measure and is making regular reports to the Executive Leadership Board.

29. The programme of work for 2022/23 has been initiated.

Freedoms

30. A new Clerk of the Chamberlain's Court has been appointed following a successful recruitment campaign and the Deputy Clerk role is now in the process of being advertised.

31. A new Freedom applications system is currently under testing. 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.

KPI Scorecard- other matters

The Score card reflects the 2021/22 Financial Year

Appendices

- Appendix 1 – Chamberlain's KPI Scoreboard

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