

Committee:	Date:
Finance Committee	24 July 2018
Subject: Provisional Outturn 2017/18	Public
Report of: The Chamberlain	For Information
Report author: Philip Gregory, Deputy Director, Financial Services	

Summary

The 2017/18 provisional net expenditure outturn position of £144.1m represents a better than budget position of £48.9m comprising £25.7m, £13.1m and £10.1m 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 £48.9m, some £23.1m (47%) relates to timing differences – mainly the costs of projects/initiatives that have been re-phased into 2018/19. The final benefit to s will be the £25.8m balance. This includes 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 totalling £3.6m have been approved.

The 2017/18 provisional outturn position shows caution being exercised in the budget setting and forecasting of some 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 2017/18 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.

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). BDO commenced their audits on 6 June and Moore Stephens on 16 July. 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 November.

Recommendation

Members are asked to:

- Note the provisional revenue outturn for the year ended 31 March 2018.

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 2017/18 following carry forward requests and in-year budget adjustments was £193.0m.
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 £144.1m represents a better than budget position of £48.9m, a 25.3% variance on the final budget of £193.0m. 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). BDO commenced their audits on 6 June and Moore Stephens on 16 July. 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 November.

Table 1: City of London Corporation summary outturn 2017/18

2017/18 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	(143.4)	(117.7)	25.7	10.1	15.6
City's Cash	(32.4)	(19.3)	13.1	1.8	11.3
Bridge House Estates	(17.2)	(7.1)	10.1	0.5	9.6
Total	(193.0)	(144.1)	48.9	12.4	36.5

5. Within the £48.9m budget variation are the costs of projects and schemes that have been re-phased into 2018/19 and other items over and above service related underspends. Eliminating these items from the provisional outturn results in a £25.8m balance which will be a benefit to reserves (compared to £13.9m last year). This is illustrated in the table below.

Table 2: Identification of underlying underspend in outturn position

Provisional outturn	48.9
Supplementary Revenue Projects	(12.9)
Central contingencies not required	(6.6)
Approved Carry Forward requests	(3.6)
Underlying underspend	25.8

6. The underlying underspend position above includes 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 totalling £3.6m (£2.1m local risk and £1.5m central risk) were approved.
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 2017. 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 2017 and Outturn

Chief Officer	Variance between December forecast and Outturn	% of total final budget
Chamberlain	721	3.0%
City Surveyor*	(7,034)	17.2%
Commissioner of Police**	4,560	6.9%
Comptroller and City Solicitor	147	4.2%
Director of the Built Environment	(321)	1.9%
Director of Community & Children's Services	(195)	1.8%
Director of Markets & Consumer Protection	144	3.6%
Director of Open Spaces	816	8.0%
Head, City of London School	25	2.7%
Headmaster, City of London Freeman's School	143	2,042.9%
Headmistress, City of London School for Girls	231	151.0%
Managing Director, Barbican Centre	1,368	7.7%
Principal, Guildhall School of Music & Drama	(1,072)	16.8%
Private Secretary & Chief of Staff to the Lord Mayor	(255)	7.6%
Remembrancer	253	28.6%
Town Clerk	405	1.8%

*includes £4m relating to the Additional Works Programme which is monitored by the Corporate Asset Sub-committee. The £4m is subject to separate carry forward arrangements.

** before transfers to the Police Reserve of £3.5m

9. There are steps that are being taken to improve the quality of financial management information across the Corporation. Additional modules have been 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 2018/19, 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 2019/20 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 2017/18 by Committee

2017/18 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	(27.6)	(25.2)	2.4	2.1	0.4
Barbican Residential	(2.8)	(2.9)	(0.1)	0.0	(0.1)
Community and Children's Services	(12.8)	(12.8)	0.0	0.1	(0.1)
Culture Heritage and Libraries	(27.7)	(25.8)	1.9	0.2	1.6
Finance	2.1	16.0	13.9	1.3	12.6
Licensing	(0.1)	(0.1)	0.0	0.0	0.0
Markets	1.3	1.1	(0.2)	0.0	(0.2)
Open Spaces	(1.7)	(1.8)	(0.1)	0.0	(0.1)
Planning and Transportation	(16.0)	(16.1)	(0.1)	(0.2)	0.1
Police	(76.0)	(72.5)	3.5	5.1	(1.6)
Policy and Resources	(6.9)	(6.4)	0.5	0.2	0.3
Port Health and Environmental Services	(14.4)	(13.9)	0.5	0.8	(0.3)
Property Investment Board	39.2	42.7	3.5	0.5	3.0
City Fund requirement to be met from government grants, local taxation and transfers to/(from) reserves.	(143.4)	(117.7)	25.7	10.1	15.6

12. The net better than budget position of £25.7m includes the following significant variances:

	£m	Driver
• Cash limited local risk budgets:		
○ Reduction in operating costs across services, including employee costs	3.6	Non-spend
○ Increased income in Port Health from Cemetery & Crematorium	0.4	Higher Income
○ Customer receipts (Barbican)	3.1	Higher Income
• City of London Police – the forecast position of an overspend has not materialised and the call on the police reserve is now a significant contribution to reserves. 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 in July.	3.5	Non-spend
• Central recharges as a result of lower central costs	0.9	Non-spend
• Central Contingencies not required in 2017/18	4.0	Non-spend
• Lower recharges as central costs have reduced	0.9	Non-spend
• Capital and Supplementary Revenue Projects provision held by Finance Committee and allocated to projects as expenditure occurs (re-phased into 2018/19).	11.0	Slippage
• Property Investment Board income	2.5	Higher Income
• On-Street Parking Income	4.3	Higher Income

13. Where the driver above is non-spend this may be indicative of careful management throughout the year. An underspend on operating costs representing 2% of the total City Fund budget demonstrates that services are being managed prudently.

14. The central recharges budget within Finance committee has benefitted from 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. Central risk budgets have been reviewed and challenged to be more realistic in 2018/19.

City's Cash

Table 5: City's Cash summary outturn 2017/18 by Committee

2017/18 Budget v Outturn - City's Cash Summary by Committee					
Net Expenditure (Income)	Budget Net	Outturn	Variation Better/(Worse)		
			Total	Local Risk	Central Risk/ Support Services
	£m	£m	£m	£m	£m
Culture, Heritage & Libraries	(0.4)	(0.4)	0.0	0.0	0.0
Education Board	(1.3)	(1.3)	0.0	0.0	0.0
Finance	(23.4)	(15.2)	8.2	0.4	7.8
G. P. Committee of Aldermen	(3.8)	(3.5)	0.3	0.4	(0.1)
Guildhall School of Music and Drama	(11.3)	(11.2)	0.1	0.0	0.1
Markets	(0.6)	(0.2)	0.4	0.4	0.0
Open Spaces :-					
Open Spaces Directorate	0.0	0.0	0.0	0.1	(0.1)
Epping Forest and Commons	(7.4)	(7.6)	(0.2)	0.0	(0.2)
Hampstead, Queen's Park and Highgate	(7.9)	(7.6)	0.3	0.4	(0.1)
Bunhill Fields	(0.4)	(0.3)	0.1	0.1	0.0
West Ham Park	(1.2)	(1.2)	0.0	0.0	0.0
Policy and Resources	(16.0)	(14.9)	1.1	0.0	1.1
Property Investment Board	46.6	49.0	2.4	(0.2)	2.6
Schools :-					
City of London School	(1.6)	(1.6)	0.0	0.0	0.0
City of London Freeman's School	(1.8)	(1.5)	0.3	0.1	0.2
City of London School for Girls	(1.9)	(1.8)	0.1	0.1	0.0
Deficit (Surplus) from (to) reserves	(32.4)	(19.3)	13.1	1.8	11.3

16. The net better than budget position of £13.1m includes the following significant variances:

	£m	Driver
• Cash limited local risk budgets:		
o Reduction in operating costs across services	2.9	Non-spend
o GSMD income – Additional income from hire of facilities and government grants totalling £3.1m better than budget offset by additional costs of £0.7m resulting in a net surplus.	2.4	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 2018/19).	3.3	Slippage
• Central contingencies not required in 2017/18	2.6	Non-spend
• Lower recharges as central costs have reduced	2.2	Non-spend
• PIB Property Investment Board –mainly due to an overachievement of rent on Investment Estate	2.0	Higher Income

17. Slippage related to project expenditure represents 25% of the total 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 2017/18 and as a result forecasts during 2018/19 and budgets for 2019/20 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 2017/18 by Committee

2017/18 Budget v Outturn - Bridge House Estates 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
The City Bridge Trust	(27.0)	(25.6)	1.4	0.1	1.3
Culture, Heritage and Libraries	0.9	1.3	0.4	0.4	0.0
Finance	(3.1)	0.8	3.9	0.0	3.9
Planning and Transportation	(4.7)	(4.8)	(0.1)	0.0	(0.1)
Property Investment Board	(16.7)	(21.2)	4.5	0.0	4.5
Deficit (Surplus) from (to) reserves	(17.2)	(7.1)	10.1	0.5	9.6

19. The net better than budget position of £10.1m includes the following significant variances:

	£m	Driver
• Cash limited local risk budgets:		
o Reduction in operating costs	0.9	Non-spend
o Tower Bridge income	0.1	Higher Income
• CBT Grants to be allocated	1.2	Slippage
• Investment income	1.0	Higher Income
• Property Investment Board –mainly due to an overachievement of rent on the Bridge House Investment Estate	4.7	Higher Income

20. The City Bridge Trust has been increasing the strategic approach to its grant making including more longer-term, proactive grants. The Bridging Divides scheme launched during 2017/18 and will be awarding grants in the following three programmes: connecting the capital, positive transitions and advice & support.
21. Income budgets have performed better than expected in 2017/18 and as a result forecasts during 2018/19 and budgets for 2019/20 will be assessed to ensure that these are not over-cautious and amended where appropriate.

Conclusion

22. The 2017/18 provisional outturn position shows particular caution being exercised in the budget setting and forecasting of some 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. The Police budget has been subject to a great deal of scrutiny due to the identified shortfall in funding over the medium term. The achievement of a balanced outturn position in 2018/19 will require drawdown from reserve balances. The Transform programme will inform where efficiencies can be identified to mitigate the forecast funding deficit. The Chamberlain and Commissioner require more assurance about the robustness of the assumptions underpinning the future plans. A joint task group led by the Deputy Chamberlain, will be established to review the key assumptions and establish the quantum of the underlying budget deficit with a rebasing of the MTFP during Autumn 2018.
25. Any on-going implications of 2017/18 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 2018/19 business planning and budget setting process.

Appendices

- Appendix 1: Outturn position by department

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Original Budget £'000	Chief Officer Cash Limited Budgets	Final Budget £'000	Provisional Outturn £'000
	City Fund		
(1,753)	Chamberlain	(1,881)	(1,673)
(9,816)	City Surveyor	(9,670)	(7,867)
(15,405)	Director of the Built Environmental	(16,518)	(16,382)
(8,190)	Director of Community and Children's Services	(10,582)	(10,419)
(1,966)	Director of Markets and Consumer Protection	(2,595)	(2,391)
753	Director of Open Spaces	540	1,046
(15,851)	Managing Director Barbican Centre	(17,800)	(15,970)
(13,058)	Town Clerk	(13,884)	(13,643)
(65,286)	Total City Fund (excluding Police)	(72,390)	(67,299)
	City's Cash		
(70)	Chamberlain	(77)	(95)
(20,380)	City Surveyor	(20,607)	(19,631)
(500)	Director of Community and Children's Services	(504)	(486)
(1,214)	Director of Markets and Consumer Protection	(1,419)	(1,296)
(10,473)	Director of Open Spaces	(10,812)	(10,854)
(881)	Headmaster of the City of London Boys School	(921)	(908)
45	Headmaster City of London Freeman's School	(7)	138
(113)	Headmistress City of London School for Girls	(153)	(53)
(5,366)	Principal Guildhall School of Music and Drama	(6,363)	(6,363)
(2,567)	Private Secretary to the Lord Mayor	(3,345)	(2,938)
(1,166)	Remembrancer	(1,203)	(1,225)
(568)	Town Clerk	(63)	(44)
(43,253)	Total City's Cash	(45,474)	(43,755)
	Bridge House Estates		
(2,441)	City Surveyor	(2,567)	(2,567)
(257)	Director of the Built Environmental	(257)	(274)
14	Director of Open Spaces	31	525
(1,472)	Town Clerk	(1,593)	(1,512)
(4,156)	Total Bridge House Estates	(4,386)	(3,828)
	Guildhall Admin		
(21,138)	Chamberlain	(21,765)	(21,011)
(9,566)	City Surveyor	(8,089)	(8,004)
(2,981)	Comptroller and City Solicitor	(3,488)	(3,343)
384	Remembrancer	319	919
(6,298)	Town Clerk	(6,724)	(6,619)
(39,599)	Total Guildhall Administration	(39,747)	(38,058)
(152,294)	Grand Totals (excluding Police)	(161,997)	(152,940)
(58,984)	Commissioner of Police	(66,169)	(61,091)
(211,278)	Grand Totals	(228,166)	(214,031)