

Committee:	Date:
Finance Committee	7 June 2016
Subject:	Public
Provisional Outturn 2015/16	
Report of: The Chamberlain	For Information
Report author: Steve Telling, Chamberlain's Department	

Summary

The 2015/16 provisional outturn is an overall better than budget position of £22.9m comprising £12.8m, £8.2m and £1.9m respectively for City Fund, City's Cash and Bridge House Estates respectively – a 3.9% budget variance on a combined turnover of £584m. The report analyses each of these figures by committee and provides the key reasons for variations. More detailed analyses and explanations will be included in outturn reports to the various service committees.

Of the £22.9m, some £9.5m (41%) relates to timing differences – mainly the costs of projects/initiatives that have been rephased into 2016/17. These timing differences will therefore only provide a temporary benefit to reserves.

The final benefit to reserves, taken across the two years 2015/16 and 2016/17, will be the balance of £13.4m less any budgets agreed for carry forward following assessment by the Chamberlain in consultation with the Chairman and Deputy Chairman of the Resource Allocation Sub Committee.

The outturn does exhibit some signs of a cautious approach whilst Chief Officers deliver their Service Based Review savings but there are also a number of variations which require the assumptions in the medium term financial plans to be revisited and the accuracy of forecasting to be improved.

The addition to reserves will provide protection against the risks of delays in the delivery of the Service Based Review savings, headroom to increase the rate at which the City can tackle the 'bow wave' of works required to modernise the operational estate and/or funding for other corporate priorities. BDO (City Fund and Pension Fund) and Moore Stephens (City's Cash, Bridge House Estates and the various Trusts) commence their audits on 6 June. The City Fund and Pension Fund financial statements will be submitted to the Audit and Risk Management and Finance Committees in July. The financial statements for City's Cash, Bridge House Estates and the various Trusts will be presented to these committees in November.

Recommendation

Finance Committee are requested to note the provisional revenue outturn position for the year ended 31 March 2016.

Main Report

1. With most entries now complete the provisional 2015/16 outturn is an overall better than budget position of £22.9m - a 3.9% budget variance on a combined turnover of £584m. The following table summarises this improvement between City Fund, City's Cash and Bridge House Estates by comparing the net budgets with the provisional outturn.

2015/16 Budget v Outturn - By Fund						
<i>Net Expenditure (Income)</i>						
Turnover		Budget Net	Provisional Outturn	Variation (Better)/Worse		
				Total	Local Risk	Central Risk/ Support Services
£m		£m	£m	£m	£m	£m
369.1	City Fund	121.0	108.2	(12.8)	(2.4)	(10.4)
169.4	City's Cash	0.1	(8.1)	(8.2)	(1.5)	(6.7)
45.5	Bridge House Estates	(1.6)	(3.5)	(1.9)	(0.9)	(1.0)
584.0	Total	119.5	96.6	(22.9)	(4.8)	(18.1)

- Of the £22.9m, some £9.5m (41%) relates to timing differences – mainly the costs of projects/initiatives that have been rephased into 2016/17. These timing differences will therefore only provide a temporary benefit to reserves.
- The final benefit to reserves, taken across the two years 2015/16 and 2016/17, will be the balance of £13.4m less any budgets agreed for carry forward following assessment by the Chamberlain in consultation with the Chairman and Deputy Chairman of the Resource Allocation Sub Committee.
- The following tables take each fund in turn and compare net budgets with the outturn by committee, with summaries of the main variations set out below each table. More detailed analyses and explanations will be included in outturn reports to the various service committees.

City Fund

2015/16 Budget v Outturn - City Fund Summary by Committee					
<i>Net Expenditure (Income)</i>	Budget Net	Provisional Outturn	Variation (Better)/Worse		
			Total	Local Risk	Central Risk/ Support Services
	£m	£m	£m	£m	£m
Barbican Centre	25.7	23.4	(2.3)	(0.8)	(1.5)
Barbican Residential	3.0	3.0	0.0	0.1	(0.1)
Community and Children's Services	11.8	11.8	0.0	(0.3)	0.3
Culture Heritage and Libraries	20.9	20.3	(0.6)	(0.1)	(0.5)
Finance	(4.5)	(10.6)	(6.1)	(0.2)	(5.9)
Licensing	0.0	0.0	0.0	0.0	0.0
Markets	(0.6)	(0.7)	(0.1)	0.0	(0.1)
Open Spaces	1.6	1.5	(0.1)	(0.1)	0.0
Planning and Transportation	13.1	12.1	(1.0)	(0.7)	(0.3)
Police	66.0	67.4	1.4	1.4	0.0
Policy and Resources	4.0	4.1	0.1	(0.2)	0.3
Port Health and Environmental Services	14.7	13.5	(1.2)	(1.0)	(0.2)
Property Investment Board	(34.7)	(37.6)	(2.9)	(0.5)	(2.4)
City Fund requirement to be met from government grants, local taxation and transfers to/(from) reserves.	121.0	108.2	(12.8)	(2.4)	(10.4)

5. The net better than budget position of £12.8m comprises:	£m
<ul style="list-style-type: none"> • Cash limited local risk budgets: <ul style="list-style-type: none"> ○ Chief Officers (excluding the ring-fenced City Police) (3.3) ○ City Surveyor's Additional Works Programme (0.5) • City Fund Property Investment Estate – additional rent income including a significant backdated rent review. (2.1) • Increased income from interest earnings due to the average interest rate being higher than anticipated (0.61% compared to 0.50%) and a more beneficial cash flow – particularly with regard to the level of national non domestic rates income which is being retained to provide for the payment of successful appeals. (1.8) • Backdated rates refund in respect of the Barbican Centre following a successful valuation appeal. (1.7) • Backdated rates refund in respect of the Barbican Centre following a successful valuation appeal. (1.6) • Major revenue repairs, maintenance and improvement projects - slippage/rephasing mainly relating to Police Accommodation and Barbican Estate repairs. 1.4 • City Police – the net contribution required from police reserves was increased from £3.1m to £4.5m due to higher net operating costs including expenditure on a number of one-off major revenue projects. This highlights the significant challenge of achieving a balanced budget over the medium term. Details of the outturn will be presented to the Police Committee at the end of June. (1.1) • Support services – the City Fund proportion of reduced net expenditure on support services. • Income from grants and contract rebates (0.9) • Central contingencies and provisions not required. (0.7) • Other net reductions in operating costs across services. (0.5) 	
	(12.8)

City's Cash

2015/16 Budget v Outturn - City's Cash Summary by Committee					
Net Expenditure (Income)	Budget	Outturn	Variation (Better)/Worse		
	Net		Total	Local Risk	Central Risk/Support Services
	£m	£m	£m	£m	£m
Culture, Heritage & Libraries	0.3	0.3	0.0	0.0	0.0
Education Board	1.1	1.0	(0.1)	0.0	(0.1)
Finance	(10.8)	(15.0)	(4.2)	(0.2)	(4.0)
G. P. Committee of Aldermen	3.3	3.1	(0.2)	(0.1)	(0.1)
Guildhall School of Music and Drama	10.8	11.7	0.9	0.8	0.1
Markets	1.2	0.0	(1.2)	(1.0)	(0.2)
Open Spaces :-					
Open Spaces Directorate	0.0	0.0	0.0	(0.1)	0.1
Epping Forest and Commons	7.5	7.2	(0.3)	(0.2)	(0.1)
Hampstead, Queen's Park and Highgate	7.7	7.4	(0.3)	(0.2)	(0.1)
Bunhill Fields	0.2	0.2	0.0	0.0	0.0
West Ham Park	1.3	1.2	(0.1)	0.0	(0.1)
Policy and Resources	13.2	12.0	(1.2)	(0.1)	(1.1)
Property Investment Board	(39.5)	(41.0)	(1.5)	(0.5)	(1.0)
Schools :-					
City of London School #	1.4	1.5	0.1	0.1	0.0
City of London Freeman's School #	1.8	1.7	(0.1)	0.0	(0.1)
City of London School for Girls #	0.6	0.6	0.0	0.0	0.0
Deficit (Surplus) from (to) reserves	0.1	(8.1)	(8.2)	(1.5)	(6.7)

Shows City Support rather than net expenditure by the schools

6. The net £8.2m better than budget position comprises:

- | | |
|--|-------|
| | £m |
| • Major revenue repairs, maintenance and improvement projects - slippage/rephasing mainly relating to Guildhall School and match funding contributions to Crossrail Art Works. | (4.2) |
| • Cash limited local risk budgets: | |
| o Chief Officers (excluding GSMD – see below) | (1.7) |
| o City Surveyor's Additional Works Programme | (0.6) |
| • Central contingencies and provisions not required. | (1.3) |
| • Support services – the City's Cash proportion of reduced net expenditure on support services. | (1.2) |
| • Release of deferred income – a net reduction in income released to revenue in 2015/16. This is a technical accounting adjustment relating to the implementation of Financial Reporting Standard 102. | 1.0 |
| • Guildhall School of Music and Drama - the combined impact of a number of budget pressures including target savings not being achieved; higher energy bills; a shortfall in student enrolment; and additional expenditure on setting up regional music centres for young musicians. PA Consulting is currently undertaking a review of the School's operating model and is due to report in the autumn. | 0.8 |
| • Profits on the disposal of assets – the budget assumed £7.3m profit whereas the outturn was £7.8m. The increase mainly relates to a number of minor receipts including rights of light compensation and | (0.5) |

- building licences which were uncertain when preparing the budget.
 - Other net reductions in operating costs across services. (0.5)
- (8.2)

Bridge House Estates

2015/16 Budget v Outturn - Bridge House Estates Summary by Committee					
Net Expenditure (Income)	Budget	Provisional	Variation (Better)/Worse		
	Net	Outturn	Total	Local Risk	Central Risk/Support Services
	£m	£m	£m	£m	£m
The City Bridge Trust	20.9	19.3	(1.6)	(0.1)	(1.5)
Culture, Heritage and Libraries	(0.8)	(1.6)	(0.8)	(0.8)	0.0
Finance	(10.3)	(11.1)	(0.8)	0.0	(0.8)
Planning and Transportation	3.8	6.0	2.2	0.0	2.2
Property Investment Board	(15.2)	(16.1)	(0.9)	0.0	(0.9)
Surplus to reserves	(1.6)	(3.5)	(1.9)	(0.9)	(1.0)

7. The net £1.9m better than budget position comprises:

- | | |
|--|--------------|
| | £m |
| • City Bridge Trust – the 2015/16 grants budget of £19.6m was not fully utilised. | (1.5) |
| • Funding for the construction of London Bridge Staircase - as the new staircase is a City Fund asset, the funding from Bridge House Estates cannot be treated as capital and is therefore being charged to revenue. | 1.5 |
| • Tower Bridge Tourism – visitor numbers exceeded forecasts. | (0.8) |
| • Property Investment Estate – additional rent income. | (0.7) |
| • Central contingencies and provisions not required. | (0.3) |
| • Other net reductions in operating costs across services. | (0.1) |
| | <u>(1.9)</u> |

External Audit

8. BDO (City Fund and Pension Fund) and Moore Stephens (City's Cash, Bridge House Estates and the various Trusts) commence their audits on 6 June. The City Fund and Pension Fund financial statements will be submitted to the Audit and Risk Management and Finance Committees in July. The financial statements for City's Cash, Bridge House Estates and the various Trusts will be presented to these committees in November.

Conclusion

9. The outturn does exhibit some signs of a cautious approach whilst Chief Officers deliver their Service Based Review savings (for example, through holding posts vacant) but there are also a number of variations which will require the assumptions in the medium term financial plans to be revisited, e.g. the delivery of projects/work programmes, rent incomes from the investment estates, the levels of central contingencies and provisions, and interest earnings. The accuracy of forecasting also requires improvement, with a particular focus on major revenue repairs, rental income and income at Tower Bridge. The addition to reserves will provide

protection against the risks of delays in the delivery of the Service Based Review savings, headroom to increase the rate at which the City can tackle the 'bow wave' of works required to modernise the operational estate and/or funding for other corporate priorities.

Stephen Telling

Deputy Financial Services Director

steve.telling@cityoflondon.gov.uk

0207 332 1284