

<b>Committee(s)</b>	<b>Dated:</b>
Community and Children's Services – For Information	14 July 2017
<b>Subject:</b> Revenue Outturn 2016/17 – Community and Children's Services Committee (City Fund)	<b>Public</b>
<b>Report of:</b> The Chamberlain and the Director of Community and Children's Services	<b>For Information</b>
<b>Report author:</b> Louise Said, Chamberlain's Department	

### Summary

This report compares the 2016/17 revenue outturn for the non-Housing Revenue Account (HRA) services overseen by your Committee with the final agreed budget for the year. The Director of Community and Children's Services local risk budget was underspent by £16,000 with an overspend on all risks of £17,000. This is summarised in the table below.

<b>Summary Comparison of 2016/17 Revenue Outturn with Final Agreed Budget – Community &amp; Children's Services Committee</b>			
	<b>Final Agreed Budget £000</b>	<b>Revenue Outturn £000</b>	<b>Variations Increase/ (Reduction) £000</b>
<b>Local Risk</b>	<b>9,959</b>	<b>9,943</b>	<b>(16)</b>
Central Risk	197	367	170
Surveyors R&M	83	28	(55)
Total all Risks	10,239	10,338	99
Recharges	1,994	1,912	(82)
<b>Overall Totals</b>	<b>12,233</b>	<b>12,250</b>	<b>17</b>

The Director of Community and Children's Services is proposing to carry forward £16,000 of his local risk underspend for identified purposes of this Committee. These proposals will be considered by the Chamberlain in consultation with the Chairman and Deputy Chairman of the Resource Allocation Sub-Committee and, if agreed, will be added to the Director's budgets for 2017/18.

### Recommendation

It is recommended that this revenue outturn report for 2016/17 is noted together with the Director of Community and Children's Services' proposal to carry forward £16,000 to 2017/18.

## Main Report

### Revenue Outturn for 2016/17

- Actual net expenditure for your Committee's services during 2016/17 totalled £12.250m. A summary comparison with the final agreed budget for the year of £12.233m is tabulated below. In the tables, figures in brackets indicate income or in hand balances, increases in income or decreases in expenditure.

<b>Comparison of 2016/17 Revenue Outturn with Final Agreed Budget</b>					
	<i>Original Budget</i>	<b>Final Agreed Budget</b>	<b>Revenue Outturn</b>	<b>Variations to Final Agreed Budget Increase / (Reduction)</b>	<b>Paragraph</b>
	<i>£000</i>	<b>£000</b>	<b>£000</b>	<b>£000</b>	
<b>Local Risk</b>					
Supervision & Management	1,464	1,434	1,532	98	3
Partnerships & Commissioned Services	909	1,009	835	(174)	4
People's Services	6,578	6,666	6,828	162	5
Housing Services	696	850	749	(101)	6
<b>Total Local Risk</b>	<b>9,647</b>	<b>9,959</b>	<b>9,943</b>	<b>(16)</b>	
<b>Central Risk</b>	198	197	367	170	7
<b>Surveyors R&amp;M</b>	137	83	28	(55)	
<b>Recharges</b>	1,762	1,994	1,912	(82)	8
<b>Overall Totals</b>	<b>11,744</b>	<b>12,233</b>	<b>12,250</b>	<b>17</b>	

- A reconciliation of original local risk budget to the final agreed local risk budget is provided in Appendix A. The original local risk budget of £9,647m was increased to £9,959m in the year mainly due to the agreed carry forward from prior year underspend (£161k) and additional resources being allocated in relation to the City of London's Apprenticeship Scheme (£61k). The remaining £90k comprises a number of small adjustments such as the London Living Wage increase and contribution pay.

#### Reasons for significant variations

- The overspend of £98k on Supervision & Management relates largely to higher than budgeted spend on temporary staff along with the high cost of advertising the Director's post.

4. On Partnerships & Commissioned Services, the £174k favourable variance was caused by lower than anticipated spend on supplies and services. A number of contracts such as the volunteering contract, were reviewed during the year resulting in savings along with lower than budgeted repairs & maintenance costs of the Golden Lane leisure centre. There were also a number of vacant posts during the year which has contributed to this favourable variance.
5. During the year additional costs were incurred in relation to the preparation for the Children's inspection which contributed to the adverse variance of £162k on People's Services. In addition a high cost vulnerable client was presented to the City which resulted in unplanned costs.
6. The underspend of £101k on Housing Services is due in the main to extra income being received in relation to the refund of housing benefits payments made to individuals in the past along with a vacant post.
7. The central risk budget includes services to Asylum seekers, concessionary fares and Special Educational Needs transport. The overspend of £170k is mainly attributable to Unaccompanied Asylum Seeking Children (UASC). As at 31<sup>st</sup> March 2017, the City of London had a total of 20 UASC of which 10 were over 18 years of age and attract no funding from the Home Office due to the Government's ruling that councils will not receive funding for their first 25 care leavers.
8. The table below shows a breakdown of the Capital and Support Services budgets and expenditure.

	<i>Original Budget</i>	Final Agreed Budget	Revenue Outturn	<b>Variation Increase/ (Decrease)</b>
	<i>£000</i>	£000	£000	<b>£000</b>
<b>CAPITAL &amp; SUPPORT SERVICES</b>				
Capital Charges	343	334	334	<b>0</b>
Support Services, including Chamberlains, Comptrollers & Town Clerks	1,306	1,479	1,390	<b>(89)</b>
Surveyors Employee & IS Recharges	508	644	647	<b>3</b>
Guildhall Admin Buildings	225	205	205	<b>0</b>
Insurances, including premises & Liability	74	52	41	<b>(11)</b>
Recharges to Barbican	(22)	(44)	(42)	<b>2</b>
Recharges to HRA	(640)	(644)	(631)	<b>13</b>
Corporate & Democratic Core	(32)	(32)	(32)	<b>0</b>
<b>TOTAL CAPITAL &amp; SUPPORT SERVICES</b>	<b>1,762</b>	<b>1,994</b>	<b>1,912</b>	<b>(82)</b>

The budgets for Community & Children’s Services departmental support service costs were based on 2015/16 actual attributions whereas the final charges for 2016/17 reflect the most recent time and costs attributions.

Recharges have a corresponding contra entry in their own accounts. Consequently these charges have no overall impact on net expenditure for the Corporation as a whole

**Local Risk Budget Carry Forward to 2017/18**

1. Chief Officers can request underspends of up to 10% or £500,000 (whichever is the lesser) of the final agreed local risk budget to be carried forward provided the underspending is not fortuitous and the resources are required for a planned purpose. Such requests are subject to the approval of the Chamberlain in consultation with the Chairman and Deputy Chairman of the Resources Allocation Sub Committee.
2. The Director of Community and Children’s Services’ is able to request a total carry forward of £16,000 to 2017/18 for this Committee, in accordance with the budgetary arrangements for local risk resources.
3. The Director is proposing to allocate £16,000 of his carry forward to this Committee, on the following:

<ul style="list-style-type: none"> <li>• Supervision and Management: towards the cost of a departmental staff conference. Due to a new Chief Officer and various new Heads of services within the department, this was postponed until they were all in post.</li> </ul>	£4,000
<ul style="list-style-type: none"> <li>• Housing Services: To implement the universal credit support programme: the government is introducing changes to welfare benefits on an unprecedented scale and the introduction of the universal credit is having a massive impact on individuals and on the City's ability to collect rent. The DWP did provide an un-ringfenced grant in late March 2017 to fund essential transitional support however costs will run into the new year. Unfortunately the DWP grant could not be carried forward and was used to offset expenditure elsewhere within the service area which has resulted in an underspend.</li> </ul>	£12,000

4. These requests will be considered by the Chamberlain in consultation with the Chairman and Deputy Chairman of the Resource Allocation Sub Committee and, if agreed, added to the budgets for 2017/18. All requests for

carry forwards are currently being consolidated into a report to be submitted before the summer recess

### **City of London overall Financial Position and context for the Efficiency and Sustainability Plan**

5. The Court of Common Council approved the published Efficiency and Sustainability Plan on 13<sup>th</sup> October 2016. This plan focuses on the existing Service Based Review programme which is now nearing completion, other agreed transformation initiatives and developing a framework for continuous efficiency improvement for 2017/18 and later years. This plan needs to be viewed in the context of the overall Medium Term Financial Strategy to have a five year plan with sufficient cashable savings to present a balanced budget for all four funds and adopting an investment approach utilising the headroom to invest in one-off projects such as the Museum of London relocation project and 'bow wave' list of outstanding repairs
  
6. To assist with this context and messaging, a set of core messages on the City of London Corporation's Finances have been developed and are set out in Appendix 2 for members information.

### **Appendices**

- Appendix 1 – A reconciliation of 2016/17 original local risk budget to the final agreed local risk budget 2016/17
  
- Appendix 2 – City of London overall Financial Position and context for the Efficiency and Sustainability Plan

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## Appendix 1

	£'000
Original Local Risk Budget 2016/17	9,647
Local risk carry forward from Director's underspend in 2015/16	161
Additional resources from Finance Committee to support pre-start up costs of administering the City of London Apprenticeship Scheme.	61
Net other movements including contribution pay & London Living wage adjustment	90
<b>Final Agreed Local Risk Budget 2016/17</b>	<b>9,959</b>

## **Efficiency & Sustainability Plan - Appendix 2**

### **CORE MESSAGES ON THE CITY OF LONDON CORPORATION'S FINANCES – January 2017**

#### **Our aim:**

Our funds are there to help the City of London Corporation promote financial, professional and business services, provide excellent public services and support the City, capital and country as a whole.

They must be used economically, efficiently and effectively to maintain the City's underlying infrastructure and services and so we can prioritise paying for initiatives which meet our long-term ambitions.

#### **How we do this:**

The City has four funds.

Two of these are paid for by ratepayers and taxpayers:

- City Fund - money used to cover local authority activities in the square mile and beyond.
- Police Fund – the money used to pay for the City of London Police Force

Two are provided at no cost to the taxpayer:

- City's Cash - an endowment fund built up over 800 years and passed from generation to generation used to fund services that benefit London and the nation as a whole.
- Bridge House Estates - the money used to look after five bridges over the Thames with any surpluses being used for charitable purposes and awarded through the City Bridge Trust.

It is a duty on us to make the best use of the resources we have. This can only be done through continually reviewing the economy, efficiency and effectiveness of our services, the outcomes that are achieved and how they meet our long-term ambitions.

Everyone has a role to play in constantly challenging what we do and thinking about how we could do things better.

#### **Are there further cuts being made?**

Yes, but only 2% and only to ensure continuous improvement. In 2014, we estimated that due to cuts in government funding City Fund would be facing deficits

approaching £11m by 2017/18 so we had to deal with this by scrutinising all our activities in what we called the Service Based Review.

We could, of course, have just made efficiencies in those areas paid out of public funds. But we decided it was not fair or equitable to ask some parts of our organisation to be more efficient and not others.

Proposals totalling £20m in efficiencies/extra income were identified and are well underway to being implemented. Following the completion of the Service Based Review programme, a continuous 2% per annum budget reduction target will be introduced across all our services. Departments will be expected to meet this through efficiency and performance improvements.

### **Why are we continuing to make budget reductions?**

Firstly, we have a duty to ensure the most effective and efficient use of our resources.

Secondly, we continue to have big cost pressures. We live in an historic and ageing City. Many of our properties are deteriorating which requires an increased level of investment, and our IT infrastructure and service needs investment. In addition the City of London Police needs to address the changing nature of policing and the increasing demands placed on the service in the context of increased security threats from terrorism, growing cybercrime and online economic crime and intelligence requirements.

Thirdly, by being economic, efficient and making savings and focusing our efforts where we are most effective we can enhance existing services and pursue new priorities and increasingly ambitious outcomes for the benefit of the City, London and the nation.

### **Why not utilise the City's Cash fund endowment?**

This is money which has been passed down to us over the years, produces income for us and is not to be used lightly as we want to pass it on to future generations to sustain services in the medium to longer term. Its income comes mainly from property and investments and is used to finance activities for the benefit of the City, London and the nation as a whole. Any sale of the underlying investments reduces the ability of the fund to generate income in future years.

The City's Cash budget will be running a deficit over the next three years to allow us to carry out essential investment before returning to a small surplus in 2020/21.

### **So what does the future look like for these funds?**

The financial forward look for two of our funds is relatively healthy but uncertainties remain.

- City Fund: we have been planning for a continuing reduction in government grant and the underlying budget position is robust. We will be using the



headroom to invest in essential repairs and maintenance and to fund the building of the new Museum of London to the benefit of all Londoners and the country as a whole.

- **City's Cash:** The forecast deficit over the next three years reflects our commitment to carry out essential investment and to support cultural development before returning to a small surplus in 2020/21.
- **Bridge House Estates:** the rising surplus will increase the resources available to the City Bridge Trust for charitable giving across London.
- **The Police Fund:** The underlying financial position remains very challenging with the recent Police core grant settlement marginally lower than anticipated. Additional cost pressures have meant the fund has moved into deficit, utilising the remaining ring fenced reserves in 2016/17 and 2017/18. An interim strategy has been developed and proposed for dealing with the deficit to the end of 2017/18. The Town Clerk, the Chamberlain and the Commissioner, have commissioned a review of the Police operating model, focusing on future demand modelling and how best to secure VFM, to identify options to address the, as yet unfunded, projected deficits of £5.6m in 2018/19 and £3.8m in 2019/20.

### **What are your total assets?**

The City of London Corporation has assets of around £4bn. Income from these assets fund our services and any sale of assets to fund on-going services in the short term would harm our ability to protect services in the medium to longer term. Sale of many of our local authority assets to fund day to day services is also effectively prohibited by Local Government accounting rules