

Committee: Finance Committee	Date: 6 June 2017
Subject: Provisional Outturn 2016/17	Public
Report of: The Chamberlain	For Information
Report author: Philip Gregory, Deputy Director, Financial Services	

Summary

The 2016/17 provisional net expenditure outturn position of £115.5m represents a better than budget position of £30.2m comprising £9.3m, £13.0m and £7.9m respectively for City Fund, City's Cash and Bridge House Estates. Further detailed analyses and explanations will be included in revenue outturn reports to the relevant service committees.

Of the £30.2m, some £16.3m (54%) relates to timing differences – mainly the costs of projects/initiatives that have been re-phased into 2017/18. The final benefit to reserves will be the £13.9m balance. This is subject to change as a result of budgets agreed for carry forward following assessment by the Chamberlain in consultation with the Chairman and Deputy Chairman of the Resource Allocation Sub Committee. Requests for carry forward have been submitted and total £4.4m prior to evaluation and approval.

The 2016/17 provisional outturn position shows particular caution being exercised in the budget setting and forecasting of income budgets. There are also a number of projects that are funded centrally that have suffered from slippage from one financial year into the next. The on-going implications of 2016/17 variances will be taken into account in future financial planning and the development of the medium term financial plan; in particular the budget position of the City of London Police and the reporting requirements of the City Bridge Trust.

Investments in improved systems and processes to facilitate improved budget monitoring and project expenditure forecasting are already underway and should result in identifying budget variations sooner so that mitigating actions can be taken. This is a corporate project that will require collaboration and partnership working across the Corporation to succeed.

The outturn detailed in this report is subject to external audit by BDO (City Fund and Pension Fund) and Moore Stephens (City's Cash, Bridge House Estates and various trusts) who commence their audits on 12 June. The final audited City Fund and Pension Fund financial statements will be presented to the Audit and Risk Management and Finance Committees in July. The final audited City's Cash, Bridge House Estates and various Trusts financial statements will be presented to those committees in October.

Recommendation

Members are asked to note the provisional revenue outturn for the year ended 31 March 2017.

Main Report

Background

1. The original revenue budget was set by Court of Common Council and has been monitored throughout the year. The final approved budget for 2016/17 following carry forward requests and in-year budget adjustments was £145.7m.
2. Further detailed analyses and explanations of the outturn position will be included in revenue outturn reports to the relevant service committees. This report summarises the overall revenue budget outturn for the Corporation as a whole.

Current Position

3. The net expenditure outturn position of £115.5m represents a better than budget position of £30.2m, a 20.7% variance on the final budget of £145.7m. This is summarised in Table 1 below comparing the net budget and provisional outturn for City Fund, City's Cash and Bridge House Estates.
4. The outturn detailed in this report is still subject to external audit by BDO (City Fund and Pension Fund) and Moore Stephens (City's Cash, Bridge House Estates and various trusts) who commence their audits on 12 June. The final audited City Fund and Pension Fund financial statements will be presented to the Audit and Risk Management and Finance Committees in July. The final audited City's Cash, Bridge House Estates and various Trusts financial statements will be presented to those committees in October.

Table 1: City of London Corporation summary outturn 2016/17

2016/17 Budget v Outturn - By Fund					
Net Expenditure (Income)					
	Budget Net	Provisional Outturn	Variation (Better)/Worse		
			Total	Local Risk	Central Risk/ Support Services
	£m	£m	£m	£m	£m
City Fund	138.8	129.5	(9.3)	(3.8)	(5.5)
City's Cash	6.6	(6.4)	(13.0)	(2.6)	(10.4)
Bridge House Estates	0.3	(7.6)	(7.9)	(0.9)	(7.0)
Total	145.7	115.5	(30.2)	(7.3)	(22.9)

5. Within the £30.2m budget variation are the costs of projects and schemes that have been re-phased into 2017/18 and other items over and above service related underspends. Eliminating these items from the provisional outturn results in a £13.9m balance which will be a benefit to reserves (compared to £13.4m last year). This is illustrated in the table below.

Table 2: Identification of underlying underspend in outturn position

Provisional outturn	(30.2)
Supplementary Revenue Projects	7.0
Central contingencies not required	4.8
BHE: CBT Grant carry forward	4.5
Underlying underspend	(13.9)

6. The underlying underspend position above is subject to change as a result of budgets agreed for carry forward following assessment by the Chamberlain in consultation with the Chairman and Deputy Chairman of the Resource Allocation Sub Committee. Requests for carry forward have been submitted and total £4.4m prior to evaluation and approval.
7. Throughout the year forecast expenditure is monitored by Chief Officers to ensure that expenditure and income received is in line with budget and to highlight variances as they occur. The outturn position for the cash limited budget for each department by fund is shown at Appendix 1.
8. The provisional outturn has been compared to the forecast as at 31 Dec 2016. This shows significant movements between the forecast produced in December and the final outturn shown in the table below.

Table 3: Variance in forecast between Dec 2016 and Outturn

Chief Officer	Variance between December forecast and Outturn	% of total final budget
Chamberlain*	(1,054)	4.7%
City Surveyor	(1,549)	5.2%
Commissioner of Police	(2,715)	4.5%
Comptroller and City Solicitor	(117)	3.7%
Director of Community & Children's Services	(236)	2.3%
Director of Culture, Heritage & Libraries	-	0.0%
Director of Markets & Consumer Protection	(485)	13.0%
Director of Open Spaces	(752)	6.8%
Director of the Built Environment	(378)	2.4%
Head, City of London School	7	0.9%
Headmaster, City of London Freeman's School	17	27.0%
Headmistress, City of London School for Girls	(1)	0.6%
Managing Director, Barbican Centre	(238)	1.4%
Principal, Guildhall School of Music & Drama	(506)	9.4%
Private Secretary & Chief of Staff to the Lord Mayor	(197)	7.5%
Remembrancer	(601)	75.5%
Town Clerk	(620)	2.8%

*includes additional IT funding for which a carry forward bid has been submitted.

9. There are steps that are being taken to improve the quality of financial management information across the Corporation. Additional modules are being implemented in the Oracle system during 2017/18 to facilitate more efficient data collection and reporting. This support from the Chamberlain will require cooperation from each department to ensure that realistic forecasts are produced on a regular basis throughout the year, supported by budget holder training as appropriate.
10. Where budget lines perform consistently better or worse than budget on a year on year basis budget holders will be challenged to amend these as part of the 2018/19 budget setting process. Whilst it is recognised that some budget lines can be volatile, for example trading income, a balance must be struck between prudence and ambition. Service budgets should not include an element of contingency as contingency funds are available from Finance committee should they be required during the year.
11. The following tables show each fund in turn and compare net budget with outturn by committee, with summaries of the main variances set out below each table. More detailed analyses and explanations will be included in outturn reports to the various service committees.

City Fund

Table 4: City Fund summary outturn 2016/17 by Committee

2016/17 Budget v Outturn - City Fund Summary by Committee					
Net Expenditure (Income)	Budget Net	Provisional Outturn	Variation (Better)/Worse		
			Total	Local Risk	Central Risk/ Support Services
	£m	£m	£m	£m	£m
Barbican Centre	26.7	26.2	(0.5)	(0.6)	0.1
Barbican Residential	2.8	2.6	(0.2)	(0.2)	0.0
Community and Children's Services	12.3	12.3	0.0	(0.1)	0.1
Culture Heritage and Libraries	20.4	20.4	0.0	0.0	0.0
Finance	14.0	7.7	(6.3)	0.0	(6.3)
Licensing	0.1	0.0	(0.1)	(0.1)	0.0
Markets	(1.7)	(1.9)	(0.2)	0.0	(0.2)
Open Spaces	1.7	1.7	0.0	0.0	0.0
Planning and Transportation	14.2	13.9	(0.3)	(0.8)	0.5
Police	68.1	68.1	0.0	(0.1)	0.1
Policy and Resources	5.1	4.9	(0.2)	(0.5)	0.3
Port Health and Environmental Services	13.5	12.5	(1.0)	(0.9)	(0.1)
Property Investment Board	(38.4)	(38.9)	(0.5)	(0.5)	0.0
City Fund requirement to be met from government grants, local taxation and transfers to/(from) reserves.	138.8	129.5	(9.3)	(3.8)	(5.5)

12. The net better than budget position of £9.3m includes the following significant variances:

	£m	Driver
• Cash limited local risk budgets:		
○ Reduction in operating costs across services, including employee costs	(1.7)	Non-spend
○ Increased income in Port Health from Heathrow Animal Reception Centre and Cemetery & Crematorium	(0.9)	Higher Income
○ Customer receipts (Barbican)	(1.0)	Higher Income
• City of London Police – the forecast position of an overspend of £2.6m has not materialised and the call on the police reserve is no longer required. There remains a significant challenge to achieve a balanced budget over the medium term. Details of the outturn will be presented to the Police Committee at the end of June.	(0.1)	Non-spend
• Central recharges as a result of lower central costs	(1.4)	Non-spend
• Supplementary Revenue Projects provision held by Finance Committee and allocated to projects as expenditure occurs (re-phased into 2017/18).	(1.7)	Slippage
• Grant income	(1.3)	Higher income
• Investment income	(0.8)	Higher Income

13. Where the driver above is non-spend this is indicative of careful management throughout the year. An underspend on operating costs representing 1% of the total City Fund budget demonstrates that services are being managed prudently.

14. The central recharges budget within Finance committee has benefitted from significantly reduced insurance premiums, lower operational building running costs and IT underspends (which are subject to a carry forward request).

15. Income budgets require a focus on more realistic forecasting and a more optimistic view being taken. It is clear that budgets are set with prudence in mind although care should be taken to ensure that the assumptions are not over-cautious in the forthcoming year.

City's Cash

Table 5: City's Cash summary outturn 2016/17 by Committee

2016/17 Budget v Outturn - City's Cash Summary by Committee					
Net Expenditure (Income)	Budget Net	Outturn	Variation (Better)/Worse		
	£m	£m	Total £m	Local Risk £m	Central Risk/ Support Services £m
Culture, Heritage & Libraries	0.1	0.3	0.2	0.2	0.0
Education Board	1.0	1.0	0.0	0.0	0.0
Finance	2.2	(4.9)	(7.1)	(0.1)	(7.0)
G. P. Committee of Aldermen	3.6	3.1	(0.5)	(0.3)	(0.2)
Guildhall School of Music and Drama	10.6	9.4	(1.2)	(1.1)	(0.1)
Markets	0.0	(0.5)	(0.5)	(0.3)	(0.2)
Open Spaces :-					
Open Spaces Directorate	0.0	0.0	0.0	(0.1)	0.1
Epping Forest and Commons	7.1	7.1	0.0	0.0	0.0
Hampstead, Queen's Park and Highgate	6.9	6.4	(0.5)	(0.4)	(0.1)
Bunhill Fields	0.3	0.3	0.0	0.0	0.0
West Ham Park	1.2	1.1	(0.1)	0.0	(0.1)
Policy and Resources	14.9	13.5	(1.4)	(0.1)	(1.3)
Property Investment Board	(45.0)	(46.9)	(1.9)	(0.4)	(1.5)
Schools :-					
City of London School	1.4	1.4	0.0	0.0	0.0
City of London Freeman's School	1.7	1.7	0.0	0.0	0.0
City of London School for Girls	0.6	0.6	0.0	0.0	0.0
Deficit (Surplus) from (to) reserves	6.6	(6.4)	(13.0)	(2.6)	(10.4)

16. The net better than budget position of £13.0m includes the following significant variances:

- | | £m | Driver |
|--|-------|---------------------------|
| • Cash limited local risk budgets: | | |
| o Reduction in operating costs at Smithfield Market and additional car park income at Billingsgate Market | (0.5) | Non-spend & Higher Income |
| o GSMD income – Additional income from hire of facilities and government grants totalling £3.7m better than budget offset by additional costs of £2.6m resulting in a net surplus. | (1.1) | Higher Income |
| o Additional receipts from customer fees (Hampstead Heath, Queens's Park and Highgate Wood) | (0.2) | Higher Income |
| o Mansion House additional income from increased hire of facilities | (0.2) | Higher Income |
| • Supplementary revenue projects provision held by Finance Committee and allocated to projects as expenditure occurs (re-phased into 2017/18). This includes £1.2m from the GSMD capital cap and £1.8m Crossrail Art fund match funding. | (5.3) | Slippage |

- Central contingencies not required in 2016/17 (2.4) Non-spend
- PIB Property Investment Board –mainly due to an overachievement of rent on Investment Estate of £2m resulting from a number of backdated rent reviews being settled and billed in year, and underspends on central risk expenditure budgets of £0.1m and £0.1m on central and departmental recharges. (2.2) Higher Income

17. Slippage related to project expenditure represents 40% of the underspend position above. Further analysis is being carried out to understand variances by service to identify reasons for particular reasons for the slippage occurring.

18. Income budgets have performed better than expected in 2016/17 and as a result forecasts during 2017/18 and budgets for 2018/19 will be assessed to ensure that these are not over-cautious and amended where appropriate.

Bridge House Estates

Table 6: Bridge House Estates summary outturn 2016/17 by Committee

2016/17 Budget v Outturn - Bridge House Estates Summary by Committee					
Net Expenditure (Income)	Budget Net	Provisional Outturn	Variation (Better)/Worse		
	£m	£m	Total £m	Local Risk £m	Central Risk/ Support Services £m
The City Bridge Trust	23.0	18.3	(4.7)	0.0	(4.7)
Culture, Heritage and Libraries	(0.5)	(1.2)	(0.7)	(0.7)	0.0
Finance	(10.9)	(12.1)	(1.2)	0.0	(1.2)
Planning and Transportation	4.7	4.6	(0.1)	0.0	(0.1)
Property Investment Board	(16.0)	(17.2)	(1.2)	(0.2)	(1.0)
Deficit (Surplus) from (to) reserves	0.3	(7.6)	(7.9)	(0.9)	(7.0)

19. The net better than budget position of £7.9m includes the following significant variances:

- | | £m | Driver |
|--|-------|---------------|
| • Cash limited local risk budgets: | | |
| ○ Reduction in operating costs | (0.5) | Non-spend |
| ○ Tower Bridge income | (0.7) | Higher Income |
| • CBT Grants to be allocated (carry forward already agreed under urgency) | (4.5) | Slippage |
| • Investment income | (1.1) | Higher Income |
| • Central contingencies not required | (0.3) | Slippage |
| • Property Investment Board –mainly due to an overachievement of rent on the Bridge House Investment Estate of £1.3m from the settlement of rent certificates from earlier years resulting in additional geared ground rents being received, offset by £0.2m of additional central and departmental recharges and a shortfall of £0.1m on premises insurance recovery. | (1.2) | Higher Income |

20. The City Bridge Trust has been increasing the strategic approach to its grant making including more longer-term, proactive grants. In respect of CBT's 20th Anniversary programmes the balance of uncommitted funding supporting Employability and Infrastructure Support of £4.5m has been agreed to be carried forward to 2017/18. This decision was made to enable the CBT Committee to agree detailed 5 year grant proposals at its May and July committee meetings.
21. Income budgets have performed better than expected in 2016/17 and as a result forecasts during 2017/18 and budgets for 2018/19 will be assessed to ensure that these are not over-cautious and amended where appropriate.

Conclusion

22. The 2016/17 provisional outturn position shows particular caution being exercised in the budget setting and forecasting of income budgets. There are also a number of projects that are funded centrally that have suffered from slippage from one financial year into the next.
23. Investments in improved systems and processes to facilitate improved budget monitoring and project expenditure forecasting are already underway and should result in identifying budget variations sooner so that mitigating actions can be taken. This is a corporate project that will require collaboration and partnership working across the Corporation to succeed.
24. City Bridge Trust have a desire to focus on grant giving which spans periods longer than one financial year and therefore consideration is being given to the best way to support the objectives of the charity on a practical basis. A paper will be presented to the CBT Committee and the Resource Allocation Sub-Committee during 2017/18 to propose how the treatment of the grants budget might be improved.
25. The Police budget has been subject to a great deal of scrutiny due to the identified requirement to exhaust reserve balances over the medium term. The achievement of a balanced outturn position in 2016/17 will require further analysis to establish the nature of the savings achieved and verify whether these savings can be achieved in future years. The publication of the Deloitte demand and value review will form a crucial source of data for the medium term plan.
26. Any on-going implications of 2016/17 variances will be taken into account in future financial planning and the development of the medium term financial plan. Further scrutiny of the areas where significant variances have been identified will take place as part of the 2017/18 business planning and budget setting process.

Appendices

- Appendix 1: Outturn position by department

Philip Gregory

Deputy Director, Financial Services

T: 020 7332 1284

E: Philip.Gregory@cityoflondon.gov.uk

Appendix 1

Original Budget	Chief Officer Cash Limited Budgets	Outturn as at 31 Mar	
		Final Budget	Outturn
£'000		£'000	£'000
	City Fund		
1,736	Chamberlain	1,825	1,729
5,053	City Surveyor	5,661	5,214
7,387	Director of Community & Children's Services	9,717	9,483
7,831	Director of Culture, Heritage & Libraries	0	0
1,955	Director of Markets & Consumer Protection	2,204	1,617
(646)	Director of Open Spaces	(516)	(964)
15,563	Director of the Built Environment	15,637	14,990
16,909	Managing Director, Barbican Centre	17,066	16,478
7,552	Town Clerk	13,500*	13,052
63,340	Total City Fund (excluding Police)	65,094	61,599
	City's Cash		
69	Chamberlain	71	86
14,225	City Surveyor	14,461	13,942
420	Director of Community & Children's Services	445	445
(42)	Director of Culture, Heritage & Libraries	0	0
1,457	Director of Markets & Consumer Protection	1,518	1,238
10,993	Director of Open Spaces	11,295	11,127
799	Head, City of London School	816	823
60	Headmaster, City of London Freemen's School	(63)	(46)
155	Headmistress, City of London School for Girls	171	170
5,479	Principal, Guildhall School of Music & Drama	5,377	4,271
2,381	Private Secretary & Chief of Staff to the Lord Mayor	2,613	2,325
1,080	Remembrancer	1,134	1,087
569	Town Clerk	692	571
37,645	Total City's Cash	38,530	36,039
	Bridge House Estates		
2,412	City Surveyor	2,462	2,330
595	Director of Open Spaces	304	(396)
256	Director of the Built Environment	256	266
1,267	Town Clerk	1,368	1,278
4,530	Total Bridge House Estates	4,390	3,478

Appendix 1

Original Budget	Chief Officer Cash Limited Budgets	Outturn as at 31 Mar	
		Final Budget	Outturn
£'000		£'000	£'000
	Guildhall Administration		
18,532	Chamberlain	20,735	19,642
6,696	City Surveyor	7,023	6,933
2,897	Comptroller and City Solicitor	3,205	3,088
(379)	Remembrancer	(338)	(1,095)
6,664	Town Clerk	6,782	6,656
34,410	Total Guildhall Administration	37,407	35,224
139,925	Grand Totals (excluding Police)	145,421	136,340
58,347	Commissioner of Police	59,723	59,608
198,272	Grand Totals	205,144	195,948

* The City Fund budget for the Town Clerk includes adjustments for additional EDO funding following the Brexit vote and the redistribution of the Culture portfolio.