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| Committee(s): | Date(s): |
| Policy and Resources Committee | 21st September 2017 |
| Subject: Revenue Outturn 2016/17 | Public |
| Report of: The Town Clerk, the Chamberlain, the Remembrancer | For Information |
| Report Author: Laura Tuckey, Chamberlain's Department | |

Summary

This report compares the revenue outturn for the services overseen by your Committee in 2016/17 with the final budget for the year. Overall, total net expenditure during the year was £19.424m, against the budget of was £20.950m representing a better than budget position of £1.526m, as summarised in the table below.

| By Division of Service | Final Budget | Revenue Outturn | Variations Better/(Worse) |
|--|---------------------|------------------------|----------------------------------|
| | £000 | £000 | £000 |
| Resilience and Community Safety (Inc. One Safe City Programme) | 1,626 | 1,503 | 123 |
| Media and Communications | 1,967 | 1,925 | 42 |
| Economic Development | 5,369 | 5,209 | 160 |
| Grants and Contingencies | 5,904 | 5,003 | 901 |
| Remembrancer | 6,084 | 5,784 | 300 |
| Division of Service Totals | 20,950 | 19,424 | 1,526 |

The most significant reduced requirements within Grants and Contingencies were on Promoting the City (£453,000), the Policy Initiatives Fund (£81,600) and Committee Contingency (£152,200) There was a reduced requirement in Remembrancer's for corporate hospitality (£236,000) and Resilience and Community Safety had reductions on Employees & Supplies and services (£88,000).

Your Committee has already agreed to carry forward the unspent balances on the Policy Initiatives Fund and Committee Contingency of £81,600 and £152,200 respectively. In addition, the Town Clerk and the Remembrancer have put forward proposals to carry forward £713,000 (of which £253,000 relates to local risk and £460,000 relates to central risk) and £35,000 respectively. These proposals have been presented to the Chamberlain in consultation with the Chairman and Deputy Chairman of the Resource Allocation Sub Committee and been approved.

Recommendations

It is recommended that this revenue outturn report for 2016/17 and the budgets carried forward to 2017/18 are noted.

Main Report

Budget Position for 2016/17

1. The 2016/17 original budget for the services overseen by your Committee was £16.786m as endorsed by the Court of Common Council in March 2016. This has subsequently been increased to a final budget of £20.950m. An analysis of the increase of £4.164m is provided in Appendix 1.

Revenue Outturn for 2016/17

2. The 2016/17 actual net expenditure for the services being reported to your Committee totalled £19.424m, an underspend of £1.526m compared to the budget of £20.950m. A comparison with the final budget for the year is set out in Appendix 2. The most significant variations were:
3. Reduced net expenditure on Grants and Contingencies £901,000 (Town Clerk's risk) primarily due to:-
 - Unspent central risk provisions of £81,600 and £152,200 within the Policy Initiatives Fund and Committee Contingency respectively which your Committee, on 16 March 2017, agreed to carry forward; and
 - The Promoting the City budget was significantly underspent against budget by £453,000. The initial set up of the new units has taken longer than anticipated, particularly the recruitment of suitably skilled staff to deliver the key aims that were identified in the 'Promoting the City' report by Sir Simon Fraser. There are several carry forward requests, which subject to approval will fund planned projects and activity that were delayed whilst the unit was established.
4. Reduced net expenditure by the Remembrancer's Department of £300,000 largely in respect of:-
 - Lower expenditure on corporate hospitality across the sub categories of State Visits/Guests of Government, Strategic Hospitality and General Hospitality of £236,000 principally due to one state banquet (The President of the Republic of Columbia) taking place in 2016/17; and
 - Unspent local risk provisions of £35,000 which is subject to carry forward requests as detailed in appendix 3.
5. Reduced net expenditure by the Economic Development Office of £160,000 largely in respect of :-
 - Fees & services and conference expenses, which has been reduced while work streams are re-aligned in the post-brexite global political environment.

6. Reduced net expenditure on Resilience and Community Safety activities of £123,000 mainly as a result of:-

- More vacancies than expected and lower than anticipated spending on employees and supplies and services. As a result a request to carry forward £88k as detailed in appendix 3 has been submitted.

Budgets Carried Forward to 2017/18

7. Chief Officers can request local risk underspends of up to 10% or £500,000 whichever is the lesser, to be carried forward, so long as the underspend is not clearly fortuitous and the resources are required for a planned purpose. Such requests are considered by the Chamberlain in consultation with the Chairman and Deputy Chairman of the Resource Allocation Sub Committee.

8. Overspending is carried forward and recovered through reductions in 2017/18 budgets.

9. The Town Clerk has proposed to carry forward £253,000 local risk and £460,000 central risk underspend. The Remembrancer has proposed to carry forward £35,000 of their local risk underspends. Details of the use of the carry forwards are set out in Appendix 3.

10. These proposals have been agreed by the Chamberlain in consultation with the Chairman and Deputy Chairman of the Resource Allocation Sub Committee and the 2017/18 budgets increased accordingly.

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

11. The Court of Common Council approved the published Efficiency and Sustainability Plan on the 13th 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.

12. 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 4 for members' information.

Appendices

- Appendix 1 – Analysis of movements from the 2016/17 Original Budget to 2016/17 Final Budget

- Appendix 2 – Comparison of 2016/17 Revenue Outturn against Final Budget
- Appendix 3 – Carry forward requests
- Appendix 4 – Efficiency & Sustainability Plan

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APPENDIX 1

| Analysis of movements 2016/17 Original Budget to Final Budget | £000 |
|--|---------------|
| Original Local Risk Budget (Town Clerk) | 7,130 |
| Local Risk carry forward from Town Clerk's underspend in 2015/16 | 134 |
| Net other movements including Contribution Pay & Redundancy/Early Retirement Costs | 113 |
| Final Local Risk Budget (Town Clerk) | 7,377 |
| Original Local Risk Budget (Remembrancer) | 1,064 |
| Local Risk carry forward from Remembrancer's underspend in 2015/16 | 25 |
| Net other movements including contribution pay adjustment | 29 |
| Final Local Risk Budget (Remembrancer) | 1,118 |
| Original Central Risk Budget (Town Clerk) | 2,243 |
| Central Risk carry forward from Town Clerk's underspend in 2015/16 | 141 |
| Central Risk carry forward from Policy Initiatives Fund 2015/16 | 269 |
| Central Risk carry forward from Committee Contingency 2015/16 | 303 |
| Allocation from Finance Committee re Police Arboretum Memorial Trust | 50 |
| Base adjustment for Reserve forces and Cadets | 42 |
| Increase to Strengthening the City & Promotion of the City Activities | 1527 |
| Increase of Supplementary Revenue Projects | 1246 |
| Allocations from Policy Initiatives Fund to other Committees/areas | -228 |
| One Safe City Programme carry forward | 567 |
| Net other movements | 255 |
| Final Central Risk Budget (Town Clerk) | 6,415 |
| Original Central Risk Budget (Remembrancer) | 1,303 |
| Capital charges adjustment | -2 |
| Final Central Risk Budget (Remembrancer) | 1,301 |
| Original Support Services and Capital Charges Budget | 5,046 |
| Net movements | -307 |
| Final Support Services and Capital Charges Budget | 4,739 |
| Total Original Budget | 16,786 |
| Total increase | 4,164 |
| Total Final Budget | 20,950 |

APPENDIX 2

| Comparison of 2016/17 Revenue Outturn with Final Budget | | | | |
|--|------------------------|---------------------|------------------------|-----------------------------------|
| By Chief Officer | Original Budget | Final Budget | Revenue Outturn | Variations Better/ (Worse) |
| | £000 | £000 | £000 | £000 |
| Local Risk | | | | |
| The Town Clerk | 7,130 | 7,377 | 6,980 | 397 |
| The Remembrancer | 1,064 | 1,118 | 1,073 | 45 |
| Total Local Risk | 8,194 | 8,495 | 8,053 | 442 |
| Central Risk | | | | |
| The Town Clerk | 2,243 | 6,415 | 5,551 | 864 |
| The Remembrancer | 1,303 | 1,301 | 1,065 | 236 |
| Total Central Risk | 3,546 | 7,716 | 6,616 | 1,100 |
| Support Services & Capital Charges | 5,046 | 4,739 | 4,755 | (16) |
| Committee Totals | 16,786 | 20,950 | 19,424 | 1,526 |
| By Division of Service | | | | |
| Resilience and Community Safety (Inc. One Safe City Programme) | 794 | 1,626 | 1,503 | 123 |
| Media and Communications | 2,377 | 1,967 | 1,925 | 42 |
| Economic Development | 4,749 | 5,369 | 5,209 | 160 |
| Grants and Contingencies | 2,478 | 5,904 | 5,003 | 901 |
| Remembrancer | 6,388 | 6,084 | 5,784 | 300 |
| Division of Service Totals | 16,786 | 20,950 | 19,424 | 1,526 |

APPENDIX 3

| Carry forwards By Chief Officer | £000 |
|--|-------------|
| Town Clerk | |
| <u>The Town Clerk – Economic Development – Local Risk</u> | |
| Consultancy work to help develop apprenticeship offers to City businesses. This consultancy work was delayed due to unavailability of key senior Economic Development staff and the time requirements of the procurement process. | 15 |
| The Green Finance Conference which was originally scheduled for January 2017 had to be delayed until May 31 st /June 1 st 2017 due to ministerial availability. | 100 |
| The Restoring Trust in Financial Services project was unable to be completed as per the original timetable due to a longer than expected scoping phase and the need to recruit members of the public to participate. The £50k will be used to cover the outstanding research programme and the delivery of a subsequent event. | 50 |
| <u>The Town Clerk – Economic Development – Central Risk</u> | |
| City Bridge Trust 'Giving' Role which delivers benefits to both EDO and CBT funded through central risk underspends on Staff and Supplies & Services. EDO to pay towards role in year 1 then CBT to fund thereafter. Role likely to start August / September once recruitment process completed | 120 |
| Strategic Engagement Management System across EDO/CoL as the previous Customer Relationship Management Database has not been supported since July 2016. £140k will be needed for the business processes and the project & change management implementation (2 x consultants). | 140 |
| Maximising post-Brexit opportunities by further potential restructuring of EDO team to meet challenges and opportunities. | 200 |
| <u>The Town Clerk – Community, Safety & Resilience – Local Risk</u> | |
| To provide specific, one year fixed term support of a Data Analyst to improve Community Safety co-ordination £44k; and a resource to help discharge our corporate responsibility for 'Prevent' £44k | 88 |
| Total Town Clerk | 713 |

| Carry forwards By Chief Officer | £000 |
|---|-----------|
| <p data-bbox="204 309 625 342"><u>Remembrancer's – Local Risk</u></p> <p data-bbox="204 398 1260 499">One year placement to provide additional support which will primarily include a review of the Remembrancer's Honours filing system and other confidential material, including data cleansing and archiving to LMA.</p> | 35 |
| Total Remembrancer's | 35 |

Efficiency & Sustainability Plan

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 three funds.

City Fund, paid for by ratepayers and taxpayers, including:

- money used to cover local authority activities in the square mile and beyond.
- 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, 2% 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. Additional cost pressures have meant the fund is forecast to move into deficit, utilising the remaining ring fenced reserves by 2018/19. 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 £5.8m in 2018/19 and £3.0m 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.