

Committee(s): Finance Committee – For Decision	Dated: 18/07/2023
Subject: 2022-23 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: Chief Financial Officer and Chamberlain	For Decision
Report author: Louise Said – Group Accountant Strategic Finance	

Summary

This paper provides a summary of the 2022/23 outturn position for City Fund and City’s Cash. Against the final budget for the year of £243.9m, a better than budget position of £36.5m was recorded, comprising £20.8m and £15.7m for City Fund and City’s Cash respectively. Detailed analysis of variances will be reported to service committees. This position has been achieved largely due to unused contingencies, slippage of Supplementary Revenue Projects (SRP) works and vacancies held due to the delays in transitioning 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 £18m from City Fund and £10m from City’s Cash to fund delayed activity from 2022/23 due to various reasons; plus 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 Committees.

Financial Regulations also state that a deficit in a Chief Officer’s 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 2022/23 with the exception of the following departments:

- 1) Remembrancer, who had an adverse outturn position of £44k. This was caused by increased hospitality costs for events. It is recommended the pricing model is reviewed and the overspend is carried forward and recovered from the 2023/24 Local risk budget.
- 2) City Surveyor, £219k overspend, relating to overspend on reactive maintenance to be carried forward and recovered from the 2023/24 Local risk budget.

This is subject to further scrutiny of these departments/service areas and routine monitoring throughout the year.

Recommendation(s)

Members are asked to:

- Note the provisional outturn for the year ended 31 March 2023.
- Agree to waive the deficit carry forward provision for the Chief Executive and Town Clerk, City Surveyor (£0.4m) and The Executive Director of Community & Childrens Services.
- Note that the overspend incurred by the Remembrancer and City Surveyor totalling £0.044m and £0.219m respectively is carried forward for recovery from the 2023-24 budget.

Main Report

Background

1. This report summarises the 2022-23 provisional outturn position for City Fund and City's Cash. In March 2022, the Court of Common Council set an original budget across both funds of £226m. 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 £243.9m.

Current Position

2. Net expenditure for year against the final budget totalled £207.4m, resulting in a £36.5m 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: 2022/23 Outturn Summary by Fund

2022/23 Final Budget v Outturn - By Fund						
Net Expenditure (Income)						
	Budget Net £m	Provisional Outturn £m	Variation (Better)/Worse			
			Total £m	Local Risk £m	Central Risk	Support Services £m
City Fund	172.5	152.2	(20.8)	(6.2)	(16.6)	2.0
City's Cash	71.4	55.7	(15.7)	(3.6)	(10.5)	(1.6)
Total	243.9	207.9	(36.5)	(9.8)	(27.1)	0.4

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 year-end position against the final budget for each committee is shown below.

Table 2: City Fund 2022-23 Outturn by Committee

2022/23 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	31.8	30.8	(1.0)	(2.0)	0.1	0.9
Barbican Residential	2.3	1.9	(0.4)	(0.3)	(0.2)	0.1
Community and Children's Services	15.2	18.2	3.0	0.7	1.8	0.5
Culture Heritage and Libraries	22.9	22.3	(0.6)	(1.3)	0.1	0.6
Finance	(1.5)	(28.8)	(27.3)	(0.8)	(21.4)	(5.1)
Licensing	0.3	0.3	0.0	0.0	0.0	0.0
Markets	(0.3)	(1.4)	(1.1)	0.1	(1.7)	0.5
Open Spaces	1.8	2.0	0.2	0.0	0.0	0.2
Planning and Transportation	14.7	15.9	1.2	(1.4)	0.9	1.7
Police	95.7	95.7	0.0	(1.1)	0.6	0.5
Police Authority Board	1.0	1.0	0.0	0.0	0.0	0.0
Policy and Resources	5.8	6.6	0.8	0.2	0.3	0.3
Port Health and Environmental Services	16.2	16.4	0.2	0.0	0.0	0.2
Property Investment Board	(33.4)	(29.2)	4.2	(0.3)	2.9	1.6
City Fund requirement to be met from government grants, local taxation and transfers to/(from) reserves.	172.5	152.2	(20.8)	(6.2)	(16.6)	2.0

5. The key variations contribution to the £20.8m better than budget position are:
- Finance** – unused finance committee contingencies (£16.3m) have contributed to an underspend along with slippage in Supplementary Revenue Projects and a large rates refund of £1.6m for the Central Criminal Court.
 - Markets** –£1.77m additional income for backdated rent as a result of a rent review for period May 2020 to March 2023.
 - These surpluses were offset by a number of overspends including the ongoing pressures within Community & Children's Services in relation to child social care and unaccompanied asylum seekers. This has been flagged throughout the year as part of quarterly monitoring and additional resources agreed for 2023/24 to absorb these demand-led pressures. Rates expenditure was over and above budget on the investment properties due to empty rates relief on properties which are being redeveloped and include Fleet Street, 6 Broad Street Place and New Liverpool House. Other overspends were largely linked to delays in the implementations of TOM proposals and increased energy costs.

CITY'S CASH

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

Table 3: City's Cash 2022-23 Outturn by Committee

2022/23 Budget v Outturn – City's Cash Summary by Committee						
Net Expenditure (Income)	Budget Net £m	Outturn £m	Variation (Better)/Worse			
			Total £m	Local Risk £m	Central Risk	Support Services £m
Culture, Heritage & Libraries	0.4	0.7	0.3	0.2	0.1	0.0
Education Board	3.2	3.2	0.0	0.0	0.0	0.0
Finance	54.2	38.3	(15.9)	(0.5)	(12.3)	(3.1)
G. P. Committee of Aldermen	3.9	4.4	0.5	0.6	(0.2)	0.1
Guildhall School of Music and Drama	14.6	16.1	1.5	1.1	0.0	0.4
Markets	1.1	0.4	(0.7)	(1.1)	0.2	0.2
Open Spaces :-						
Open Spaces Directorate	0.0	0.0	0.0	0.1	0.0	(0.1)
Epping Forest and Commons	7.7	7.8	0.1	0.0	0.0	0.1
Hampstead, Queen's Park and Highgate	6.5	6.1	(0.4)	(0.9)	0.3	0.2
Bunhill Fields	0.2	0.3	0.1	0.1	0.0	0.0
West Ham Park	1.2	1.2	0.0	0.0	0.0	0.0
Policy and Resources	22.2	18.9	(3.3)	0.0	(3.4)	0.1
Property Investment Board	(47.0)	(41.7)	5.3	0.6	4.5	0.2
Schools :-						
City of London School	1.7	(0.8)	(2.5)	(2.5)	(0.1)	0.1
City of London Freeman's School	0.5	(0.3)	(1.3)	(1.3)	0.4	0.1
City of London School for Girls	0.9	0.9	(0.1)	(0.1)	0.0	0.1
City of London Junior School	0.1	0.2	0.1	0.1	0.0	0.0
Deficit (Surplus) from (to) reserves	71.4	55.7	(15.7)	(3.6)	(10.5)	(1.6)

7. The key variations contributing to the £15.7m better than budget position are:
- Finance** - Slippage of SRP works (£2.9m), and unused central contingencies of £13.8m contributed to this favorable position.
 - Policy and Resources** - Unused P&R Contingencies of £1.7m, which will be carried forward into 2023-24 along with less than budgeted costs on supplies & services.
 - Property Investment Board** - Weaker rental receipts (£6.7m) largely due to rent free periods being negotiated during the year as part of lease negotiations and to retain existing tenants. 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.
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 30th June where agreement was reached to carry forward £18m and £10m in City Fund and City's Cash respectively. These funds will be used to carry out delayed activity from 2022/23 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 Chief Executive and Town Clerk (£762k), City Surveyor (£567k), Executive Director Community and Children's Services (£205k) and the Remembrancer (£44k).
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, with the exception of the Remembrancer and City's Surveyors (proportion of overspend) are not carry forward, and those departments which have overspent are subject to additional review via the star chambers meeting and regular monitoring process to ensure that achievement of TOM and fundamental review savings are fully achieved in 2023/24. The Remembrancer is required to carry forward the overspend of £44k and the City Surveyor is required to carry forward a proportion of his overspend, totalling £219k to be recovered in 2023/24.
13. The 2022/23 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 underspend of £36.5m across both City Fund (£20.8m) and City's Cash (£15.7m). Following a review by the Chamberlain, in consultation with the Chairman and Deputy Chairman of RASC, £27.7m 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.

Appendices

- Appendix 1 – 2022/23 Outturn by Chief Officer (all risks)
- Appendix 2 – 2022/23 Local Risk Outturn by Chief Officer

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