



City of London Corporation – City Fund

**Auditor's Annual Report for the year ended
31 March 2024**

November 2024



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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting, on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction



Purpose of the Auditor's Annual Report

This report brings together a summary of all the work we have undertaken for City of London Corporation – City Fund during 2023-24 as the appointed external auditor. The core element of the report is the commentary on the value for money (VfM) arrangements.

All local authorities are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. City Fund's responsibilities are set out in Appendix A.

Local authorities report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Responsibilities of the appointed auditor

Opinion on the financial statements

Auditors provide an opinion on the financial statements which confirms whether they:

- give a true and fair view of the financial position of City Fund as at 31 March 2024 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023-24; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We also consider the Annual Governance Statement and undertake work relating to the Whole of Government Accounts consolidation exercise.

Value for money

We report our judgements on whether City Fund has proper arrangements in place regarding arrangements under the three specified criteria:

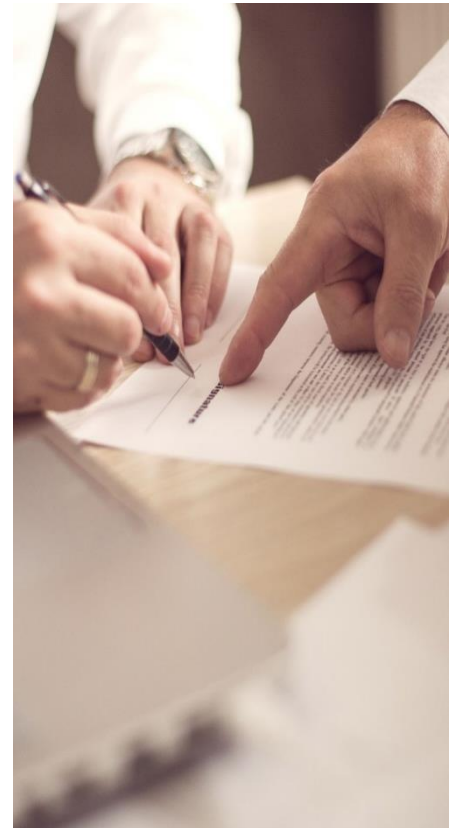
- financial sustainability
- governance
- improving economy, efficiency and effectiveness

The Value for Money auditor responsibilities are set out in Appendix B.

Auditor powers

Auditors of a local authority have a duty to consider whether there are any issues arising during their work that require the use of a range of auditor's powers.

These powers are set out on page 12 with a commentary on whether any of these powers have been used during this audit period.



Executive summary



Executive summary

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether City Fund has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The NAO, in its consultation of February 2024, indicated that it will in future require auditors to share a draft Auditor's Annual Report ("the Report") with those charged with governance by a nationally set deadline each year and for the audited body to publish the Report thereafter. The outcome of the NAO's consultation on the Code is dependent upon the decisions made by the new government elected on 4 July 2024. These decisions are awaited at the time of drafting this report. As a firm, we are committed to reporting the results of our local audit work on as timely a basis as possible. We are therefore sharing this report with you in advance of the new NAO Code being introduced. In the event that any new audit requirements are introduced when the Code is published, we will revisit these before finalising this report. Our summary findings are set out below.



Financial sustainability

For 2023-24 City Fund produced a £46m surplus, allowing for a contribution to reserves. The surplus was achieved due to better than anticipated performance in investment income due to prevailing high interest rates, unused contingencies, slippage in Supplementary Revenue Projects and rental income from investment properties. Despite the positive overall position, City Fund experienced pressures in certain areas which were offset by surpluses elsewhere within the organisation. Pressures are observed in Community and Children's Committee and Port Health and Environmental Services.

2023-24 and prior years savings have been identified and delivered via the Target Operating Model (TOM), Fundamental Review and 12% Reduction. These programmes have now exhausted new savings that can be identified and seek to deliver already identified savings in the medium-term. City Fund will not have a new savings program in 2024-25, to allow services space to rethink their delivery models. The Resources and Priorities Refresh Programme (RPR) is expected to replace prior year savings programmes and is currently in the design phase.

City Fund set a balanced budget for 2024-25 which includes a further contribution to reserves of £21.7m. In the medium-term, between 2024-25 and 2027-28, a cumulative surplus position of £10.1m is forecast, although budget gaps are expected in the latter years of the Plan.

The 2023-24 outturn and 2024-25 budget and Medium-Term Financial Plan (MTFP) cites Adult Social Care, Children's Social Care and Temporary Accommodation as cost pressures. These are common pressure in the sector and, although City Fund has a relatively low population requiring these services, these areas of expenditure highlight an opportunity to analyse cost, demand and supply side factors, and develop targeted solutions impacting future MTFP gaps.

The City's significant Operational Property Portfolio requires a large volume of repairs and maintenance which have built up due to several years' funding constraints. City Fund set aside £145m within a Cyclical Works Reserve to fund this over 5 years. The Barbican Arts Centre is central to the programme however repairs work is expected to far exceed the sums set aside. As the business case develops, programme assumptions will need to be reviewed to ensure they can be appropriately financed.

City Fund is a provider of social housing and maintains a Housing revenue Account (HRA). HRA reserves remain low but stable in 2023-24. This is expected to continue into 2024-25 and 2025-26 with improvement in later years of the HRA 5-year plan. The low HRA reserve position was caused by escalating costs of Emergency Building Repairs in recent years, partly attributable to poor performance of the incumbent contractor, as well as inflation pressures.

Overall, we believe arrangements to achieve financial sustainability are in place. We have identified some improvement recommendations, predominantly focussed on reviewing assumptions within various aspects of the budget, HRA and capital programme to increase accuracy.

Executive summary



Governance

City Fund continues to use a well-established and understood Risk Management Framework. Risks are effectively reviewed by Members throughout the year which resulted in a set of risks reflective of the environment City Fund operates in. Our prior year improvement recommendation was addressed by the development of an updated Risk Management Strategy, due to be implemented alongside a supporting Policy in 2024-25. Improvements are also being made as a result of a review of risk appetite and culture by external experts. Given the changes taking place, it would be beneficial for City Fund to gain assurances on the effectiveness of the new arrangements as they embed.

Internal Audit's annual report provided positive assurances on City Fund's system of internal control; however, it is noted that capacity issues in the Internal Audit function meant a smaller than anticipated programme of work was undertaken to deliver the 2023-24 opinion. It was made clear by the Head of Internal Audit that this approach was not sustainable, and if it continued would impact the ability of the service to provide an opinion in future years. We reviewed Internal Audit arrangements in detail and observed a weakness in arrangements in relation to Internal Audit capacity, however we do not deem this to be a significant weakness and have raised an improvement recommendation. City Fund has already taken steps to improve Internal Audit capacity in 2024-25, and at the time of writing the Internal Audit function is considered to be fully staffed. Further investment may be required to build resilience in the Internal Audit function. Resourcing and delivery will require close monitoring to ensure that capacity issues do not recur and to confirm that actions taken to date improve Internal Audit outcomes.

The budget setting process remains robust and consistent with the prior year for the 2024-25 budget. Despite strong arrangements being observed in the prior year City Fund proactively sought iterative improvements in the 2025-26 process, including enhanced internal stakeholder engagement via deep dive sessions led by Finance with Chief Officers and their teams, and Executive Leadership Board workshops. Budget monitoring continues to be effective as financial performance is reviewed sufficiently regularly and in appropriate detail to aid Members in their decision-making.

City Fund is well-supported by its Audit & Risk Management Committee. A review to evaluate the Committee's effectiveness, balance of skills and expertise and assessment of good practice was undertaken in-year and demonstrated that the Committee is perceived to be performing effectively with some areas of improvement, which are being taken forward in 2024-25.

City Fund is preparing for the impact of new Procurement Act 2023 regulations which take effect in February 2025. To maximise compliance with the new Act and City Fund's updated policies, training will be required to support staff in applying these policies.

Overall, we believe governance arrangements are designed effectively, and we have identified some improvement recommendations.

Executive summary



Improving economy, efficiency and effectiveness

City Fund developed and approved a new Corporate Plan for 2024-2029. It is accompanied by the creation of a suite performance metrics to monitor progress against corporate objectives. The organisation has committed to publishing an annual progress report on the new Corporate Plan and intends to benchmark metrics when possible. As such, action has been taken to respond to our prior year recommendation in this area that is expected to be evidenced in full at the end of 2024-25.

City Fund demonstrated positive performance in terms of complaints escalated to the Ombudsman in-year, of which there were none. Internally, complaints data collection and monitoring is somewhat inconsistent and there is opportunity to improve this.

In preparation for an expected CQC inspection in Adult Social Care Services in 2024-25 City Fund has undertaken a self-assessment against the Adult Social Care Self-Assessment Framework and a Local Government Association Peer Review. Outcomes are positive, and areas for improvement have been highlighted. The findings from these two assessments have informed the internally developed Adult Social Care Service Improvement Plan, which is expected to be delivered in 2024-25. Robust governance arrangements to monitor progress against the Plan are in place.

City Fund has prioritised improved resident engagement through initiatives such as City Question Time events and the appointment of a Resident Campaigns and Communications Manager. Additionally, the development of the People Strategy reflects a commitment to inclusivity, employee involvement, and long-term organisational development.

City Fund maintains a Contracts Register and reporting of the register is improved to ensure compliance with the requirements of the new Procurement Act regulations, ahead of their effective date. Procurement policies and procedures are being updated to comply with the new Act and contract management arrangements, naturally, follow on from the procurement phase of any project. City Fund does not have a standardised approach to contract management and there can be inconsistencies in approach dependent on individual departments or contract managers. There is an opportunity to make improvements in this respect to generate efficiencies.

City Fund is delivering economy, effectiveness and efficiency through its arrangements and we have only identified one improvement recommendation in relation to contract management, which demonstrates the overall strength of arrangements in this area.

Executive summary



Overall summary of our Value for Money assessment of City Fund's arrangements

Auditors are required to report their commentary on City Fund's arrangements under specified criteria and 2023-24 is the fourth year that these arrangements have been in place. The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. A summary of our judgements are set out in the table below.

Criteria	2022-23 Auditor judgement on arrangements	2023-24 Risk assessment	2023-24 Auditor judgement on arrangements	Direction of travel
Financial sustainability	A No significant weaknesses in arrangements identified but improvement recommendations made.	No risks of significant weakness identified.	A No significant weaknesses in arrangements identified but improvement recommendations made.	↔
Governance	A No significant weaknesses in arrangements identified but improvement recommendations made.	No risks of significant weakness identified.	A No significant weaknesses in arrangements identified but improvement recommendations made.	↔
Improving economy, efficiency and effectiveness (3E's)	A No significant weaknesses in arrangements identified but improvement recommendations made.	No risks of significant weakness identified.	A No significant weaknesses in arrangements identified but improvement recommendations made.	↔

- G** No significant weaknesses in arrangements identified or improvement recommendation made
- A** No significant weaknesses in arrangements identified, but improvement recommendations made
- R** Significant weaknesses in arrangements identified and key recommendations made

Opinion on the financial statements and use of auditor's powers



Opinion on the financial statements



Audit opinion on the financial statements

We issued an unqualified opinion on City Fund's financial statements on 17 October 2024.

The full opinion is included in City Fund's Annual Report for 2023-24, which can be obtained from City Fund's website.

Grant Thornton provides an independent opinion on whether City Fund's financial statements:

- give a true and fair view of the financial position of City Fund as at 31 March 2024 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023-24; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with:

- International Standards on Auditing (UK);
- the Code of Audit Practice (2020) published by the National Audit Office; and
- applicable law.

We are independent of City Fund in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Findings from the audit of the financial statements

City Fund provided draft accounts in line with the national deadline.

Draft financial statements were of a good standard and supported by detailed working papers.

Audit Findings Report

We report the detailed findings from our audit in our Audit Findings Report. Our report was presented to City Fund's Audit & Risk Management Committee on 23 September 2024. Requests for this Audit Findings Report should be directed to City Fund.

Opinion on the pension fund statements



Audit opinion on the financial statements

We issued an unqualified opinion on the Pension Fund's financial statements on 17 October 2024 following the Audit and Risk Management Committee meeting on 23 September 2024

Consistency report on the financial statements within the Pension Fund Annual Report

The Pension Fund is required to publish a separate Annual Report by 1 December 2024. We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent, in all material respects, with the audited financial statements with the administering authority's financial statements. We have received a draft of the Annual Report from the Pension Fund and are completing our work upon it. We anticipate being able to issue our 'consistency' opinion ahead of the 1 December Annual Report deadline.

We do note that whilst an opinion on the administering authority's financial statements can be issued by their auditor the formal certificate confirming completion of the audit of the administering authority cannot be given until their work on Whole of Government Accounts and our work on the Annual Report has been completed.

Grant Thornton provides an independent opinion on whether the Pension Fund's financial statements:

- give a true and fair view of the financial position of the Pension Fund as at 31 March 2024 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023-24; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with:

- International Standards on Auditing (UK);
- the Code of Audit Practice (2020) published by the National Audit Office; and
- applicable law.

We are independent of the Pension Fund in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Findings from the audit of the financial statements

The Pension Fund provided draft accounts in line with the national deadline. The draft financial statements were of a good standard and supported by detailed working papers.

We identified no adjustments to the financial statements which would have resulted in adjustment to the key statements and the reported net assets for the year ending 31 March 2024 but we did identify nine disclosure adjustments in the course of our audit procedures that the pension fund has amended. We did not identify any unadjusted misstatements we were required to report and have raised three best practice recommendation for management.

Opinion on the pension fund statements (continued)

Events after the balance sheet date

As part of our closing procedures, and following the issue of our final Audit Findings Report (see below), we were informed that the City of London Corporation (as an employer) had become aware that some casual workers have not been made sufficiently aware of their pension rights in respect of auto enrolment into the Pension Scheme. The Corporation has informed the Pensions Regulator advising of the potential breach, together with the actions being taken and to propose a remedy and awaits the Regulator's response. This is disclosed within the City Fund's accounts within Events After The Reporting Period (Note 39).

We considered:

- a) whether this was a matter that would also require separate disclosure with the pension fund accounts and concluded that separate disclosure was not required. We also received a further bridging e-mail confirming that no matters other than this have happened. On this basis we are satisfied our audit opinion on the pension fund financial statements is unaffected, and
- b) whether there were potential VFM matters to report - the actions to date have been appropriate and the outcome from the regulator is awaited, as such no recommendations have been made.

Audit Findings Report and Prior Year Accounts

We report the detailed findings from our pension fund audit in our Audit Findings Report. Our interim report was presented to City Fund's Audit & Risk Management Committee on 23 September 2024 and a final version issued on 7 October 2024 with only minor changes confirming completion of outstanding work. Requests for this Audit Findings Report should be directed to City Fund.

Use of auditor's powers

We bring the following matters to your attention:

2023-24

Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly.

We did not make any written recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.

Public Interest Report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We did not issue a public interest report.

Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

We did not make an application to the Court.

Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

We did not issue any advisory notices.

Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

We did not make an application for judicial review.

Value for Money Commentary on arrangements



The current local government landscape

It is within this context that we set out our commentary on City Fund's value for money arrangements in 2023-24 and make recommendations where any significant weaknesses or improvement opportunities in arrangements have been identified.



National context

Local government in England remains a challenged sector. In recent years, generationally significant levels of inflation put pressure on councils' general fund revenue and capital expenditure. The associated cost of living crisis drove an increase in demand for council services such as social care and homelessness. At the same time, the crisis impacted adversely on key areas of council income that were needed to service the increase in demand, for example fees and charges and the collection rates for council tax, business rates and rents.

For Housing Revenue Accounts, inflation in recent years led to cost increases often outstripping rent rises. In the coming years, new legal duties on landlords are expected to increase costs further, without there necessarily being any additional funding to cover the new costs. At the same time, high construction prices are making it harder for councils to invest in the new accommodation which might have helped make savings in the revenue account, for example on temporary accommodation and homelessness. Housing Revenue Accounts are under further pressure due to regulatory challenges in housing quality in the light of national issues in respect of cladding and damp/mould issues.

In January 2024, the UK government announced an additional £600 million for local government, but the Spring Budget for 2024 brought little in the way of any further support. Rising costs of delivering services, coupled with workforce shortages in key areas, supply chain fragility, and rising interest rates for servicing debt, brought a level of crisis to the local government sector perhaps never experienced before. Current warning signs of difficulty include:

- Seven councils issuing eleven section 114 notices between 2019 and 2023, compared with two councils issuing notices between 2001 and 2018, with an increasing number of other councils publicly warning of section 114 risk;
- Twenty councils being with government approval for exceptional financial support during 2024-25, totalling approximately £1.5 billion. Only six of these councils had previously issued a section 114 notice.; and
- The Local Government Association warning that councils in England face a funding gap of £4 billion over 2023-24 and 2024-25.

Local government is coming under an increased spotlight in terms of how the sector responds to the financial challenge it faces. Since the start of 2024, the UK government has emphasised the need for increased productivity rather than increased funding. New plans were announced by the Chancellor in March 2024 for public sector productivity to deliver up to £1.8 billion worth of benefits by 2029. Councils were subsequently asked to submit productivity plans, showing how they will improve service performance and reduce wasteful spend.

The July 2024 general election led to a change in government, and changes to government policy and legislation relating to the sector are emerging at the time of producing this report.



Financial sustainability

We considered how City Fund:

Commentary on arrangements

Assessment

Ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

City Fund underspent by £46m against a revised budget of £172.5m for 2023-24. The underspend was almost entirely attributable to the Finance Department as a result of unused contingencies set aside within the budget, slippage in Supplementary Revenue Projects, additional income received on cash balances held and rental income from investment properties. City Fund was able to contribute £23.2m to reserves as planned, as well as carry forward £11.2m of unused contingencies into 2024-25 to fund known pressures and balance the budget. There are overspends within the position in relation to Community and Children's Committee and Port Health and Environmental Services. The total overspend is comparatively small compared to actual net expenditure at 2.6%. The reasons for the overspend are fully understood and actions are being taken to respond.

The 2024-25 budget and MTFP for City Fund was approved by Common Council on 7 March 2024. It assumes net expenditure of £196.5m and supports a further contribution to reserves of £21.7m to achieve a balanced budget. The reserves position at City Fund continues to support medium-term financial sustainability. The General Fund plus earmarked reserves for 2024-25 are £238.8m, therefore City Fund has more reserves than planned expenditure. The Medium-Term Financial Plan (MTFP) includes a deficit position in 2026-27 and 2027-28 totalling £48.4m. Current levels of reserves would be sufficient to support the deficits and still maintain a strong position. In addition to reserves, City Fund mitigates budgetary risks and pressures by setting aside contingencies within the budget each year for known and quantifiable pressures such as pay and price inflation.

The medium-term position between 2024-25 and 2027-28 is a surplus position of £10.1m, despite gaps in the latter years of the Plan. Having reviewed key income and expenditure assumptions we have determined that these are reasonable estimates based on supporting evidence, the S151 Officer's Statement on the robustness of estimates concurs. This is with the exception of estimates in relation to business rates in the medium-term, which may be over-prudent in their assumptions.

City Fund's significant Operational Property requires a large volume of repairs and maintenance which have built up because of funding constraints over several years. Included within the MTFP is a funding allocation totalling £145m for the next five years to address the accumulated backlog of maintenance, and prevent further dilapidation and degradation of property, and failure to meet statutory compliance requirements. This is set aside within a Cyclical Works Reserve. The Barbican Arts Centre is central to this programme. Although it has received dedicated funding to support the essential works it requires there is evidence that this not sufficient in the medium-term to support the full scale of the estimated works required and allow City Fund to explore income generation opportunities from the Centre. As such, the estimates within the programme should be reviewed to ensure they reflect the full scale of the works and ensure they can be appropriately financed.

Amber

No significant weaknesses in arrangements identified, but improvement recommendations made



Financial sustainability

We considered how City Fund:

Commentary on arrangements

Assessment

(Continued)

City Fund is a provider of social housing and as such maintains a Housing Revenue Account (HRA), ringfenced by legislation to support expenditure on City Fund's housing stock. The budget is set annually and is separately identifiable from the City Fund budget. The outturn position achieved was a small £0.083m surplus, £0.195m lower than the final agreed budgeted £0.278m surplus, producing a year-end balance on HRA reserves of £0.309m. The HRA continued to experience significantly higher than budgeted repairs and maintenance, and supervision and management costs. This was partly offset by higher rent and service charge income than budgeted, and a lower transfer to the Major Repairs Reserve (MRR).

The HRA reserve position remains low, as highlighted in our prior year report, however it also remains stable, and this is expected to continue in 2024-25 and 2025-26 per the current 5-year HRA forecast. The forecast predicts an improvement in reserves between 2026-27 and 2028-29, increasing from £0.412m to £1.8m. Having reviewed the assumptions in developing this expectation we note the need for a review to ensure the medium-term outlook is realistic – the current focus is on cost-side factors with less consideration of demand-side pressures in growth assumptions.

The overriding cause of the low reserves position is unanticipated demand for Emergency Building Repairs in recent years. The escalating costs and escalation to the emergency category reflects the poor performance of the incumbent contractor. Other issues include the impact of the government-imposed rent cap on income, inflation in construction costs and delays in completing new build units. City Fund has responded by increasing oversight of the Repairs Management Team, undertaking staffing changes within the Housing Team to ensure appropriate capacity and experience, and undertaking several reviews of the service to provider recommendations to improve outcomes.

From a capital perspective, the HRA assumes that the Major Works Programme will be complete in 2026-27, however evidence suggests that works will likely span beyond that timeframe and so the forecasts may be optimistic in their assumptions and review of these should be prioritised.

Our work in this area, including a focussed review of HRA sustainability, resulted in identifying opportunities for improvement and we have raised three improvement recommendations to further enhance arrangements. Further details can be found on pages 20-21 of this report.

Amber

No significant weaknesses in arrangements identified, but improvement recommendations made



Financial sustainability

We considered how City Fund:

Commentary on arrangements

Assessment

Plans to bridge its funding gaps and identifies achievable savings

City Fund's 2023-24 MTFP included £4.33m of unidentified savings, with £0.43m expected to be delivered in-year. However, a review found the remaining savings had to be re-profiled into later years of the MTFP as existing timescales were deemed unrealistic, with £0.28m written off as undeliverable. Surpluses in other areas offset this shortfall within the 2023-24 outturn, and so the financial position was not negatively impacted.

For 2023-24 and prior years, savings were identified and delivered via the Target Operating Model (TOM), Fundamental Review and 12% Reduction. These programmes have now exhausted new savings that can be identified and seek to deliver already identified savings in the medium-term. City Fund will not have a new savings program in 2024-25, to allow services space to rethink their delivery models. The Resources and Priorities Refresh Programme (RPR) is expected to replace prior year savings programmes and is currently in the design phase, and not yet a fully developed savings programme. Despite the lack of savings programme, the 2024-25 position within the MTFP is a forecast surplus. There are budget gaps in the latter years of the current MTFP, which will need to be addressed through the RPR, although overall the medium-term outlook is a cumulative surplus, and so provides time for City Fund to develop a robust response. There is evidence that Members have been well-engaged in the RPR development process to date, which has been supported by a 'deep dive' process at service level as part of the 2025-26 budget setting process.

City Fund is enhancing governance and project management processes alongside developing the RPR to maximise success. To date this has included the establishment of the Efficiency and Performance Working Group for increased scrutiny of savings and seeking to replace its existing Project Management System for more efficient end-to-end management of projects.

In 2023-24 and prior years, savings performance was monitored implicitly through the budget monitoring reporting. This focusses on outturn performance at City Fund and directorate level, with no information on the success of individual savings schemes. This process has continued for 2023-24 and 2024-25 to date. Going forwards quarterly budget monitoring reports are expected to provide more detailed monitoring and reporting.

Based upon the evidence we have reviewed, we have concluded that arrangements in relation to savings are in a transition period, therefore providing and opportunity to update arrangements during this development phase. We have therefore raised an improvement recommendation. Further details can be found on page 22 of this report.

Amber

No significant weaknesses in arrangements identified, but improvement recommendations made



Financial sustainability

We considered
how City
Fund:

Commentary on arrangements

Assessment

Plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The Corporate Plan was updated and approved in 2023-24 and covers the period 2024-2029. We observed clear alignment between the Plan and the investment/growth within the MTFP and Capital Programme, demonstrating strategic resource use. The Housing Strategy was developed in-year and an early draft finalised in 2024-25. The Housing Strategy responds to our prior year recommendation to develop a forward-looking strategy in this area. A supporting Action Plan is now required to facilitate delivery of the objectives of the Strategy.

The 2023-24 outturn and 2024-25 budget and MTFP cites Adult Social Care and Children's Social Care as cost pressures. These are common pressure in the sector. However, the budget and other reporting to Members lacks detailed analysis of the causal factors in relation to these cost pressures and could they can be improved. Temporary Accommodation is also an observed pressure. City Fund is taking steps to address Temporary Accommodation costs through a procurement exercise for a Placement Platform with more preferable rates. However, further research may identify other mechanisms to tackle the demand and supply side factors also contributing to the pressures in this area.

We have raised three improvement recommendations to further enhance these arrangements. Further details can be found on pages 22-23 of this report.

Amber
No significant weaknesses in arrangements identified, but improvement recommendations made

Ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system

The MTFP aims to achieve operational efficiencies through various key strategies, including the Resources and Priorities Refresh, Climate Action Strategy, People Strategy, Digital Services Strategy, Asset Management Strategy, and Local City Plan. In 2023-24 and early 2024-25 the focus has been on developing the Corporate Plan, Housing Strategy, People Strategy, and Local Plan, with the aim of embedding these strategies throughout 2024-25. However, there is a need to complete the People Strategy, develop a People Plan, and establish clear financial links to ensure effective implementation.

The Treasury Management Strategy and Annual Investment Strategy for 2023-24 has been successful in managing City Fund's financial position, with investment income achieved far ahead of budget which substantially contributed to the £46m surplus position at year-end, along with mitigated overspends in pressured services. This position was achieved via short-term investment instruments. The high prevailing interest rates which led to the advantageous financial position are not expected to recur and so City Fund may wish to evaluate the effectiveness of its investment approach in light of a forecast decrease in interest rates in the medium-term.

City Fund developed and approved its Capital Strategy 2023-24 to 2028-29. This was approved alongside the 2024-25 MTFP and Budget. This Capital Strategy sets out capital investment plans for the next five years, covering both expenditure and financing, and continues to avoid borrowing to protect revenue. It commits £1.4bn of investment in capital projects across the 6-year period (inclusive of 2023-24) to meet its objectives within the Corporate Plan.

Amber
No significant weaknesses in arrangements identified, but improvement recommendations made



Financial sustainability

We considered
how City
Fund:

Commentary on arrangements

Assessment

(Continued)

Capital expenditure in 2023-24 amounted to £180.8m for City Fund, which is £143.3m less than the £324.2m budget for the year. Monthly forecasting of the programme allowed City Fund to fully understand the causes of the slippage, predominantly the need for improved forecasting and project governance. This has led to a targeted response including a Project Governance Review and training for Project Managers.

The initial HRA Capital Programme budget was £72.7m, this was revised downwards in the year based on updated projections to £50.5m, and the outturn position was £32m expenditure – 55% slippage compared to the original budget. It is clear that Officers understand the underlying cause of slippage in specific projects, which highlights the need for improvements in due diligence in the early stages of projects. City Fund should conduct a ‘lessons learned’ appraisal on the specific projects causing the most significant slippage (New York Way and Sydenham Hill – HRA) to avoid similar issues in the future. Additionally, a review of the HRA Capital and Major Repairs Reserve assumptions is recommended to ensure affordability and sufficient reserves going forward.

We raised three improvement recommendations to further enhance these arrangements. Further details can be found on pages 23-24 of this report.

Amber

No significant weaknesses in arrangements identified, but improvement recommendations made

Identifies and manages risks to financial resilience, e.g. unplanned changes in demand including challenge of the assumptions underlying its plans

City Fund identifies financial risks in the budget documentation for review by decision makers. The majority of risks identified align with expectations from common issues in the sector and City Fund-specific operations. We note that pressures in relation to Temporary Accommodation and the associated costs are not acknowledged. There continues to be limited information on potential financial impact of internally controlled risks. City Fund does not plan for scenarios in the MTFP, although they have undertaken detailed stress testing for business rates income. Contingencies have been underspent in the last four years, suggesting a prudent approach, and the unallocated contingency for 2024-25 has already significantly reduced, indicating a more realistic amount.

No new recommendations have been raised in this area, although prior year recommendations remain partially unaddressed – see page 47 for more details.

Amber

No significant weaknesses in arrangements identified, but improvement recommendations made

Financial sustainability

Financial sustainability areas for improvement

Business Rates assumptions

For 2024-25 City Fund set at a 0.4p increase in the Business Rates Premium from the prior year (when it was increased by 0.2p) This is expected to raise £8.1m per year additional income and is assumed to remain constant over the medium-term. This is evidence of maximising a key income stream. City Fund has recent history of rate increases, yet the rate remains static in the Medium-Term Financial Plan. As such, there is evidence of over-prudence in the MTFP assumption, presenting the opportunity to review the assumption in the next budget and as business rate reforms are announced. Any changes must be reviewed, accepted and approved by Members.

Improvement recommendation 1: City Fund should, in collaboration with Members, review business rate assumptions to ensure they are realistic in the medium-term.

Barbican works assumptions

As part of the Cyclical Works Programme the Barbican Arts Centre received £25m approved by Court of Common Council in March 2023 to support critical health and safety needs, and conditioning surveys which will enable essential works to be undertaken over the next two years. No further provision has been made to support the full cost of essential works at the Barbican Centre, estimated to be £451m, unfunded at present. It is recognised that a further £30m is required to support the urgent health of the Centre annually, in addition to the £25m already committed. The business case is being developed with a view to address the capital expenditure required, identify funding opportunities, plus identifying opportunities through income generation which will seek to reduce the on-going annual £30m commitment over the longer-term. The expectation is to present the opportunities to Executive Leadership Board and Members in the autumn. Therefore, the MTFP and Capital Programme could be seen to be optimistic in its assumptions around the Barbican repair programme in its current form, as it is known that there are significant ongoing

pressures and a business case is in development, but no estimates are included in financial planning. In addition, we are aware that City Fund has aspirations of undertaking improvement works, as opposed to only essential works, to maximise income generating opportunities from using the Barbican as an events space.

Internal Audit issued a Limited Assurance opinion in relation to Barbican Estate – Charging for Repairs. Therefore, prior to commencing any works City Fund will need to ensure that recommendations are responded to in full to ensure that value for money is achieved in the works undertaken and estimated within financial planning.

Improvement recommendation 2: City Fund should review its assumptions in relation to the Barbican Capital and Cyclical Works Programme to ensure that it is affordable in the medium-term. Prior to embarking on any additional works included in the financial planning City Fund will need to address Internal Audit's concerns around controls in the repairs programme.

HRA assumptions

The improvement in the HRA reserves position from £0.012m to £1.8m between 2026-27 and 2028-29 is expected to be achieved by increases in rental income, which increases until 2026-27 and 2027-28, then remains stable at 3% increase each year. At the same time there are far more modest increases in expenditure, with the outlook suggesting better control on costs associated with repairs and maintenance and employees. These are around 3% each year, in line with inflation per the Treasury information and deemed a reasonable assumption in the medium-term. However, the 2023-24 and prior years' outturns have also noted demand, as well as cost pressures, being responsible for overspends on repairs and maintenance due to demand for breakdown and emergency repairs, including significant fire safety work. The outlook suggests that increases on expenditure are inflation-related only and limited assumptions made for demand-side factors. Having reviewed other sources of information,

Financial sustainability

such as the Housing Complaints Reporting, the information suggests that ongoing demand for repairs and maintenance should be expected. In 2023-24 there was an 84% increase in repairs complaints based on the previous year. The increase for housing management complaints was 55% for the same period. Should the expenditure estimates turn out to be inaccurate, or with key demand-side factors omitted, the forecast may not be reliable. With such low reserves figures this is suggestive that the HRA may not be sustainable, and immediate action is required to ensure that detailed analysis of future unit costs, total costs and demand is undertaken, and forecasts updated to reflect these.

City Fund has a new HRA Associate Director who is undertaking an internally-led Housing Review. The review follows on from external review recommendations from Savills on the Blueprint for successful regeneration, Pennington's work on Customer Service, and an Independent Person who provided a review of how the HRA is managed. As such, City Fund is gathering significant amounts of data and opinion in this area. These pieces of work have focussed on identifying efficiencies, identifying projects not in the pipeline that are urgent, and reprioritising current plans. Action plans need to be developed to take forward the recommendations from these reviews. We confirmed that this is planned for September 2024, and so not yet mobilised at the time of writing this report. City Fund is aware of the need to review the HRA to ensure assumptions are appropriate and is working on a revised 5-year Plan to be taken to September 2024 Member Meeting.

Once this analysis is undertaken City Fund may seek to limit the impact of the demand- and unit cost- side pressures by liaising with other bodies to identify good practice and apply relevant transformational approaches to their HRA repairs programme. Leeds City Council Innovation and Repairs Transformation and the Digital Landlord approach at Glasgow have been identified as potential research opportunities. The councils' forward-looking actions have been observed to align with some of the challenges the programme seeks to resolve.

From a capital perspective no provision has been made in the Major Works Programme for future additional projects that have been identified in the latest full or any new stock condition survey and therefore capital works are expected to complete by the end of 2026-27. City Fund is committed to investing around £110m on a Major Works Programme, which was originally intended to be a 5-year programme

however, the size and complexity of some of the projects included, along with initial staff resourcing issues, has meant that it is more likely to take 7 or 8 years to complete. There is evidence of a future repairs programme and likelihood of works identified from stock condition surveys that are not accounted for beyond 2026-27 and so as part of the review of the HRA, assumptions in relation to the repairs programme are required.

In 2023-24 City Fund focussed on developing robust underlying governance arrangements in housing by updating its Strategy and making staffing changes within the Housing Team. Now these are in place there is an opportunity to review detailed forward-looking plans.

Improvement recommendation 3: City Fund should review its HRA assumptions to ensure the medium-term outlook is realistic and sustainable. Detailed analysis of demand, total cost and unit cost factors would be useful in supporting this review. The review should specifically consider estimates around capital, repairs and income. In reviewing the repairs element of the HRA City Fund has the opportunity to identify successful examples elsewhere in the sector and apply to their own challenges. Following internal and external Housing Service and HRA reviews City Fund should develop detailed action plans to progress recommendations and monitor these effectively to completion.

Savings planning

Although the Resources and Priorities Refresh Programme (RPR) is expected to consist of multiple workstreams, City Fund is currently prioritising those in relation to Asset Management and specific areas of Income Generation. There are budget gaps in the latter years of the current MTFP, although a surplus overall, and so it is imperative that City Fund fully develops the workstreams currently in train to ensure it can close the gaps and maintain financial control. As the RPR develops, transparency could be improved by providing Members with a clear analysis demonstrating whether the RPR is sufficient to achieve aims, allowing for further preventative actions to be taken as required.

Financial sustainability

In 2023-24 and prior years, savings performance was monitored implicitly through the budget monitoring reporting, at outturn level. Through the 2025-26 budget 'deep dive' process data is gathered at individual saving scheme level, and so the change in process and development of the RPR presents the opportunity to track savings in more detail. This is yet to be observed and would increase Member awareness of performance in this area. It is expected to form part of the 2025-26 budget setting process.

Procuring a new Project Management System is expected to significantly enhance City Fund's project and programme management processes. The anticipated cost of the new system over a 5-year period is likely to be in the region of £1.4m, a procurement exercise has not yet been run as the business case undergoes required internal review and approval processes. City Fund would benefit from undertaking more detailed analysis linking the cost of the system to the expected savings from the RPR, and existing savings programmes in place. This will aid in the procurement process as well as financial planning.

Improvement recommendation 4: As City Fund continues to develop savings via the RPR process and Project Management System procurement it should seek to improve arrangements by:

- Analysing the ability of the RPR to fully mitigate gaps in the MTFP and present this to Members.
- Develop a savings monitoring framework to effectively track savings delivery via the RPR and present this to Members alongside budget monitoring.
- Producing a cost-benefit analysis of the proposed Project Management System, considering savings it could feasibly deliver in the RPR and MTFP.

Housing Action Plan

We acknowledge that work has commenced on developing a forward-looking Housing Strategy, as recommended in our 2022-23 Auditor's Annual Report. The current draft of the Strategy includes 5 key aims and a series of high-level actions that should be taken to meet these aims. The Strategy clearly seeks to respond to the challenges observed within the HRA on repairs and maintenance overspends and capital programme underspends. City Fund is in the process of developing and

updating various strategies that underpin the Corporate Plan, some are more progressed than others, notably the People Strategy and the Climate Change Strategy. These strategies are supported by an Action Plan that translates strategic aims into operational tasks. City Fund would benefit from developing a corresponding Plan for the Housing Strategy which includes clear actions, responsible individuals, to metrics to measure success of outcomes and a framework for monitoring performance.

Improvement recommendation 5: City Fund should develop a Delivery Framework to support the Housing Strategy to ensure its aims can be successfully delivered, operationally. The Framework should include clear actions, responsible individuals, to metrics to measure success of outcomes and a framework for monitoring performance.

Additional social care analysis

The 2024-25 budget includes additional funding of £0.470m for Adult Social Care and Children's Services. This is small in the context of the net budget requirement and has been fully met by increases in council tax of 2.99% and 2% for the social care precept element. These are common pressures across the sector and although City Fund made an in-year surplus for 2023-24, underlying deficits in social care occurred which may pose financial challenges in future years if unaddressed. We acknowledge that City Fund has a relatively small population requiring access to these services when compared to other London councils, however control of overspends may realise medium-term financial benefits, particularly in later years of the MTFP. Members are provided with limited analysis of unit costs, demand, total costs, trends or benchmarking of these services. Providing additional information would increase awareness of the specific causal factors of the pressure.

Improvement recommendation 6: City Fund should undertake detailed analysis of the causal demand, unit cost, total cost and supply side factors impacting social care and present these to Members to inform the response to mitigating the pressures being observed.

Financial sustainability

Temporary accommodation pressures response

Data shows a sharp increase in households in Temporary Accommodation between March 2022 and December 2023. This concurs with the trends identified in City Fund’s own analysis. City Fund has a low residential population, compared to other councils, however rising costs have been identified as a pressure in the medium-term. City Fund makes placements via online platforms which it must pay to access but has identified an opportunity to reduce costs by accessing a specific Housing Placement platform with preferable rates (20-35% cheaper) and is currently progressing the procurement process. City Fund clearly understands its cost, demand and supply pressures in temporary accommodation and has begun to take action in relation to cost factors. The opportunity exists to explore the market and sector for further opportunities to respond from the supply and demand factors

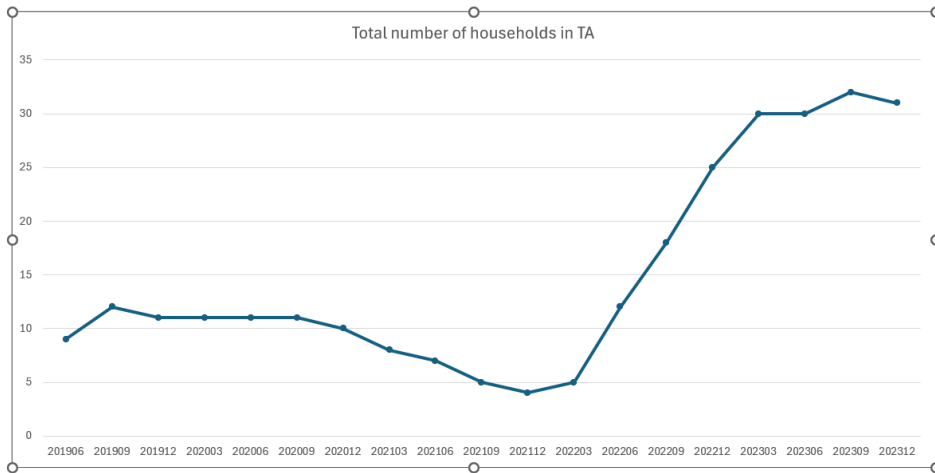
Examples observed elsewhere include the use of 'stackable pods' at Ashford Council, which are deemed to be more cost effective and quicker to erect than standard housing solutions and the use of long-term empty property at Thanet District Council being converted into a source of temporary accommodation. Other examples may exist that may be more suitable for City Fund.

Improvement recommendation 7: City Fund should undertake targeted research into appropriate temporary accommodation solutions which respond to demand, supply and cost factors causing pressures in this service.

People Strategy update

We acknowledge the positive progress that has been made in developing a People Strategy which is clear in its aims, how they will be achieved and associated metrics for measuring success. There is inconsistency within the Strategy in the setting of a clear target and a baseline for each metric, which appears to still be a work in progress, nor does there appear to be detailed consideration of financial impact. To ensure effectiveness of the Strategy in delivering its aims, priority should now move to completing it in full and developing a supporting People Plan which translates the overarching strategic objectives into an operational plan. The Plan should consider how the establishment will be impacted within each department, the associated financial impact and link to the MTFP. As the Strategy is newly developed, yet to embed and metrics incomplete, we have not identified any monitoring of the performance of the Strategy.

Improvement recommendation 8: City Fund should ensure the People Strategy is completed in full so it can begin to embed. It is important a People Plan is developed to translate the strategic objectives into tangible actions to achieve them. A framework will be required to ensure progress of the actions within the Plan are effectively monitored.



Financial sustainability

Treasury Management approach

City Fund's Treasury Advisors expect interest rates to fall (2023-24 5.25%, 2024-25 3.75% and 2025-26 3.00%). City Fund's Treasury Management Strategy focusses on liquidity which has led to an investment approach focussed on short term instruments. This is in line with CIPFA standards. However, with interest rates expected to fall and short-term instruments tending to carry lower rates of return than long-term instruments City Fund could benefit from revising its approach to long-term investments. The Strategy does include provisions and limits which allow for such investments, with the approach approved by Members.

In 2023-24 City Fund made an average return on investments of 5.97%, relying on short-term liquid investments. Comparison with a large London borough council shows similar returns with a diversified portfolio. Therefore, the strategy for 2023-24 can be deemed appropriate, but in light of forward interest rate insights City Fund may consider revising its approach for 2024-25 and beyond. City Fund has a strong balance sheet with a current asset to current liability ratio of 2.8 times more assets than liabilities. This provides an opportunity to benefit from higher interest rates on longer-term products, whilst still maintaining liquidity. There is greater diversification observed within City Estates (not covered by our VFM work), when considering City Fund as a whole, and therefore there is scope to consider this approach to City Fund.

Improvement recommendation 9: City Fund consider reviewing its investment portfolio across long- and short-term instruments to balance liquidity with securing higher returns to protect the medium-term financial position.

HRA capital, repairs and maintenance improvements

The current Major Repairs Reserve (MRR) to the HRA assumes that there will be no capital works or financing required in 2027-28 or 2028-29, the latter two years of a 5-year forecast. City Fund has experienced overspends, delays and regularly undertakes stock condition surveys, all of which could feasibly render this outlook unrealistic. The MRR balance in all years of the 5-year forecast is low in comparison to the level of capital expenditure expected (between £0.227m and £0.545m, which is around 0.7-0.8% of the overall capital programme in the relevant years). As such, a review of the HRA assumptions around repairs and capital is required to determine if works are affordable over the medium-term. It is our understanding this review is intended for September 2024.

The key projects causing slippage in the HRA capital programme are New York Way Estate Provision of Social Housing which is £13.4m underspent and Sydenham Hill – Provision of Social Housing which is £11.4m underspent. These two projects account for half of the slippage. Discussions with officers confirm that reasons for slippage are fully understood and are due to two Judicial Reviews, the need to comply with new building regulations, asbestos discovery for Sydenham Hill, and 11 formal delay notices from the contractor for emerging issues such as asbestos and structural survey findings for New York Way. This suggests improvements may be needed for due diligence/surveying in the early stages of costing projects to ensure issues are identified and costed at the business case stage. City Fund has confirmed its intention to undertake a 'lessons learned' appraisal on both projects.

Improvement recommendation 10: City Fund should seek to improve arrangements in relation to HRA capital and repairs by undertaking a 'lessons learned, exercise on slippage on Sydenham Hill and New York Way projects. In addition, it should review current capital and repairs reserve forecasts for optimism bias and affordability.



Governance

We considered
how City
Fund:

Commentary on arrangements

Assessment

Monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

The Audit & Risk Management Committee (A&RMC) continues to be responsible for oversight of the Risk Management Strategy, ensuring key risks were reviewed through regular risk updates and deep dives of corporate risks on a rolling basis. Those Charged with Governance were supported by the Chief Officer Risk Management Group (CORMG), who met regularly, issued risk reports to the Executive Leadership Board, and established cross-cutting portals in the electronic risk register to identify emerging risks.

City Fund continues to use a well-established and understood Risk Management Framework, set out in their existing Risk Management Strategy. Risks are effectively reviewed throughout the year by the Committee as we have observed changes in scores, number of risks and RAG ratings. The number and type of risks are reflective the environment in which City Fund operates, with no notable omissions. An updated Risk Management Strategy has been agreed and is expected to be implemented in 2024-25. The Risk Management Policy, which translates this strategy into tangible actions, is being updated simultaneously, demonstrating a proactive approach of continuous improvement to risk management within the organisation.

Further evidence of City Fund's ongoing improvement journey is demonstrated by use of external consultants, Zurich Resilience Solutions, to review and raise recommendation specifically on risk culture and appetite. Work to implement the recommendations is ongoing. Internal Audit has not explicitly conducted a review of risk management arrangements, except for completion of reviews of deep dive risks selected by the A&RMC. This would be of benefit to ensure that changes being made to the process embed effectively and have the expected outcomes.

City Fund continues to be well-supported by its internal Counter Fraud Service. Their work is underpinned by City Fund's Anti-Fraud and Corruption Strategy which establishes the underlying governance framework for preventing and detecting fraud. The latest strategy is dated 2019 and requires updating to remain relevant and fit for purpose. We expect key policies such as this to be reviewed every 3-5 years. Internal Audit is responsible for maintaining a confidential and secure register of all concerns raised through the Whistleblowing Policy. The Policy itself is dated 2021 and was expected to be reviewed in 2023-24 – this is ongoing, and finalising the Policy is a priority for 2024-25.

Internal Audit's annual report provided positive assurances on City Fund's system of internal control. However, it noted that capacity issues in the function meant a smaller than anticipated programme of work was undertaken to deliver the opinion. The Head of Internal Audit made clear that this approach was not sustainable, and if it continued would impact the ability of the service to provide an opinion in future years. We reviewed Internal Audit arrangements in detail and observed a weakness in arrangements in relation to Internal Audit capacity, however we do not deem this to be a significant weakness and propose to raise an improvement recommendation.

Our work in this area, including a focussed review of Internal Audit arrangements, resulted in identifying opportunities for improvement and we have raised four improvement recommendations to further enhance arrangements. Further details can be found on pages 30-31 of this report.

Amber

No significant weaknesses in arrangements identified, but improvement recommendations made



Governance

We considered how City Fund:

Commentary on arrangements

Assessment

Approaches and carries out its annual budget setting process

The budget setting process for 2024-25 remained consistent with the prior year (it was being undertaken at the time of our 2022-23 VFM work, providing limited opportunity for recommendations to be addressed). The process was deemed to be robust and recommendations minimal. The 2024-25 process has continued to demonstrate effective stakeholder engagement through the Star Chambers process and incorporates sufficient time and resource of for challenge and scrutiny of the budget through its existing arrangements. The 2025-26 budget setting process is currently underway, with a strong emphasis on addressing prior year recommendations and enhancing the effectiveness of the budget.

Noteworthy improvements being implemented as part of the 2025-26 budget setting process include deep dive sessions led by Finance with Chief Officers and their teams. These sessions aim to understand expected pressures and planned mitigations over a 5-year period, with a focus on determining the affordability of such mitigations. Key areas of budget growth in the Medium-Term Financial Plan (MTFP) were identified, and departments are currently developing internal savings and efficiencies to meet their investment requests.

Three workshops with the Executive Leadership Board (ELB) were conducted as part of the budget setting process to identify potential savings. The ELB discussions focused on determining what services or activities could be ceased, exploring income generation opportunities, reviewing charity engagements, assessing potential in vacant properties, examining the Investment Strategy, and addressing areas of duplication. The ELB has actively participated in the process, demonstrating collaborative engagement.

For the 2025-26 budget setting process, the newly re-instated Efficiency and Performance Working Party is presented with results from deep dives to enhance tracking and reporting on savings throughout the year. Key risks to City Fund are identified and reported to the Finance Committee.

The ongoing Resources and Priorities Refresh Programme aims to review the operational property portfolio to identify assets with high operating costs or inefficient layouts, with the goal of optimising building occupation. An operational property review has been launched to comprehensively assess underutilised assets and explore opportunities for efficiencies.

There is wide internal stakeholder engagement across Officers, Members, Committees, and the Court of Common Council which indicates a comprehensive and inclusive approach to the process.

No recommendations have been raised and arrangements in this area are deemed to be effective.

Green

No significant weaknesses in arrangements identified or improvement recommendation made



Governance

We considered how City Fund:

Commentary on arrangements

Assessment

Ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and corrective action is taken where needed, including in relation to significant partnerships

Financial Performance continues to be monitored sufficiently regularly (at least quarterly) through a variety of channels Chief Officer monthly meetings, departmental and service committees, the Resources Allocation Sub-Committee and Finance Committee. The information is presented in sufficient detail for Members and Officers to understand key pressures, causes and subsequent actions to respond. As such, the information allows Members to effectively hold individual departments to account as required. A protocol is in place to ensure that any year-end overspends by department are met within following year budgets, unless an exception is approved by the Chairs of the Policy and Resources and Finance Committees. A similar protocol applies to carrying forward year-end underspends.

No recommendations have been raised and arrangements in this area are deemed to be effective.

Green

No significant weaknesses in arrangements identified or improvement recommendation made

Ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee

Evidence demonstrates that City Fund's Governance Framework is well-embedded and effectively followed. It ensures effective leadership, scrutiny, and decision-making, promoting transparency and strategic alignment. The review of committee papers and minutes for the 2023-24 period across various committees indicates active engagement, debate, and thoughtful consideration of strategic matters during meetings. The A&RMC continued to play a crucial role in risk management and scrutiny. Members of the Committee met sufficiently regularly, discussed a full range of relevant topics, and demonstrated effective engagement and challenge. Members are diligent, appropriately experienced and take their role seriously. They have a high level of attendance and arrangements are strengthened by the inclusion of independent members.

The Committee produces an annual report which provides Members and Officers with details of in-year Committee activities. This was produced in June 2023 for the prior year, and we have not yet seen evidence of this being produced for the 2023/24 year and no clarity on a timeline has been provided. However, the Nominations and Effectiveness Sub-Committee of the A&RMC approved a decision to evaluate the Committee's effectiveness, balance of skills and expertise and assessment of good practice following its last review in 2018. This provides alternative assurances in place of the annual report for 2023-24. The review demonstrated that the Committee is perceived to be performing effectively with some areas of improvement in regular training for the Committee, Treasury Management knowledge and experience, benchmarking external audit performance and the speed of governance processes.

The actions of the Sub-Committee in reviewing and assessing the Committee's performance reflects a commitment to upholding high standards of governance and risk management. However, we note that Member engagement in the process could have been improved with only 8 of the 15 Members submitting responses. This is noted, rather than a recommendation raised, as this process is not expected to be repeated in 2024-25 as it is not an annual exercise. Instead, City Fund should consider how Committee Member engagement could be improved as and when future similar exercises arise.

Green

No significant weaknesses in arrangements identified or improvement recommendation made

No recommendations have been raised and arrangements in this area are deemed to be effective



Governance

We considered how City Fund:

Commentary on arrangements

Assessment

Monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour and where it procures and commission services

City Fund is effectively supported in upholding high standards of conduct by the Panel of Independent Persons and the Member Development and Standards Sub-Committee of the Policy and Resource Committee. The former receives allegations of misconduct under the Members' Code of Conduct, facilitates informal resolution where appropriate, determines whether to investigate allegations, considers the outcome of investigations and if necessary, holds a hearing and any appeal and present recommendations to the Court regarding breaches of the Code and any sanctions. The latter is responsible for monitoring, upholding and reviewing City Fund's Standard's regime and for keeping under review, monitoring and revising as appropriate Guidance to Members on the Code of Conduct. The roles and responsibilities of each group are well understood and their processes well-embedded and followed.

City Fund has formal, documented complaints procedures in place for corporate complaints, Members, Schools, Adult Social Care and Family Young People' Services and as such arrangements are extensive. Governance and Member Services is responsible for monitoring corporate complaints but experienced resource limitations in the year, as such we have identified an opportunity to make improvements in arrangements.

City Fund continues to follow its Procurement Strategy 2020-2024, which remains relevant to the 2023-24 year. It is supported by a Procurement Code which was developed in accordance with the UK Public Contracts Regulations 2015. The Code serves as the framework of overarching rules to be adhered to by any officer when procuring goods, services, or works as well as serving as a guidance document, offering context, processes, and additional information related to compliance. The Code was last reviewed in July 2023 and remains up to date. City Fund engaged external consultants to undertake a strategic procurement review which is currently underway. This review, and the fact that the new Procurement Act regulations will come into effect on 28 February 2025, prompts City Fund to review and update the Strategy and Code in 2024-25 to align with new regulations and the findings of the consultancy work. Officers and Members will need to be trained in using the new procedures to ensure new regulations can be applied effectively.

There have been 8 instances of non-compliant tender waivers in-year and, although non-compliance is not encouraged, where it does occur there is a reporting mechanism in place for transparency and accountability. However, we have noted inconsistencies in the application of this reporting mechanism and have made an improvement recommendation accordingly.

Our work in this area has identified opportunities for improvement and we have raised three improvement recommendations to further enhance arrangements. Further details can be found on pages 31-32 of this report.

Amber

No significant weaknesses in arrangements identified, but improvement recommendations made



Governance

Governance areas for improvement

Updating key anti-fraud policies

The Anti-Fraud and Corruption Strategy and Whistleblowing Policy were due for review in 2023-24, however review and update of these policies is delayed to 2024-25. We expect key policies, such as these, to be updated every 3-5 years to ensure they remain relevant and fit for purpose to City Fund's operations. The Whistleblowing Policy is dated 2021 and so is still considered to be relevant based on this timeframe. However, the Anti-Fraud and Corruption Policy is dated 2019 and considered outdated by these standards.

The delay in updating the Anti-Fraud and Corruption Strategy is due to capacity challenges within the Counter Fraud Team. City Fund's Counter Fraud Manager has provided assurances that the current Strategy continues to serve its purpose, with no significant changes expected once renewed. However, continued delays to updating the Policy could lead to potential gaps in the governance framework for preventing and detecting fraud. It may be important for City Fund to address these delays and prioritise the update of the strategy to ensure that the arrangements remain effective and aligned with current fraud risks and best practices.

Improvement recommendation 11: City Fund should prioritise the renewal of the Anti-Fraud and Corruption Strategy in 2024-25.

Internal Audit review of risk management arrangements

No Internal Audit review of risk management arrangements was undertaken in 2022-23 or 2023-24. Although we would not expect assurances to be provided annually, as this is a key area of control, provision of assurances on a cyclical basis (for example every 3 years) would be beneficial. We have observed amendments being made to risk management practices as part of the refresh of the Risk Management Strategy, supporting Risk Management Policy and as a result of recommendations from Zurich Resilience Solutions (external consultants). Therefore, it would be useful for City Fund to gain assurances of the effectiveness of the changes via an Internal

Audit review or deep dive, and take actions accordingly.

Internal Audit has not formalised their full year plan for 2024-25. The Plan is developed on a 6-monthly basis, which provides the opportunity for risk management to be included in the second half of 2024-25 should A&RMC Members deem it appropriate for inclusion. Alternatively, a review in 2025-26 could take place, allowing changes to be implemented in full and beginning to embed.

Improvement recommendation 12: City Fund should engage Internal Audit to undertake a comprehensive review of risk management arrangements following changes made in 2023-24 and 2024-25. This proactive step will ensure that risk management processes are robust and effective across City Fund, aligning with best practices and promoting a culture of strong risk governance.

Monitoring of external consultants' recommendations on risk management

City Fund engaged Zurich Resilience Solutions' Risk and Resilience Team to review its risk culture and appetite, with the findings highlighting both positive practices and areas for improvement. City Fund is actively implementing recommendations and plans to develop a new risk appetite statement alongside the update of the 2024-2029 Risk Management Strategy. This provides further evidence of City Fund's commitment to enhancing risk management practices. Updates on progress against recommendations are expected to be provided annually to the A&RMC in future Risk Management update reports. More frequent reporting may be beneficial to increase oversight and accountability until completion of the recommendations, due to take place within 2024-25. An annual update does not allow for any required actions to be taken in-year



Governance

Improvement recommendation 13: City Fund should undertake more frequent monitoring of the progress of recommendations from the Zurich review of risk management arrangements at the Audit & Risk Management Committee until they are fully completed.

Internal Audit capacity

The Head of Internal Audit was able to provide a positive year-end assurance opinion on the arrangements at City Fund, however the opinion cited an unsustainably small programme of work undertaken in reaching that opinion. The underlying causes of the size of Internal Audit programme for 2023-24 are due to a lack of capacity in the Internal Audit function, driven by a loss of experience under prior year organisational restructuring, a reduction in budget, and long-term sickness within the team. As such, at no point in 2023-24 was the Internal Audit function fully staffed.

The Internal Audit function transparently reported its capacity issues to Members via its Internal Audit Dashboard reporting in 2024-25 and the 2023-24 Year-End Audit Report and opens itself up to the required accountability and scrutiny.

The Internal Audit service sets a minimum target in respect of the number of audit days it feels is required to be able to fulfil its duties and effectively provide assurances across its three key aspects of City Fund - Internal Control Environment, Risk Management and Governance arrangements. The target set is 600 days. In 2023-24 the service was able to deliver 425 days against this target. This resulted in a reduction, since 2022-23, in the number of reviews that could be undertaken and the number of follow-ups it completed to determine the effectiveness of City Fund's response to Internal Audit recommendations. 30% fewer days of Internal Audit were provided, a 10% reduction in the number of reviews and a 36% reduction in the number of follow-up reviews when comparing 2023-24 to 2022-23. The impact of the lack of capacity in the function is evident, although the reduced number of audit days is not dissimilar from what we see at other similar sized authorities.

The key systems that Internal Audit expects to cover to provide appropriate assurances are payroll/employees, accounts payable, and income and expenditure more generally (both income and expenditure include financial management). These were covered in 2023-24 by a combination of departmental reviews (delivered on a rolling basis) and corporate-wide reviews applying a narrower focus depending on risk assessment/consideration. This is with the exception of payroll where we were not able to evidence a specific review but is planned to be covered in 2024-25.

Internal Audit's remit is wider than simply undertaking reviews of internal controls in specific areas and the lack of capacity has had a negative impact on the service being able to fulfil other aspects of its role. These impacts have included:

- An increase in the level of non-compliance with Financial Regulations and other standard operating procedures has been observed over recent years and this is, in part, considered to be attributable to a reduced Internal Audit presence across the organisation.
- Inability to maintain regular liaison with all Chief Officers and their Senior Leadership teams.
- Inability to undertake longer term Internal Audit planning due to the need for the Head of Internal Audit to undertake individual reviews as opposed to the wider requirements of the role.
- Prevention of follow-up reviews from taking place promptly after the agreed implementation dates, with City Fund carrying a higher number of open/overdue high priority recommendations than in 2022-23

The Internal Audit service has taken actions to respond to the challenges. This includes recruitment and obtaining additional funding to support future work and reduce the risk of not being able to provide appropriate assurances in future years. Specifically, this has included the recruitment of three trainee auditors (expected to complete their training in 2024-25 and provide more productive time to audit reviews), obtaining £0.165m investment for a Deputy Head of Internal Audit, and to provide temporary resource to support the function whilst current trainee auditors complete their training, and recruitment of two new senior auditors. At September 2024 the service is considered fully staffed and is developing a pipeline of future



Governance

senior auditors through its trainee programme. We acknowledge that City Fund has taken positive actions in 2023-24 and 2024-25 which are expected to have positive impact and improve current outcomes. Current monitoring suggests that 610 audit days will be deliverable in 2024-25 which is above the minimum standard set internally, and the service looks to grow this to 1,000 audit days in the medium-term. Therefore, on a cyclical basis the function will provide an appropriate number of audit days in line with its minimum target.

Although actions taken have responded to the immediate capacity risk, by ensuring the service is fully staffed, the Internal Audit function needs to focus on building further resilience into its capacity to respond to future risks. The current improved structure does not include headroom to respond to changes such as changes to current staff numbers, expansion of the scope of Internal Audit's work, or increased risks that may be identified at City Fund. Now that team capacity has been strengthened the service should prioritise ensuring that it can fulfil all aspects of its role.

Improvement recommendation 14: To ensure that decision makers are provided with appropriate assurances from Internal Audit the below is required:

- continued close monitoring of resourcing via the Internal Audit Dashboard and liaison with officers and Members should further challenges emerge.
- additional investment to continue to build resilience into the team and ensure delivery is maintained in the short-term, and aspirations of growth deliverable in the medium-term.
- development of formalised 3-year Strategic Audit Plan, which will be aided by continued training and recruitment at Senior Auditor level.

Complaints monitoring

Due to limited resources, the Governance and Member Services department has been unable to monitor complaints performance at all stages in 2023-24. Consequently, Stage 1 and Stage 2 complaints are handled locally by respective departments. There is a risk of inconsistency in the approach to complaints handling to data availability with which to determine complaints handling performance. Some departments, such as Housing, have more robust data collection processes in place and can provide the detail more easily. Stage 3 complaints are within the remit of the Governance and Member Services department but again, due to capacity, data is limited. Unfortunately, formal logging systems for response rates are not in place.

Additionally, City Fund receives annual information from the Local Government Ombudsman about escalated complaints, but this only covers a proportion of all complaints.

Improvement recommendation 15: City Fund should improve capacity, processes and systems within the Governance and Member Services department to ensure consistency and availability of complaints handling performance data.



Governance

Procurement procedure training

City Fund is updating its Procurement Strategy and Procurement Code in 2024-25. This is to reflect any findings and recommendations from the current strategic procurement review and requirements of new regulations. The Procurement Act regulations were due to come into effect in October 2024, this is deferred until 28 February 2025. As such, the update of procedures is timely. Currently no formalised learning or training has been planned for those involved in procurement on the Act or Code and Strategy updates. Having scheduled formalised training would increase the likelihood compliance with new regulations.

Improvement recommendation 16: City Fund should maximise the possibility of compliance with the new Procurement Act 2023 and updated internal procurements policies, by developing targeted formalised training in respect of these documents.

Waiver process and reporting

Although non-compliance with the Procurement Code is not encouraged, where it does occur there is a reporting mechanism in place for transparency and accountability. This is achieved via a waiver report, which was presented to the Category Board during 2023-24 and revealed 8 instances of non-compliant waivers. According to Rule 25.4 of the Procurement Code, these waivers should be reported quarterly to the Finance Committee and annually to the relevant spend committees. The latter is complied with via the Category Board reporting, but we were unable to evidence reporting to the Finance Committee.

Officers have noted lack of clarity in City Fund's waiver process, often leading to waiver requests being sought as extensions of contracts due to the absence of a documented process. In addition, there is limited guidance to follow where a contract waiver is required after actions to procure the contract have taken place, although this is not encouraged guidance is required should instances occur, however rarely.

For transparency, waivers requested over £100,000 are logged on a spreadsheet to aid reporting, but commercial teams are not routinely informed of the outcomes of approved waivers, and there is no documented process outlining how they should be notified. As such, there is limited opportunity for lessons to be learned which could improve accuracy of waiver reporting.

As part of the Procurement Strategy and Code refresh, there is an intention to align all elements of the Code, incorporating the requirements of the waiver process. Human Engine (consultants) are currently undertaking a Strategic Procurement Review, we would encourage that the scope of this work includes waiver processes.

Improvement recommendation 17: City Fund should establish clear and well-defined processes for staff to follow when procuring or commissioning services, in particular when dealing with waivers. This should include the documentation of standardised procurement processes, incorporating clear guidelines for waivers.



Improving economy, efficiency and effectiveness

We considered how City Fund:

Commentary on arrangements

Assessment

Uses financial and performance information to assess performance to identify areas for improvement

In 2022-23 we identified improvement opportunities for the Performance Management Framework. Given the timing of the recommendations made, we acknowledge there has been limited opportunity to respond in full within 2023-24 year. However, we do note further progress made in 2024-25 to work towards improved City Fund-wide performance management. City Fund developed and approved a new Corporate Plan for 2024-2029, accompanied by the creation of a suite performance metrics to monitor progress against corporate objectives. City Fund has committed to publishing an annual progress report on the new Corporate Plan and intends to benchmark metrics when possible. Due to the infancy of the metrics, data collection processes are relatively immature, these techniques and the metrics themselves are expected to evolve over time as better information is identified and processes improve. As data capture and availability improves additional management information will be made available for Executive Leadership. As such, there is evidence that City Fund is on an upward improvement journey in this area following a proactive response to our 2022-23 recommendations, and once the planned reporting and data collection is evidenced at the end of 2024-25 we expect the recommendation to be responded to in full.

In addition to the developing City Fund-wide approach, individual committees continue to set targets and review performance trend data in relation to their own specific services. An example of this is the Chamberlain's KPI reporting on business rates, council tax and rental income collection rates, and Community and Children's Services Committee reports in relation to safety performance. These are not consistent across all committees, however as there is now a City Fund-wide approach these arrangements are complementary to the organisational-level framework.

Another supporting mechanism observed is the continued use of the City Statistics report which provides information on trends in City Fund's workforce, economy, and role as a financial and professional services hub in the context of the same trends observed UK-wide.

We have not identified new recommendations for 2023-24, our prior year recommendation in this area is partially responded to and remains open (see page 56 for further details).

Amber
No significant weaknesses in arrangements identified, but improvement recommendations made

Evaluates the services it provides to assess performance and identify areas for improvement

City Fund was not subject to an Ofsted inspection in 23/24, the 2020 inspection was rated 'Outstanding' and remains the most relevant City Fund-wide inspection. Re-inspection is risk based, this rating confirms that City Fund is low risk in this area.

The Local Government Ombudsman deal with complaints escalated to them regarding the Council's activities. The Annual Letter from the Ombudsman for 23/24 reports that City Fund had no complaints investigated, and no recommendations were due for compliance in the period, nor were any complaints upheld. This is strong performance indicative of robust governance and leadership arrangements.

Green
No significant weaknesses in arrangements identified or improvement recommendation made



Improving economy, efficiency and effectiveness

We considered how City Fund:

Commentary on arrangements

Assessment

Evaluates the services it provides to assess performance and identify areas for improvement

City Fund was not subject to an Ofsted inspection in 2023-24, the 2020 inspection was rated 'Outstanding' and remains the most recent and relevant City Fund-wide inspection. Re-inspection is risk-based, as the rating confirms that City Fund is low-risk in this area.

The Local Government Ombudsman deals with complaints escalated regarding City Fund's activities. The Annual Letter from the Ombudsman for 2023-24 reports that City Fund had no complaints investigated, and no recommendations were due for compliance in the period, nor were any complaints upheld. This is strong performance indicative of robust governance and leadership arrangements.

In preparation for an expected CQC inspection in Adult Social Care Services in 2024-25 City Fund undertook a self-assessment against the Adult Social Care Self-Assessment Framework. This was reported to the relevant service committee, sub-committee and scrutiny committee and has been subject to comprehensive challenge to ensure accuracy in the reflections on performance. Overall, the reflections are positive with some areas for improvement noted. A peer review conducted in August 2023, in collaboration with the Local Government Association, did not raise any areas of significant concern in relation to the service, but identified some opportunities for improvement and actions to achieve these. The findings from these two assessments informed the internally-developed Adult Social Care Service Improvement Plan which is expected to be delivered in 2024-25.

Robust governance arrangements to monitor progress against the Plan are in place. Responsibility for overall management of the Plan sits with the Adult Social Care Head of Service, they liaise with individual action owners throughout the year to obtain updates on their progress. The Adult Senior Management Team review and provide governance sign-off and the Adult Social Care Assurance Board oversees delivery monitoring. The latest update on the Plan highlights that 34% of actions are complete and delivery is on track. Reporting to Members is expected to take place every 6 months and so 2024-25 VFM work will establish whether City Fund has successfully delivered all actions within the Plan, progress to date is positive.

A specific program was established within Adult Social Care focusing on transformation and inspection, overseen by a Programme Board chaired by the Executive Director of Community and Children's Services. This is further evidence of the improvement journey City Fund is on in this specific area, which is a service experiencing pressures sector-wide.

No recommendations have been raised and arrangements in this area are deemed to be effective.

Green

No significant weaknesses in arrangements identified or improvement recommendation made



Improving economy, efficiency and effectiveness

We considered how City Fund:

Commentary on arrangements

Assessment

Ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives

City Fund prioritised improved resident engagement through initiatives such as City Question Time events and the appointment of a Resident Campaigns and Communications Manager. The launch of the City Belonging Project has further contributed to a more inclusive and connected Square Mile. Additionally, the development of the People Strategy reflects a commitment to inclusivity, employee involvement, and long-term organisational development. These efforts demonstrate City Fund's dedication to enhancing community engagement and fostering a stronger relationship with residents.

No recommendations have been raised and arrangements in this area are deemed to be effective.

Green

No significant weaknesses in arrangements identified or improvement recommendation made

Commissions or procures services, assessing whether it is realising the expected benefits

Oversight responsibilities in relation to procurement are fulfilled, in part, by the Projects and Procurement Sub-Committee, a sub-committee of the Finance Committee. Its responsibilities include scrutinising and ensuring VFM on procurement contracts at key stages, including initial tender strategy to final contract award sign off. It makes recommendations on contracts to the Finance Committee, considering lessons learned when major contracts are coming to an end, reviewing waiver approvals, and collaborating with the Finance Committee to monitor performance and compliance with procurement regulations and the Procurement Code.

City Fund engaged consultants, the Human Engine, to undertake a Strategic Procurement Review. This is currently ongoing and aims to support City Fund in ensuring best value and efficient use of resources. It seeks to establish a common vision for best practices and create a comprehensive improvement plan for the next five years and beyond. The final report is expected in 2024-25 and therefore any improvement findings may not reasonably be expected to be embedded until 2025-26.

City Fund maintains a Contracts Register. As part of the new Procurement Act regulations, organisations must publish their pipeline notice, informed by an updated and published Contracts Register. City Fund is already complying with this requirement of the Act.

City Fund does not have a standardised approach to contract management and there can be inconsistencies in approach. There is an opportunity to make improvements in this respect to generate efficiencies.

Our work in this area has identified an opportunity for improvement and we have raised one improvement recommendation to further enhance arrangements. Further details can be found on page 36 of this report.

Amber

No significant weaknesses in arrangements identified, but improvement recommendations made



Improving economy, efficiency and effectiveness

3Es area for improvement

Consistency of contract management approach

Discussions with officers highlighted that City Fund's contract management process is not standardised across all departments. Inconsistencies can occur depending on the department or individual contract managers. Standardised, formally documented processes ensure consistent and transparent practices for contract management, thereby enhancing governance and efficiency within the organisation's procurement procedures.

City Fund is in the initial stages of establishing a new Contract Management Team to enhance contract management arrangements. Alongside this, it is the intention to develop standardised contract management practices across services and enhance staff capabilities in response to new regulatory requirements of the Procurement Act 2023. These include requirements for organisations to publish KPIs and track spending performance against them.

Although City Fund is in the process of updating its Procurement Strategy and Procurement Code, to support the new Contract Management Team, further developments will not be finalised until the publication of the Human Engine report from the ongoing Strategic Procurement Review. The review specifically examines City Fund's contract management arrangements, therefore it can ensure that any changes to arrangements collate the findings in conjunction with regulation changes. The implementation of new contract management practices will be contingent upon findings and recommendations outlined in the Human Engine report, however there is an opportunity to review and seek to standardise arrangements in advance of the report being finalised to realise potential efficiencies.

Improvement recommendation 18: City Fund should seek to standardise contract management arrangements, policies and procedures across the organisation to maximise compliance, transparency and efficiency.

**Value for Money
recommendations raised in
2023-24**



Recommendations raised in 2023-24

Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Recommendation	Type of recommendation	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
<p>IR1</p> <p>City Fund should, in collaboration with Members, review business rate assumptions to ensure they are realistic in the medium-term.</p>	Improvement	Financial sustainability	24-25 Budget and MTFP	Over-prudence in the funding assumption suggests an opportunity to maximise a key income stream is being missed which could respond to medium-term budget pressures.	<p>Actions: Business rate assumptions and forecasts are part of the annual MTFP discussions with members and residents/business as part of the ratepayer consultation meeting. Due to the uncertainty around the future direction of business rates with the potential reset and new government, no further assumptions were made in 24/25 in relation to an increase. This will be reviewed in light of the 30th October budget and 25/26 MTFP.</p> <p>Responsible officer: Phil Black, Daniel Peattie</p> <p>Executive lead: Chamberlain</p> <p>Date: March 2025</p>
<p>IR2</p> <p>City Fund should review its assumptions in relation to the Barbican Capital and Cyclical Works Programme to ensure that it is affordable in the medium-term. Prior to embarking on any additional works included in the financial planning City Fund will need to address Internal Audit's concerns around controls in the repairs programme.</p>	Improvement	Financial sustainability	24-25 Capital Programme	Omissions of known expenditure in the programme could lead to unanticipated budget pressures and unanticipated financing requirements.	<p>Actions: Amounts set aside for CWP within the 24/25 MTFP were fully funded and cover the next 5 year period. The wider Barbican renewal programme is currently producing a detailed business plan to assess the needs over the MTFP period and beyond which includes consideration of the financial impacts. The CWP programme is finalising recruitment of a programme team to support and track delivery of the programme.</p> <p>Executive lead: Chamberlain/City Surveyor</p> <p>Date: Ongoing</p>

Recommendations raised in 2023-24

Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Recommendation	Type of recommendation	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
<p>IR3</p> <p>City Fund should review its HRA assumptions to ensure the medium-term outlook is realistic and sustainable. Detailed analysis of demand, total cost and unit cost factors would be useful in supporting this review. The review should specifically consider estimates around capital, repairs and income. In reviewing the repairs element of the HRA City Fund has the opportunity to identify successful examples elsewhere in the sector and apply to their own challenges. Following internal and external Housing Service and HRA reviews City Fund should develop detailed action plans to progress recommendations and monitor these effectively to completion.</p>	Improvement	Financial sustainability	HRA 5-year Forecast and Outturn Reports	Over-optimism in the expenditure assumptions could lead to unanticipated budget pressures.	<p>Actions: HRA projections and assumptions were reviewed for a presentation to members in September in preparation for the 2025/26 Budget Estimates and a new stock condition survey is being commissioned to support the medium term analysis. The repairs element is being reviewed internally by the new Housing team led by the recently appointed Head of Repairs with an action plan to follow.</p> <p>Responsible officer: Peta Cain / Mark Jarvis</p> <p>Executive lead: Director of Community & Childrens Services / Chamberlain</p> <p>Date: April 2025</p>
<p>IR4</p> <p>As City Fund continues to develop savings via the RPR process and Project Management System procurement it should seek to improve arrangements by:</p> <ul style="list-style-type: none"> Analysing the ability of the RPR to fully mitigate gaps in the MTFP and present this to Members. Develop a savings monitoring framework to effectively track savings delivery via the RPR and present this to Members alongside budget monitoring. Producing a cost-benefit analysis of the proposed Project Management System, considering savings it could feasibly deliver in the RPR and MTFP. 	Improvement	Financial sustainability	24-25 Budget and MTFP EPMO Proposals Discussions with Finance Officers	Effective monitoring of savings is essential for transparency, accountability and to allow a proactive (rather than reactive response) should performance be below target.	<p>Actions: The corporation is transitioning from the previous RPR programme to a new refreshed transformation programme. This is focusing on a number of key areas which are aimed to also deliver financial benefits. Alongside these specific programmes, the monitoring and reporting of savings is being updated to be included within regular monitoring reports to Chief Officers and members from 25/26. This will see a RAG rating of savings delivery to provide clear visibility on progress. The Project management system procurement has been approved and the implementation is underway.</p> <p>Responsible officer: Daniel Peattie</p> <p>Executive lead: Chamberlain</p> <p>Date: April 2025</p>

Recommendations raised in 2023-24

Recommendation	Type of recommendation	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
IR5 City Fund should develop a Delivery Framework to support the Housing Strategy to ensure its aims can be successfully delivered, operationally. The Framework should include clear actions, responsible individuals, to metrics to measure success of outcomes and a framework for monitoring performance.	Improvement	Financial sustainability	Housing Strategy	To ensure the outcomes required by the Strategy can be successfully achieved the Strategy needs to be supported by an operational action plan to act as a roadmap between objectives and outcomes.	Actions: Develop a Delivery Framework and Actions Plan to ensure the delivery of the Housing Strategy. Responsible officer: Peta Cain Executive lead: Director of Community & Childrens Services Date: April 2025
IR6 City Fund should undertake detailed analysis of the causal demand, unit cost, total cost and supply side factors impacting social care and present these to Members to inform the response to mitigating the pressures being observed.	Improvement	Financial sustainability	23-24 Outturn Report 24-25 Budget and MTFP	Detailed analysis allows City Fund to pinpoint to causal factors of the pressures and develop a targeted response.	Actions: Analyse causes and costs of social care and report and review mitigating actions in a report to members. Responsible officer: Mark Jarvis / Chris Pelham Executive lead: Chamberlain / Director Of Community & Childrens Services Date: April 2025
IR7 City Fund should undertake targeted research into appropriate temporary accommodation solutions which respond to demand, supply and cost factors causing pressures in this service.	Improvement	Financial sustainability	23-24 Outturn Report 24-25 Budget and MTFP National Data	A multi-faceted response to the pressures being observed will maximise success of improving outcomes.	Actions: Review causes and costs of temporary accommodation and appropriateness and effectiveness of mitigating actions. Responsible officer: Mark Jarvis / Chris Pelham Executive lead: Chamberlain / Director Of Community & Childrens Services Date: April 2025

Recommendations raised in 2023-24

Recommendation	Type of recommendation	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
<p>IR8</p> <p>City Fund should ensure the People Strategy is completed in full so it can begin to embed. It is important a People Plan is developed to translate the strategic objectives into tangible actions to achieve them. A framework will be required to ensure progress of the actions within the Plan are effectively monitored.</p>	Improvement	Financial sustainability	People Strategy discussions with Finance Officers	To ensure the outcomes required by the Strategy can be successfully achieved the Strategy needs to be supported by an operational action plan to act as a roadmap between objectives and outcomes.	<p>Actions: The People Strategy is a 5-year strategy which will run to 2029/30. Currently a partner is being sought through procurement to ensure that the workstreams and actions on the People Strategy are fully designed, developed, and delivered and include key milestones. A change in the ways of working within People & HR in early 2025 will introduce a team that will purely focus on the design, delivery and embedding of all the elements of the people strategy.</p> <p>Executive Lead: Chief People Officer</p> <p>Date: TBC</p>
<p>IR9</p> <p>City Fund consider reviewing its investment portfolio across long- and short-term instruments to balance liquidity with securing higher returns to protect the medium-term financial position.</p>	Improvement	Financial sustainability	Treasury Management Year End Report 23-24 Treasury Management and Annual Investment Strategy 24-25	Considering longer-term investments with higher yields may mitigate the negative impact of expected decreasing interest rates which will impact short-term instruments most significantly.	<p>Actions: Whilst Management notes the recommendation, the Authority must follow CIPFA's Treasury Management Code of Practise which prioritises security and liquidity over yield. In addition, the Authority has a major project programme that needs to be funded over the short to medium term. The Treasury Management Strategy allows for investments up to three years, and during 2023/24 the authority did enter into a three-year fixed term deal at very competitive rates (when the Bank Base Rate stood at 5.25%). Whilst officers will look for suitable opportunities to invest over the longer term, the primary objectives will remain the security and liquidity, to meet the funding needs of the Authority over the short to medium term.</p> <p>Responsible Officer: Kate Limna / Sarah Port</p> <p>Executive Lead: Chamberlain</p> <p>Date: April 2025</p>

Recommendations raised in 2023-24

Recommendation	Type of recommendation	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
<p>IR10 City Fund should seek to improve arrangements in relation to HRA capital and repairs by undertaking a 'lessons learned, exercise on slippage on Sydenham Hill and New York Way projects. In addition, it should review current capital and repairs reserve forecasts for optimism bias and affordability.</p>	Improvement	Financial sustainability	HRA 5-year Forecast and Outturn Reports	<p>A lessons learned exercise reduces the risk of repeating the causal factors of the slippage observed. Over-optimism in expenditure assumptions could lead to unanticipated budget pressures.</p>	<p>Actions: Lessons learned exercise on new build capital projects to be carried out as part of the usual Gateway 6 project completion process.</p> <p>Responsible officer: Ola Obadara / Mark Jarvis</p> <p>Executive lead: City Surveyor / Chamberlain</p> <p>Date: December 2025 (post projects completion)</p>
<p>IR11 City Fund should prioritise the renewal of the Anti-Fraud and Corruption Strategy in 2024-25.</p>	Improvement	Governance	Anti-Fraud and Corruption Policy 2019	<p>Outdated policy and strategy documents can lead to inconsistencies in the application of processes, control issues and non-compliance with standards. Such a policy may be ineffective at managing the risk it seeks to mitigate.</p>	<p>Actions: Counter Fraud Manger to update the Anti-Fraud & Corruption Strategy in Q.4 24/25 – the update will be reported to the Audit & Risk Management Committee for scrutiny.</p> <p>Responsible Officer: Chris Keesing, Counter Fraud & Investigation Manager</p> <p>Executive Lead: Chamberlain</p> <p>Due Date: Q4 24/25</p>
<p>IR12 City Fund should engage Internal Audit to undertake a comprehensive review of risk management arrangements following changes made in 2023-24 and 2024-25. This proactive step will ensure that risk management processes are robust and effective across City Fund, aligning with best practices and promoting a culture of strong risk governance.</p>	Improvement	Governance	Discussions with Officers (including Internal Audit)	<p>Assurances on the effectiveness of key internal controls are vital in ensuring that processes and controls are effective in their purpose and are being consistently applied. As changes are being made to the current processes and controls in risk management it is important that Members and officers understand whether they are embedding effectively and producing the desired outcomes.</p>	<p>Actions: Internal Audit work includes a rolling programme of risk management reviews, drawing together thematic findings for corporate attention. A more comprehensive review of risk management will be incorporated within the forward programme of assurance work.</p> <p>Responsible Officer: Matt Lock, Head of Internal Audit</p> <p>Executive Lead: Chamberlain</p> <p>Due Date: 30th June 2025</p>

Recommendations raised in 2023-24

Recommendation	Type of recommendation	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
<p>IR13</p> <p>City Fund should undertake more frequent monitoring of the progress of recommendations from the Zurich review of risk management arrangements at the Audit & Risk Management Committee until they are fully completed.</p>	Improvement	Governance	Zurich Report on Risk Management	Robust monitoring arrangements will ensure effective transparency and accountability is achieved, and ultimately maximises the ability to deliver recommendations in full to achieve improved outcomes.	<p>Actions: Risk management is routinely monitored as part of our Officer and Member governance, including work stemming from the Zurich Risk Management Culture and Appetite Review. Progress on improving risk management culture is regularly included in updates to the Audit and Risk Management Committee and they are also being involved in and briefed on the work to set the City Corporation's risk appetite.</p> <p>Responsible Officer: Tabitha Swann, Head of Corporate Strategy and Risk</p> <p>Executive Lead: Dionne Corradine, Chief Strategy Officer</p> <p>Due Date: This action is covered by existing reporting and oversight arrangements (so already in place).</p>
<p>IR14</p> <p>To ensure that decision makers are provided with appropriate assurances from Internal Audit the below is required:</p> <ul style="list-style-type: none"> continued close monitoring of resourcing via the Internal Audit Dashboard and liaison with officers and Members should further challenges emerge. additional investment to continue to build resilience into the team and ensure delivery is maintained in the short-term, and aspirations of growth deliverable in the medium-term. development of formalised 3-year Strategic Audit Plan, which will be aided by continued training and recruitment at Senior Auditor level. 	Improvement	Governance	Discussions with Internal Audit Internal Audit Annual Report 23-24 Internal Audit Progress Reports 23-24 and 24-25 Internal Audit Dashboard	Internal Audit is a key risk management tool and it is imperative the service operates effectively to support City Fund in ensuring it effectively manages its system of internal control.	<p>Actions: The recommended actions are already in progress in 2024/25 and will be ongoing.</p> <p>Responsible Officer: Matt Lock, Head of Internal Audit</p> <p>Executive Lead: Chamberlain</p> <p>Due Date: Ongoing</p>

Recommendations raised in 2023-24

Recommendation	Type of recommendation	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
IR15 City Fund should improve capacity, processes and systems within the Governance and Member Services department to ensure consistency and availability of complaints handling performance data.	Improvement	Governance	Discussion with Director of Governance and Member Services	Complaints are a risk to reputational damage and therefore it is important they are managed effectively. Robust data collection and reporting is an important foundation to complaints performance management.	<p>Actions: An improved complaints management process has been designed and is due to be submitted to SLT for consideration. A proposal in respect of enhanced resourcing arrangements is included within this.</p> <p>Responsible Officer: Polly Dunn, Assistant Town Clerk</p> <p>Executive Lead: Greg Moore, Deputy Town Clerk</p> <p>Due date: 31 January 2025</p>
IR16 City Fund should maximise the possibility of compliance with the new Procurement Act 2023 and updated internal procurements policies, by developing targeted formalised training in respect of these documents.	Improvement	Governance	Discussions with Procurement Compliance Officer	Lack of training may lead to instances of non-compliance with new regulations which may have financial, legal and reputational consequences for City Fund.	<p>Actions: All team members in the Commercial Service have completed the Government Commercial Function Procurement Act (2023) e-learning modules. Regular updates and briefings on the requirements of the Act are shared at Category Boards and a communication and stakeholder engagement plan has been developed.</p> <p>Responsible Officer: David Cooke, Interim Head of Commercial and Procurement</p> <p>Executive Lead: Chamberlain / Commercial Director</p> <p>Date: TBC</p>

Recommendations raised in 2023-24

Recommendation	Type of recommendation	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
IR17 City Fund should establish clear and well-defined processes for staff to follow when procuring or commissioning services, in particular when dealing with waivers. This should include the documentation of standardised procurement processes, incorporating clear guidelines for waivers.	Improvement	Governance	Discussions with Procurement Compliance Officer	Standardisation reduces inconsistencies of approach to procurement and mitigates risks of non-compliance with internal policies and external regulations.	<p>Actions: Noted. This is included in the scope of the strategic procurement review that is currently underway.</p> <p>Responsible Officer: David Cooke, Interim Head of Commercial and Procurement</p> <p>Executive Lead: Chamberlain / Commercial Director</p> <p>Date: Ongoing</p>
IR18 City Fund should seek to standardise contract management arrangements, policies and procedures across the organisation to maximise compliance, transparency and efficiency.	Improvement	3Es	Discussions with Procurement Compliance Officer	Standardisation reduces inconsistencies of approach to procurement and mitigates risks of non-compliance with internal policies and external regulations.	<p>Actions: Noted. This is included in the scope of the strategic procurement review that is currently underway.</p> <p>Responsible Officer: David Cooke, Interim Head of Commercial and Procurement</p> <p>Executive Lead: Chamberlain / Commercial Director</p> <p>Date: Ongoing</p>

Appendices

Appendix A: Responsibilities of the audited body

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

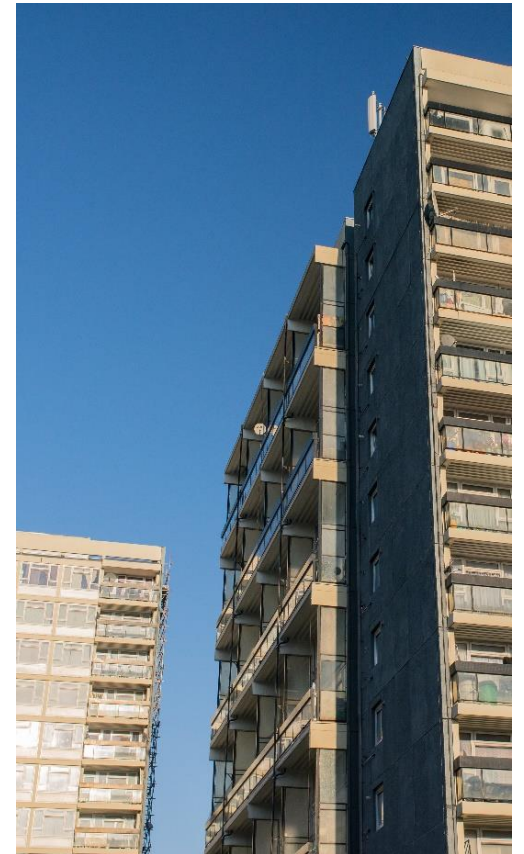
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the audited body's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the audited body will no longer be provided.

The audited body is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B:

Value for Money auditor responsibilities



Value for Money arrangements work

All local authorities are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The audited body's responsibilities are set out in Appendix A. Local authorities report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:



Financial sustainability

Arrangements for ensuring the audited body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



Governance

Arrangements for ensuring that the audited body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the audited body makes decisions based on appropriate information.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the audited body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

2023-24 is the fourth year of the Code, and we undertake and report the work in three phases as set out in the Code.

Phase 1 – Planning and initial risk assessment

As part of our planning, we assess our knowledge of the audited body's arrangements and whether we consider there are any indications of risks of significant weakness. This is done against each of the reporting criteria and continues throughout the reporting period

Information which informs our risk assessment

Cumulative knowledge and experience of the audited body	Annual Governance Statement and the Head of Internal Audit annual opinion
Interviews and discussions with key stakeholders	The work of inspectorates and other regulatory bodies
Progress with implementing recommendations	Key documents provided by the audited body
Findings from our opinion audit	Our knowledge of the sector as a whole

Phase 2 – Additional risk-based procedures and evaluation

Where we identify risks of significant weakness in arrangements, we will undertake further work to understand whether there are significant weaknesses. We use auditor's professional judgement in assessing whether there is a significant weakness in arrangements and ensure that we consider any further guidance issued by the NAO.

Phase 3 – Reporting our commentary and recommendations

The Code requires us to provide a commentary on your arrangements which is detailed within this report. Where we identify weaknesses in arrangements we raise recommendations. A range of different recommendations can be raised by the audited body's auditors as follows:

- **Statutory recommendations** – actions which should be taken where significant weaknesses are identified with arrangements. These are made under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014 and require discussion at full council (or equivalent) and a public response.
- **Key recommendations** – actions which should be taken by the audited body where significant weaknesses are identified within arrangements.
- **Improvement recommendations** – actions which should improve arrangements in place but are not a result of identifying significant weaknesses in the audited body's arrangements.

Appendix C: Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
<p>1. Financial sustainability – Budget Setting</p> <p>City Fund should update the budget setting process to:</p> <ol style="list-style-type: none"> 1. Provide additional detail to Members, specifically in relation to assumptions and risks. 2. Consider applying the zero-based budgeting approach when setting the 2024-25 budget and MTFP. 	Improvement	February 2024	<ol style="list-style-type: none"> 1. There is no evidence that risks are quantified in monetary terms/impact on the budget in budget setting information or within the Chamberlain's Departmental Risk Register. We continue to note omissions in risks to the budget on Temporary Accommodation. The outturn position for 23-24 was positive and 24-25 expected to breakeven, and so emerging risks are currently effectively managed. No information is provided to Members regarding collection rate assumptions for council tax or business rates which impact income levels, likewise limited disclosures were noted in relation to pay awards. The timing of the recommendation did not allow for updates to the process for 24-25. For 24-25 pressures and mitigations are recorded at a more granular level to improve the tracking and reporting on savings/mitigations during the year. This information will be incorporated into the budget monitoring reports from Autumn 2024 onwards to help inform Members of key risks and progress. 2. City Fund has not implemented zero-based budgeting approach for 24-25. For 25-26 it was considered but instead a Deep Dive process was implemented which ensures consideration of how services can be delivered differently or if any services can be ceased. This seeks the same benefits of the zero-based approach. 	Partially	Part 1 of the recommendation remains open and will be reviewed in 2024-25.

Appendix C:

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
<p>2. Financial sustainability – Savings</p> <p>City Fund should prioritise developing a savings and efficiency plan as a successor to the Target Operating Model (TOM) and supporting programmes. In doing so City Fund should:</p> <ol style="list-style-type: none"> 1. Ensure the programme focuses on transformation and considers income generation opportunities alongside cost savings. 2. Reinstate the Efficiency and Performance Committee to assist in the development and ongoing monitoring process. 3. Establish an operational team to facilitate co-ordination and provide capacity to deliver the programme. 	Improvement	February 2024	<p>Although TOM savings continue to be included in the 24-25 budget and MTFP until they are fully realised, no new savings are identified via this route. The TOM will be superseded by the Resources and Priorities Refresh Programme (RPR). This is in the development stage but expects to develop multiple workstreams which generate efficiencies by reviewing how services are delivered and what services are delivered. A 'deep dive' process is taking place as part of the 25-26 budget to achieve this. Current workstreams being prioritised are in Asset Management and Income Generation, and the new programme has moved away from % budget cuts and aims to be more transformative in nature.</p> <p>Progress was made with a presentation and discussion of options for transformation taken to Members at the July 2024 RASC away day. It included three themes looking at big ideas, what is already in flight, and development of commercial maturity. Which includes income generation opportunities and cost savings.</p> <p>As part of the update to the approach to savings City Fund is also seeking to strengthen governance arrangements to maximise success. This includes establishment of an Efficiency and Performance Working Group for increased scrutiny of savings. City Fund is currently seeking to replace its existing Project Management System, the new system is expected to significantly enhance City Fund's project and programme management processes. The Transformation Team led by the Commercial, Change and Portfolio Delivery Director is already in place and a Chief Officer has been appointed as the SRO.</p>	Yes	Superseded by 2023-24 IR4, see page 39.

Appendix C: Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
<p>3. Financial sustainability – HRA revenue</p> <p>City Fund should review its arrangements for monitoring the HRA including reviewing performance more frequently, more detailed information provided to Members regarding performance and monitoring consistently undertaken by the most relevant committee.</p>	Improvement	February 2024	The overall performance of the HRA is included in quarterly budget monitoring, more detailed performance is presented as part of the HRA specific outturn report. We have not observed a change in the frequency or detail of the monitoring of the HRA. Our recommendations were made in February 2024 so there has been limited opportunity to implement changes. We are aware that City Fund is undertaking a review of the HRA and plans to present findings to Members in Autumn 2024, including an updated 5-year forecast. This increases oversight by bringing forward the re-forecasting and provides the opportunity to further update monitoring arrangements.	No	Recommendation remains open, to be reviewed as part of 2024-25 work.
<p>4. Financial sustainability – HRA capital</p> <p>Improve efficiency in the HRA Capital Programme by:</p> <ol style="list-style-type: none"> Shifting focus of repairs and maintenance programme to more proactive and pre-planned approach. Develop forward-looking Housing Strategy, covering the same planning horizon as the HRA, and an Asset Management Strategy for the housing stock. Undertake an external review of the cost base and/or remodelling to identify savings in the medium-term and boost the HRA and MRR reserve positions further. 	Improvement	February 2024	<p>1. City Fund increased oversight and liaison with the Repairs Team to build strong foundations, aiming to move away from emergency repairs, including focus on improving accuracy in costing and profiling of works. Issues have been identified in relation to incumbent contractor with repairs escalated to emergency status. Focus has been on 23-24 and 24-25, gathering information for action on causal issues. We acknowledge the positive work to address the root cause but note that emergency repairs continue to be a source of pressure in the HRA.</p> <p>2. A Housing Strategy was developed and completed in early 24-25. We recommend developing a supporting operational plan to achieve the strategic objectives, including a framework for monitoring success. The Asset Management Plan is to be developed but is a key workstream within the RPR and part of 25-26 priorities.</p> <p>3. City Fund is gathering significant amounts of data and opinion in this area via internal and external reviews. Action plans need to be developed to take recommendations from reviews forward, we have confirmed that this is planned for September 2024 and so not yet mobilised.</p>	Partially	<p>Point 1 – remains open for review in 2024-25.</p> <p>Points 2 and 3 - superseded by IR3 and IR4, see pages 38-39.</p>

Appendix C: Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
<p>5. Financial sustainability – Capital programme</p> <p>There is the opportunity to review governance arrangements in place to monitor and project manage all projects within the capital programme to avoid the need to pause it in future years. The review of arrangements should consider:</p> <ul style="list-style-type: none"> • Developing an updated, robust project framework to take capital projects from initiation all the way through to completion managed by a dedicated Project Management Office [PMO]. • Providing training within the updated framework to ensure compliance and consistent application. • Exploring longer term actions it can take to address the overspend expected in the medium-term capital programme as pausing applications for new bids and cancelling capital plans will not be sustainable in the medium-term. • In developing a new Capital Oversight Board City Fund must ensure that there is no duplication of responsibilities between the existing Capital Buildings Board, any new Board, Finance and the operational project management teams 	Improvement	February 2024	A review into Programme and Projects Governance is underway and due to report back to Members in Autumn 2024. Approval has been given to proceed with the procurement of a new EPMO system to support the recording and monitoring of project information. Recruitment into the new EPMO structure is also underway at this moment with a number of roles being interviewed for. The updated Capital Strategy includes new bids for investment from 25-26 at £15m per annum. The bid process is assessed annually, on business needs, through the Priorities Board (made of Chief Officers and led by the Town Clerk/Chief Executive), this is to ensure bids come in within the envelope supported by Resource Allocation Sub-Committee at their away day, but also support City Fund's priorities. For 24-25 the capital pause was lifted and the bid process was scrutinised by the Capital Team prior to being presented to the Priorities Board for onward approval. It is clear that City Fund has responded to the issue in terms of its governance. Actions are expected to complete and embed in 24-25.	Yes	No

Appendix C:

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
<p>6. Financial sustainability – Treasury management</p> <p>City Fund should review its investment portfolio to ensure that it is maximising returns that can be generated within its Treasury Management Strategy.</p>	Improvement	February 2024	<p>The Council made an average return on investments of 5.97% in 23-24, relying on short-term liquid investments. Comparison with a large London borough council shows similar returns with a diversified portfolio. The strategy for 23-24 is appropriate and we have closed this recommendation. In light of reducing interest rate forecasts in the medium-term we raised a recommendation relevant to 24-25 treasury practices and beyond.</p>	Yes	<p>Recommendation responded to for 23-24.</p> <p>IR9 raised on page 24, relevant to 24-25 and the medium-term.</p>
<p>7. Financial sustainability – Stakeholder engagement</p> <p>City Fund should explore ways to increase, and maximise, resident feedback.</p>	Improvement	February 2024	<p>The 22-23 Auditor’s Report was presented in February 2024, as the 24-25 budget setting process completed, culminating in an approved budget and MTFP in February 2024. There was no scope to include resident consultation within the process at this stage.</p> <p>City Fund holds a resident and ratepayer event in January each year as part of a Question Time event to present and consult on proposals with residents and businesses before the formal approval of the budget.</p>	Yes	No

Appendix C:

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
<p>8. Financial Sustainability – Capacity</p> <p>City Fund should seek to respond to the staffing and capacity challenges it has faced in 2022-23 as a result of the Target Operating Model (TOM) by:</p> <ol style="list-style-type: none"> Ensuring regular Member oversight of vacancy rates, agency spend and mitigating actions City Fund-wide until the impact of the TOM has been addressed. Oversight should focus on departments experiencing capacity challenges highlighted as high risk in departmental risk registers or the Corporate Risk Register, thereafter. Undertaking a detailed review of the required establishment, for the Finance team, and developing succession planning tools to avoid future capacity challenges. Developing a City Fund-wide Workforce Plan, to support the People Strategy. 	Improvement	February 2024	<ol style="list-style-type: none"> The impact of the TOM on recruitment and retention has stabilised. Recruitment and retention is amber-rated on the Corporate risk register. A paper was taken to committees in Spring 2024 outlines findings of a Temporary Labour contract review carried out with Evolving Solutions and recommendations for procurement and mobilisation of a new temporary labour contract. Reporting on agency spend was provided and ways identified to allow future reporting. New reporting and monitoring practices will be implemented alongside the new contract July 2025. Vacancy reporting is built into the HR Workforce dashboard launched in July 2024, reported quarterly. This data is reported annually to Members. The TOM has been superseded and the replacement savings programme is not expected to have the same impact, although the programme is in design stage and should staffing pressures emerge City Fund may wish to initiate regular monitoring. City Fund started building capacity during 2023 with several temporary staff joining the Finance Team. In 2024, the team is stable with permanent resources to deliver finance responsibilities in relation to City Fund. The same finance team manages the financial reporting duties for the City Estate and City Bridge Foundation. We are satisfied that the Finance Team understand its required establishment. People Strategy is developed, but incomplete, our 23-24 recommendations reflect the need to complete the Strategy and re-emphasise the need to develop a supporting Plan. 	Yes	Recommendation responded to. People Strategy element superseded by 2023-24 IR8, see page 23.

Appendix C: Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
<p>9. Governance – Risk management</p> <p>City Fund should continue to review and make iterative improvements to its Risk Management Strategy including:</p> <ol style="list-style-type: none"> Mapping risks within the Corporate Risk Register to objectives within the Corporate Plan. Understanding the cause of risks being carried above City Fund’s risk appetite, reviewing the risk appetite itself to ensure it remains realistic and/or implementing additional mitigations to reduce risk levels. Reviewing risks to ensure completeness, notably consideration of the risks associated with the ERP system implementation. 	Improvement	February 2024	<ol style="list-style-type: none"> There were limited changes to the Risk Management approach in 23-24, although progress has been noted in 24-25. A new five-year Risk Management Strategy 2024-2029 is agreed and starting to be implemented in 24-25. This includes updating the Risk Management Policy and aligning to the newly updated Corporate Plan 2024-2029, which remains in progress. An external review of City Fund's Risk Management Culture and Appetite was completed in 23-24, with recommendations from this review progressing in 24-25. The Chief Officer Risk Management Group, a sub-committee of the Executive Leadership Board, meets bi-monthly to review the management of corporate and top red departmental risks, discuss developing risk areas and consider wider aspects of risk management within City Fund, its overarching risk management culture. At a working level, the Risk Management Forum is briefed on/discusses similar issues, including developments on risk appetite and linking risk to achieving corporate objectives. Full risk review undertaken by ERP Board and ERP Member Steering Group as part of the sign-off for Gateway 4C (detailed design sign-off). This included a deep dive into the costed risk provision informed by internal optimism bias on other large capital programmes and looking at other similar projects / budgets with other public sector ERP programmes. 	Partially	We acknowledge the initial actions taken to respond within a limited timeframe due to the timing of the recommendation being raised. The recommendation remains open, although we expect it to be addressed during 2024-25.

Appendix C: Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
<p>10. Governance – Internal Audit</p> <p>City Fund should work with Internal Audit to ensure effectiveness of the service can be maximised by:</p> <ol style="list-style-type: none"> Identifying and investing in increasing capacity needs through a combination of training, upskilling and intensive recruitment exercises. Reviewing additional responsibilities of Internal Audit, especially in relation to ‘deep dive’ support to ensure these can be supported within the team capacity. Ensuring the Internal Audit Plan set at the start of the year is fully PSIAS compliant. Prioritising response to 51 outstanding recommendations raised by Internal Audit relating to prior years. 	Improvement	February 2024	<ol style="list-style-type: none"> The Internal Audit team is fully staffed within the existing structure. Additional funding is agreed to increase the team's capacity. "Deep dive" reviews have been discontinued for 24-25 in favour of more in-depth reviews of departmental risk management. The Internal Audit Plan continues to be informal for 23-24 and 24-25 to date. It is set for 6 months ahead to allow for flexibility. As such we believe this recommendation to be only partially responded to. It has not been possible to address the issues due to capacity issues. The latest self-assessment against the PSIAS is one of ‘generally conforms’, which is positive assurance. However, the self-assessment raises one point of non-conformance in relation to resourcing, moving from partial to non-conformance. This is, again, due to the capacity issues noted which have been addressed per point 1. City Fund is carrying a higher number of open/overdue recommendations than in 22-23. As noted in our detailed work this is a direct consequence of Internal Audit capacity issues not facilitating follow up reviews to close recommendations at an appropriate pace. As noted, capacity issues have been responded to. 	Partially	<p>Points 1, 3 and 4 are superseded by 2023-24 IR14, see page 31.</p> <p>Point 2 is considered closed.</p>

Appendix C: Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
<p>10. Governance – Internal Audit</p> <p>5. Working with Internal Audit to develop a formal action plan and tracker, overseen by Members, to formally monitor the progress of outstanding recommendations.</p> <p>6. Reviewing the issues raised in reviews rated 'limited assurance' to determine if the findings are more pervasive than the individual services they relate to.</p>	Improvement	February 2024	<p>5. This has not been completed</p> <p>6. This has not been completed</p>	Partially	Points 5 and 6 remain open
<p>11. Governance – Training</p> <p>City Fund should undertake an exercise to identify training needs across City Fund and provide required training accordingly.</p>	Improvement	February 2024	<p>A comprehensive review of the training programmes has commenced as part of the Talent and Development theme outlined in the People Strategy, commencing in Year 1. This review will focus on identifying and addressing skills gaps, ensuring that "just-in-time" training is available for key areas of need.</p> <p>Additionally, the review aims to enhance both corporate and local induction processes, creating a more comprehensive and effective onboarding experience for all employees. These efforts will help ensure that City Fund's workforce is equipped with the necessary skills and knowledge to meet organisational objectives and future challenges.</p>	Yes	No

Appendix C: Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
<p>12. Governance – Project governance</p> <p>To effectively monitor the progress of the recommendations of the external Project Governance review City Fund should develop a detailed action plan or KPI report which is regularly reviewed by the Policy and Resources or Finance Committee.</p>	Improvement	February 2024	<p>The review into programme and projects governance is underway and due to report back to Members in Autumn 2024. Approval was given to proceed with the procurement of a new EP MO system to support the recording and monitoring of project information. Recruitment into the new EP MO structure is also underway at this moment with a number of roles being interviewed for.</p> <p>A review of project governance was undertaken, and the findings reported to the Policy & Resources Committee in July 2023.</p> <p>The Projects and Procurement Sub-Committee, overseen by the Finance Committee, has the responsibility for corporate assurance of internal capacity and capability to deliver the entire City of London Corporation project portfolio.</p>	Yes	No
<p>13. 3Es – Performance management</p> <p>City Fund should draw upon existing expertise, software and tools in developing its Performance Management Framework to ensure good practice can be replicated to City Fund-wide approach. Notable good practice already in use in a specific area of the organisation is the Power Bi Dashboard mechanism used to monitor climate change performance.</p>	Improvement	February 2024	<p>See page 33 where we acknowledge the actions being taken to respond to the recommendation and progress being made in 24-25 to work towards improved City Fund-wide performance management. This is a work-in-progress, therefore a response has been initiated and is expected to complete in 24-25.</p>	No	<p>We acknowledge the initial actions taken to respond within a limited timeframe due to the timing of the recommendation being raised. The recommendation remains open, although we expect it to be addressed during 2024-25.</p>

Appendix C:

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
<p>14. 3Es – ERP programme</p> <p>City Fund should seek to identify lesson learned from the ongoing ERP programme and apply learning to future major projects or programmes. Actions should include:</p> <ul style="list-style-type: none"> Improved scrutiny and challenge in setting appropriate timelines within project plans to ensure they are realistic at the outset, including contingency for scope changes from the Gateway Review process. Applying a greater degree of rigour to the budget setting process for projects to ensure robustness of assumptions, particularly in relation to staff costs. Greater scrutiny of project and programme budgets, where external parties are involved in their development, to ensure completeness of costs. Improved due diligence when selecting project partners, to ensure their delivery model is suitable for City Fund. Undertaking formal lessons learned, Internal Audit review and/or risk ‘deep dive’ exercise during the ERP programme as it progresses, and once complete, to identify specific improvement areas to apply to this and other projects. Consider increasing transparency of this, and other projects with significant budget increases, in the public interest. Continually reviewing the risk profile of this, and other projects, in light of new information to ensure it remains relevant, is appropriately reflected in the relevant departmental or Corporate Risk Register and is, therefore, managed effectively. 	Improvement	February 2024	<p>The ERP Programme engaged with the gateway review process which includes a focus on lessons learned to ensure efficiency of sign-off process for programme. A new gateway review process has been developed to improve from these lessons and is going to Committee for approval in 24-25.</p> <p>Agreed at Gateway 4C review that:</p> <ul style="list-style-type: none"> Any budget changes will be approved by Finance Committee including use of CRP above 10%. Lead committee to have regular updates and full sight of scope and budget Member steering group to continue to provide cross-committee oversight. Programme board to ensure controls with Finance and HR boards set up to oversee specific scope - all change to go to Programme Board for approval. <p>An ERP Stakeholder Acceptance, Change and Business Transformation risk is being drafted and will be presented to the September Chief Officer Risk Management Group for consideration for the inclusion in the Corporate risk register.</p>	Yes	No

Appendix C:

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
<p>15. 3Es – Climate change communications</p> <p>City Fund should ensure that it provides equal access to information for those working and living in the Square Mile in relation to its actions to respond to climate change.</p>	Improvement	February 2024	<p>City Fund's website contains detailed information about the programs implemented under the Climate Action Strategy. This includes annual progress reports and specialised reports on topics such as Financial Investments with TCFD compliance. Additionally, City Fund hosts a Climate Action Dashboard with 68 KPIs covering all aspects of the Climate Action Strategy.</p> <p>Some KPIs are updated quarterly, while the rest are updated annually, including specific KPIs focused on engaging local residents, communities, and businesses in climate action. Furthermore, City Fund supports climate action literacy programs in local schools and collaborates with the Livery Climate Action Group. City Fund also engages in newsletters, event sponsorships, and various initiatives to promote and support climate action.</p>	Yes	No
<p>16. Governance – Gifts and Hospitality</p> <p>City Fund should ensure staff are aware of the requirements of the Gifts & Hospitality policy and consider rolling out specific refresher training.</p>	Improvement	March 2022	<p>Guidance on gifts and hospitality is included within the Conflicts of Interest Policy in the Employee Handbook, which is circulated to all staff, and further guidance is available through COLNet, the internal staff intranet site.</p>	Yes	No

Appendix C: Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
<p>17. 3Es – Unit cost review</p> <p>City Fund should review its unit cost benchmarking position to determine if there is potential for efficiencies within these service blocks, or if they are comfortable with the comparative unit costs due to variations in statistical nearest neighbours' priorities, as part of their acknowledged interest in the greater use of benchmarking.</p>	Improvement	March 2022	The process being undertaken for 25-26 budget setting is through the lens of a transformation programme which will enable services to pause, step back and make those considerations - allowing for a focussed approach where City Fund can deliver on value add through phase 1 (enabling) and 2 (alignment/prioritisation) of the programme before moving to phase 3 (transformation).	No	Expected to be addressed in 2024-25, therefore recommendation remains open until evidence can be observed.

