

Committee(s): Finance Committee – For Decision	Dated: 19/7/2022
Subject: 2021-22 Provisional Outturn	Public
Which outcomes in the City Corporation’s Corporate Plan does this proposal aim to impact directly?	Applied to all outcomes
Does this proposal require extra revenue and/or capital spending?	N
If so, how much?	N/A
What is the source of Funding?	N/A
Has this Funding Source been agreed with the Chamberlain’s Department?	N/A
Report of: Chamberlain	For Decision
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Summary

This paper provides a summary of the 2021/22 outturn position for City Fund and City’s Cash. Against the final budget for the year of £212.2m, a better than budget position of £33.0m was recorded, split between £18.5m and £14.5m for City Fund and City’s Cash accordingly. Detailed analysis of variances will be reported to service Committees. This position has been achieved largely due to one-off items include release of contingencies held to account for the move to turnover rents, additional funding provided to the Barbican not being fully required, slippage of Supplementary Revenue Project (SPR) works and vacancies held pending transition to the new Target Operating Model (TOM) structure.

As included in financial regulations, Chief Officers can bid to carry forward funds into the following financial year where their local risk budget is underspent. The Chamberlain, in consultation with the Chairman and Deputy Chairman of Resource Allocation Sub-Committee (RASC), has agreed to carry forward £14.2m from City Fund and £13.0m from City’s Cash to fund delayed activity from 2021/22 due to the pandemic, adding to contingency funds held with respect to inflationary pressures and the rollover of unspent contingency balances held by Policy and Resources (P&R) and Finance Committee.

Financial Regulations also state that deficit in a Chief Officers local risk budget should be carried forward and recovered in the following financial year. Several Chief Officers have overspent during the year largely linked to delays in implementing TOM changes. Reflecting on the likely pressure in the current year linked to the economic climate and the need to fully embed the TOM changes, it is recommended and endorsed by the Chamberlain in consultation with the Chairman and Deputy Chairman of RASC that the deficit carry forward provision be waived for 2021/22. This is subject to further scrutiny of these departments/service areas with member bilateral meetings being held in the Autumn.

Recommendation(s)

Members are asked to:

- Note the report.
- Agree to waive the deficit carry forward provision for 2021/22.

Main Report

Background

1. This report summarises the 2021-22 provisional outturn position for City Fund and City's Cash. In March 2021, the Court of Common Council set an original budget across both funds of £204.4m. This budget was amended as part of the revised budget process and to reflect resource changes agreed by Court of Common Council. The final budget for the year is £212.2m.

Current Position

2. Net expenditure for year against the final budget totalled £179.2m, resulting in a £33.0m better than budget position, or a 18% variance. The below table splits this variance between local risk (spend under Chief Officer control), central risk (spend outside Chief Officer control) and support services.

Table 1: 2021/22 Outturn Summary by Fund

2021/22 Final 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	155.5	137.0	(18.5)	(8.7)	(10.0)	0.2
City's Cash	56.7	42.2	(14.5)	(0.5)	(11.8)	(2.2)
Total	212.2	179.2	(33.0)	(9.2)	(21.8)	(2.0)

3. Whilst the overall position on each fund was better than budget, there were a range of financial outcomes under each Committee, which are summarised below for each fund. Each Committee will receive an outturn report setting out in more detail the variance that have occurred during the year. The below analysis provides a high-level summary of the key factors contributing to the overall position of each fund.

CITY FUND

4. The yearend position against the final budget for each committee is shown below.

Table 2: City Fund 2021-22 Outturn by Committee

2021/22 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	35.8	29.9	(5.9)	(5.7)	(0.4)	0.2
Barbican Residential	2.4	2.2	(0.2)	(0.3)	(0.1)	0.2
Community and Children's Services	15.3	16.3	1.0	0.0	0.6	0.4
Culture Heritage and Libraries	21.2	20.7	(0.5)	(0.3)	(0.3)	0.1
Finance	(9.2)	(18.5)	(9.3)	(0.8)	(6.7)	(1.8)
Licensing	0.1	0.2	0.1	0.1	0.0	0.0
Markets	(0.1)	0.3	0.4	0.4	0.0	0.0
Open Spaces	1.8	1.9	0.1	0.1	0.0	0.0
Planning and Transportation	15.5	14.5	(1.0)	(0.8)	(0.3)	0.1
Police	88.8	88.8	0.0	0.0	(0.1)	0.1
Policy and Resources	4.7	4.9	0.2	(0.2)	0.2	0.2
Port Health and Environmental Services	16.7	13.4	(3.3)	(1.2)	(1.8)	(0.3)
Property Investment Board	(37.5)	(37.6)	(0.1)	0.0	(1.1)	1.0
City Fund requirement to be met from government grants, local taxation and transfers to/(from) reserves.	155.5	137.0	(18.5)	(8.7)	(10.0)	0.2

5. The key variations contribution to the £18.5m better than budget position are:
- Barbican Centre** - Better than expected recovery meaning the £7m of additional funding provided was not fully required resulting in an £5.9m underspend.
 - Port Heath and Environmental Services** - Holding of vacancies pending TOM changes (£1.1m) and additional funding to support the Fishmonger Hall inquest (£1.8m) resulted in an underspend.
 - Planning and Transportation** – vacancies held as part of the TOM implementation process contributed to the underspend position.
 - Finance** - Release of contingencies largely related to the impact of turnover rents and rent-free period which were not required due to better than expect rental income (£4.1m), and unused finance committee contingencies (£0.6m) have contributed to an underspend.
 - These underspends were offset by a number of overspends largely linked to delays in the implementations of TOM proposals and the impact of COVID restrictions.

CITY'S CASH

6. The yearend position against the final budget for each committee is shown below.

Table 3: City's Cash 2021-22 Outturn by Committee

2021/22 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	0.5	0.1	0.1	0.0	0.0
Education Board	3.1	3.1	0.0	0.0	0.0	0.0
Finance	42.9	28.6	(14.3)	0.1	(12.7)	(1.7)
G. P. Committee of Aldermen	4.0	4.2	0.2	0.3	(0.1)	0.0
Guildhall School of Music and Drama	13.2	13.9	0.7	0.6	0.0	0.1
Markets	0.7	0.4	(0.3)	(0.5)	0.1	0.1
Open Spaces :-						
Open Spaces Directorate	0.0	0.0	0.0	(0.1)	0.0	0.1
Epping Forest and Commons	7.6	7.2	(0.4)	(0.4)	(0.1)	0.1
Hampstead, Queen's Park and Highgate	6.4	6.0	(0.4)	(0.4)	0.0	0.0
Bunhill Fields	0.6	0.4	(0.2)	(0.1)	0.0	(0.1)
West Ham Park	1.2	1.2	0.0	(0.1)	0.0	0.1
Policy and Resources	20.6	17.3	(3.3)	(0.2)	(3.2)	0.1
Property Investment Board	(48.6)	(44.9)	3.7	1.2	3.5	(1.0)
Schools :-						
City of London School	1.7	1.7	0.0	(0.1)	0.1	0.0
City of London Freeman's School	1.3	1.6	0.3	(0.2)	0.5	0.0
City of London School for Girls	1.2	0.8	(0.4)	(0.5)	0.1	0.0
City of London Junior School	0.4	0.2	(0.2)	(0.2)	0.0	0.0
Deficit (Surplus) from (to) reserves	56.7	42.2	(14.5)	(0.5)	(11.8)	(2.2)

7. The key variations contributing to the £14.5m better than budget position are:
 - a. **Finance** - Slippage of SRP works (£5.1m), release of contingencies of held with respect to impact of turnover rents (£4.5m) periods and additional dividend income (£2m) contributed to the underspend position.
 - b. **Policy and Resources** - Unused P&R Contingencies of £2.1m, which will be carried forward into 22/23.
 - c. **Property Investment Board** - Weaker rental receipts (£7.2m), linked to the move turnover rents and weaker demand, and delays in achieving TOM savings contributed to the overspend position, which was partially offset by a reduction in bad debt provision linked to lower levels of debt. The rental receipt position was in part offset by the contingency release noted under Finance Committee.
8. It should be noted that the Police, all four City of London Schools and the Guildhall School of Music and Drama operate as ring-fenced funds and therefore any outturn variances are absorbed within their own reserve balances.
9. Financial regulations also delegates authority to the Chamberlain, in consultation with the Chairman and Deputy Chairman of Resource Allocation Sub Committee (RASC) to carry forward unspent funds into the following financial year where a Chief Officer local risk budget is underspent. This consultation occurred on 23rd June where agreement was reached to carry forward £14.2m and £13.0m in City

Fund and City's Cash respectively. These funds will be used to carry out delayed activity in 2021/22 due to the pandemic, increase the contingency provisions held with respect to inflation in light of current projections, and rollover unspent contingency balances held by P&R and Finance Committee.

10. In addition to reporting by Committee, the position of each Chief Officer is reported and these are shown in appendix 1 with respect to the overall position of each fund by Chief Officer, and appendix 2 which reflect the outturn of each Chief Officer against their local risk budget, which is the element directly under their control.
11. Finance Regulations state that Chief Officer local risk overspends are to be carried forward and recovered in the following financial year (except where special provisions apply e.g. ring-fenced funds). This provision would apply to the Town Clerks (£437k), Chief Operating Officer (£764k), City Surveyor (£1.2m), Comptroller and City Solicitor (£281k) and the Remembrancer (£266k).
12. However, given the delays in implementing savings plans, the impacts of the pandemic and the challenging outlook ahead, the Chamberlain, in consultation with the Chair and Deputy Chairman of Resource Allocation Sub Committee, is recommending that these overspends are not carry forward, and those departments which have overspent are subject to additional review via the member bilateral meeting process to ensure that achievement of TOM and fundamental review savings are fully achieved in 2022/23.
13. The 2021/22 position is subject to audit review so remains provisional until that process has been completed. The final position will be presented to Finance Committee as part of the accounts sign off process.

Strategic implications – None

Financial implications – As set out above

Resource implications – As set out above

Legal implications - None

Risk implications - None

Equalities implications – None

Climate implications - None

Security implications - None

Conclusion

14. The provisional outturn for the year an underspent of £33m across both City Fund (£18.5m) and City's Cash (£14.5m). Following a review by the Chamberlain, in consultation with the Chairman and Deputy Chairman of RASC, £27.2m will be carried forward to fund delayed activity, roll forward unspent contingency balances and create further contingencies to manage inflationary pressures in the current year. It is recommended that the provision to carry forward Chief Officer local risk

Appendices

- Appendix 1 – 2021/22 Outturn by Chief Officer (all risks)
- Appendix 2 – 2021/22 Local Risk Outturn by Chief Officer

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Appendix 1 - 2021/22 Outturn by Chief Officer (all risks)

Original Budget £'000	Chief Officer Total Outturn	LAB Budget £'000	Final Budget £'000	Provisional Outturn £'000
	City Fund			
8,777	Chief Financial Officer and Chamberlain	12,268	15,489	24,737
(7,014)	Chief Executive and Town Clerk	(7,411)	(7,586)	(8,199)
767	Chief Operating Officer	220	220	(203)
24,297	City Surveyor (Including CWP)	25,864	25,940	28,868
(85,120)	Commissioner of Police	(86,163)	(88,757)	(88,757)
(19,859)	Executive Director Community and Children's Services excluding HRA	(21,410)	(21,145)	(21,859)
(28,700)	Executive Director Environment	(32,326)	(32,038)	(28,321)
(13,151)	Executive Director Innovation and Growth	(13,900)	(13,898)	(13,960)
(33,509)	Managing Director Barbican Centre	(33,593)	(33,696)	(29,282)
(153,512)	Total City Fund	(156,451)	(155,471)	(136,976)
	City's Cash			
(33,683)	Chief Financial Officer and Chamberlain	(34,793)	(32,889)	(19,680)
(16,377)	Chief Executive and Town Clerk	(11,903)	(12,702)	(9,596)
1,111	Chief Operating Officer	727	710	815
36,498	City Surveyor	36,714	36,079	33,988
(2,576)	Executive Director Community and Children's Services excluding HRA	(2,647)	(3,153)	(3,124)
(11,766)	Executive Director Environment	(12,407)	(12,589)	(12,586)
-	Executive Director Innovation and Growth	(7,007)	(7,007)	(6,862)
(12,394)	Principal Guildhall School of Music and Drama	(12,505)	(12,505)	(13,189)
(7,438)	Remembrancer	(7,889)	(8,059)	(7,709)
(1,659)	Head City of London Boys School	(1,697)	(1,697)	(1,730)
(1,817)	Head City of London Freeman's School	(1,291)	(1,292)	(1,554)
(763)	Head City of London School for Girls	(1,206)	(1,206)	(809)
-	Head City of London Junior School	(376)	(376)	(169)
(50,864)	Total City's Cash	(56,280)	(56,686)	(42,205)
	Guildhall Admin			
(24,565)	Chief Financial Officer and Chamberlain	(24,406)	(24,507)	(23,528)
(8,859)	Chief Executive and Town Clerk	(5,812)	(5,820)	(5,512)
(12,276)	Chief Operating Officer	(18,269)	(18,417)	(17,682)
(22,103)	City Surveyor	(23,484)	(23,721)	(23,501)
(1,138)	Comptroller and City Solicitor	(1,236)	(1,236)	(1,740)
-	Remembrancer	-	-	-
(68,941)	Total Guildhall Administration	(73,207)	(73,701)	(71,963)
68,941	Reapportionment of Guildhall Admin (Recharges)	73,207	73,701	71,963
(204,376)	Grand Totals	(212,731)	(212,157)	(179,181)

Appendix 2 - 2021/22 Local Risk Outturn by Chief Officer

Original Budget £'000	Chief Officer Cash Limited Budgets (excluding cyclical works programme)	Final Budget £'000	Provisional Outturn £'000	Variance Under/(Over)spend £'000
	City Fund			
(1,453)	Chief Financial Officer and Chamberlain	(1,458)	(910)	548
(6,084)	Chief Executive and Town Clerk	(6,329)	(6,367)	(38)
(65)	Chief Operating Officer	(83)	(499)	(416)
(5,287)	City Surveyor	(4,751)	(4,916)	(165)
(12,689)	Executive Director Community and Children's Services excluding HRA	(12,922)	(12,672)	250
(18,893)	Executive Director Environment	(19,625)	(18,191)	1,434
(6,769)	Executive Director Innovation and Growth	(7,195)	(7,096)	99
(24,227)	Managing Director Barbican Centre	(24,506)	(20,277)	4,229
(75,467)	Total City Fund (excluding Police)	(76,869)	(70,928)	5,941
	City's Cash			
(67)	Chief Financial Officer and Chamberlain	(68)	(126)	(58)
(3,231)	Chief Executive and Town Clerk	(3,210)	(3,512)	(302)
(1,131)	Chief Operating Officer	(1,263)	(1,013)	250
(14,327)	City Surveyor	(14,661)	(15,935)	(1,274)
(786)	Executive Director Community and Children's Services excluding HRA	(840)	(812)	28
(10,271)	Executive Director Environment	(10,250)	(10,165)	85
(8,129)	Principal Guildhall School of Music and Drama	(8,171)	(8,771)	(600)
(1,381)	Remembrancer	(1,382)	(1,273)	109
(1,017)	Head City of London Boys School	(1,001)	(899)	102
(147)	Head City of London Freeman's School	435	672	237
(250)	Head City of London School for Girls	(674)	(137)	537
-	Head City of London Junior School	(376)	(168)	208
(40,737)	Total City's Cash	(41,461)	(42,139)	(678)
	Guildhall Admin			
(8,270)	Chief Financial Officer and Chamberlain	(7,835)	(8,234)	(399)
(5,676)	Chief Executive and Town Clerk	(3,247)	(3,344)	(97)
(11,407)	Chief Operating Officer	(15,021)	(15,619)	(598)
(7,946)	City Surveyor	(8,061)	(7,781)	280
(744)	Comptroller and City Solicitor	(694)	(975)	(281)
307	Remembrancer	292	(83)	(375)
(33,736)	Total Guildhall Administration	(34,566)	(36,036)	(1,470)
(149,940)	Grand Totals (excluding Police)	(152,896)	(149,103)	3,793
(81,603)	Commissioner of Police	(82,015)	(82,041)	(26)
(231,543)	Grand Totals	(234,911)	(231,144)	3,767