

Committee(s): Finance Committee – For decision	Dated: 23/07/24
Subject: 2023/24 Outturn Report for City Fund and City's Estate	Public
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	N/a
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: The Chamberlain	For Decision
Report author: Daniel Peattie, Assistant Director - Strategic Finance	

Summary

This paper provides a summary of the 2023/24 draft outturn position for City Fund and City's Estate. For revenue budgets, the outturn was an underspend of £60.1m across both funds, comprising £46m and £14.1m for City Fund and City's Estate respectively.

This is an increase of £37m from the forecast underspend reported at Q3 (£23.9m) due to contingency budgets not being drawn down in-year (£21.1m) of this amount £12.7m is earmarked under the carry forward process, £3.1mm is also offsetting cost pressures within local risk budgets to prevent them being requested to be clawed back in 2024/25. Detailed analysis of variances will be reported to service committees. The overall position has been achieved due to unused contingencies, slippage of Supplementary Revenue Projects (SRP) and additional income received on cash balances held and rental income from investment properties.

As per the 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 £11.2m from City Fund and £12.4m from City's Estate to fund delayed activity from 2023/24 due to various reasons and the rollover of unspent contingency balances held by Policy & Resources and Finance Committees. To note any approved carry forwards will be offset against the amounts transferred to reserves.

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 unless Finance Committee agree to write off. Several Chief Officers have overspent during the year largely linked to pressures such as inflationary increases such as London Living Wage and unachieved vacancy factors. Having reviewed these against wider pressures within budgets, as set out in Appendix 3, 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 2023/24 (see appendix 3) with the exception of the following departments and amounts;

1. Deputy Town Clerk £251k

2. City Surveyor £313k

This report also provides a summary of the 2023/24 outturn for Capital and Supplementary Revenue Projects (SRPs) across both City Fund and City Estate.

Actual capital and SRP expenditure in 2023/24 amounted to £382.8m comprising £180.8m and £201.9m across City Fund and City's Estate respectively. This is a combined £231.3m less expenditure than the approved Capital Programme of £614.1m. The difference is largely due to delays in attaining planning permissions, grant payments, and some contract management challenges within the large schemes. Work is underway to understand how the underspend from 23/24 will need to be factored into spend profiles in future years with additional support and training to be provided to support project managers during 2024/25 and beyond.

Recommendation(s)

Members are asked to:

- Note the report and provisional outturns for City Fund and City's Estate for the financial year 2023/24.
- Approve that deficit carry forward amounts for the Deputy Town Clerk, Chief People Officer, City Surveyor, Comptroller and City Solicitor, Executive Director of Innovation & Growth and Managing Director of the Barbican has been waived.
- Note that the remaining amounts of overspend incurred by the Deputy Town Clerk and City Surveyor totalling £0.251m and £0.313m respectively is carried forward for recover for the 2024/25 and 25/26 (City Surveyor only) budgets.
- Note the carry forward requests approved under delegated authority by the Chamberlain in consultation with the Chairman and Deputy Chairman of RASC, £11.2m from City Fund and £12.4m from City's Estate.

Main Report

Background

1. This report summaries the 2023/24 provisional outturn position for City Fund and City's Estate.
2. In March each year, the Court of Common Council approves the Revenue, Capital and SRP programmes as part of the annual budget setting process.
3. To note, capital expenditure generally results in an increase in asset values and typically relates to acquisitions/new build and enhancements, whereas supplementary revenue projects are one-off items which do not fulfil the capital criteria e.g. feasibility and option appraisal costs, major cyclical repairs and maintenance.
4. The purpose of this report is to provide a summary of the 2023/24 actual expenditure for City Fund and City's Estate against the budgets approved by the Court of Common Council in March 2024 and consider the reasons for any significant variances.
5. The section below shows a snapshot of the current position. More detailed analysis by Fund is shown in the subsequent section.

Current Position

6. **Revenue:** Net expenditure for year against the final budget totaled £176m, resulting in a £60.1m underspend compared to budget. This equates to a 25% total variance (27% City Fund, 21% City's Estate). The chart 1 shows the trend over the financial year.

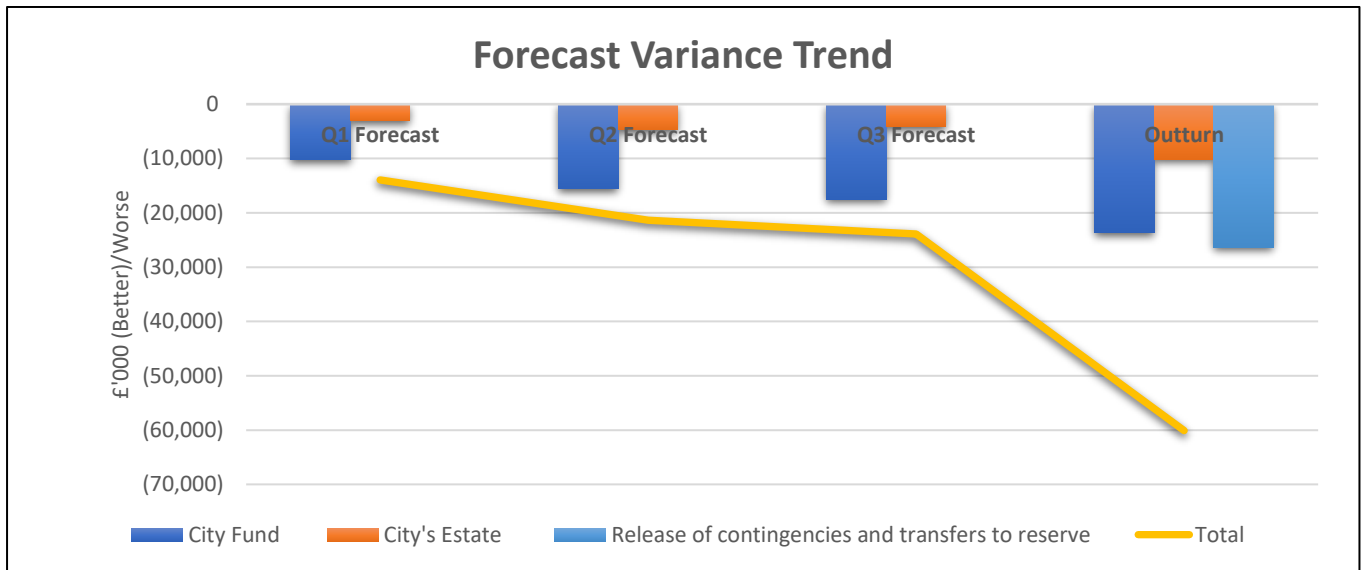
Table 1: 2023/24 Outturn Summary by Fund

	Net Budget £m	Provisional Outturn £m	Total £m	Local Risk £m	Central Risk £m	Support Service £m
			Variation (Better)/Worse			
City Fund	169.0	123.0	(46.0)	(5.3)	(40.7)	0.0
City's Estate	67.2	53.1	(14.1)	2.0	(15.5)	(0.6)
Total	236.2	176.1	(60.1)	(3.3)	(56.2)	(0.6)

7. Whilst the overall position on each fund was better than budget, there were a range of financial outcomes under each Committee, which are summarised in later sections of this report alongside the key variances contributing to the overall position of each fund. Each Committee will receive an outturn report setting out in more detail the variances that have

occurred during the year.

Chart 1: Forecast Variance Trend from Q1 to Outturn



8. **Capital:** The total expenditure incurred in 2023/24 was £382.8m, £231.3m less than the approved Capital Program of £614.1m. A breakdown of expenditure by fund is set out below:

Table 2: Capital Expenditure Summary by fund

Committee	City Fund Outturn £m	City Estate Outturn £m	Total £m	2023/24 Approved Programme £m	Variance £m
Investment Property	2.0	47.3	49.3	59.1	(9.8)
Major Projects	99.3	143.1	242.4	360.7	(118.3)
Operational	79.5	11.5	91.0	194.3	(103.2)
Total	180.8	201.9	382.8	614.1	(231.3)

Table 3: Funding the Capital Programme

Sources of Funding	City Fund Outturn £m	City Estate Outturn £m	Total £m	2023/24 Approved Programme £m	Variance £m
Revenue/Earmarked Reserves	107.5	33.5	141.0	153.4	(12.4)
HRA	32.4	-	32.4	50.8	(18.4)
Asset Disposal Proceeds	11.4	47.1	58.5	157.6	(99.1)
Grants and Contributions	29.5	-	29.5	99.4	(69.9)
External Borrowing	-	121.3	121.3	152.9	(31.6)
Total	180.8	201.9	382.8	614.1	(231.3)

Detailed position- by Fund

City Fund - Revenue

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

Table 4: City Fund 2023-24 Revenue Outturn by Committee

Net Expenditure (Income)	Net Budget £m	Provisional Outturn £m	Total £m	Local Risk £m	Central Risk £m	Support Services £m
				Variation (Better)/Worse		
Barbican Centre	30.6	29.4	(1.2)	(1.4)	0.2	0.0
Barbican Residential	3.2	1.8	(1.4)	(0.6)	(0.9)	0.1
Community and Children's Services	17.8	18.3	0.5	(0.4)	0.6	0.3
Culture Heritage and Libraries	22.8	22.4	(0.4)	(0.8)	0.2	0.2
Finance	(22.0)	(61.4)	(39.4)	(1.2)	(36.3)	(1.9)
Licensing	0.4	0.2	(0.2)	(0.1)	0.0	(0.1)
Markets	0.1	(0.1)	(0.2)	0.0	(0.5)	0.3
Open Spaces	1.9	2.0	0.1	0.0	0.0	0.1
Planning and Transportation	18.3	15.4	(2.9)	(3.2)	0.3	0.0
Police	103.8	103.8	0.0	0.1	0.0	(0.1)
Police Authority Board	1.0	0.7	(0.3)	(0.4)	0.0	0.1
Policy and Resources	10.3	8.1	(2.2)	0.1	(2.1)	(0.2)
Port Health and Environmental Services	15.7	18.5	2.8	2.6	0.0	0.2
Property Investments	(34.9)	(36.1)	(1.2)	0.0	(2.2)	1.0
City Fund requirement to be met from government grants, local taxation and transfers to/(from) reserves.	169.0	123.0	(46.0)	(5.3)	(40.7)	0.0

10. The key variations contribution to the £46.1m better than budget position are:

- a. **Finance** – unused contingencies (£15.2m) have contributed to an underspend along with slippage in Supplementary Revenue Projects (£1.8m), reduction in transfer to reserves (£7.2m) and lower than budgeted recharges (£2m). Additional income contributed to the favorable variance including interest received on cash balances (£5m) and customer receipts totaling £2.8m. SRP underspends will roll forward automatically as part of the ongoing programme.
- b. **Barbican Residential:** A recruitment freeze during the year has saved £160k employee costs mainly in car parks, £225k additional income was received relating to a large dilapidation payment from a former Trade Centre customer along with higher than budgeted rental income of £448k. Repairs & Maintenance works were not as high as expected resulting in underspend of £552k.
- c. **Planning & Transportation:** Reduction in employee costs largely due to staff vacancies (£1.5m) along with higher than

budgeted income (£1.3m) from planning fees, planning performance agreements, hoarding and scaffolding fees and road closures have contributed to this favorable variance.

- d. These surpluses were offset by a number of overspends mainly Port Health and Environmental Services Committee due to loss of income (£2m) at Heathrow Animal Reception Centre along with the reduction in required level of enhanced checks on Brazilian meat products (£0.8m). It should be noted that the Police operates as a ring-fenced fund and therefore any outturn variances are absorbed within the Force's own reserve balances.

City Fund – Capital

11. The provisional City Fund Capital outturn position against the final budget for each Chief Officer department is shown in Table 5 below.

Table 5: City Fund Capital Expenditure by Chief Officer

CAPITAL PROGRAMME - CITY FUND	Budget £m	Outturn £m	Variance £m
CAPITAL & SRP - BAU			
Barbican Centre	3.1	6.3	3.3
Chamberlains & Chief Financial Officer	5.6	0.4	(5.2)
City Surveyor & Property	25.2	11.0	(14.3)
Community & Children's Services (Non HRA)	8.7	3.6	(5.1)
Community Services - HRA	50.8	32.4	(18.4)
City of London Police	21.8	15.6	(6.2)
Environment	25.5	14.1	(11.4)
Innovation & Growth	9.1	-	(9.1)
Sub-Total	149.9	83.3	(66.5)
CAPITAL & SRP - MAJOR PROJECTS			
Museum of London	94.5	42.3	(52.2)
- Bastion House	1.3	1.9	0.6
Salisbury Square Development	74.1	53.1	(21.0)
Future Police Accommodation	4.4	0.3	(4.1)
Sub-Total	174.3	97.5	(76.8)
TOTAL CAPITAL PROGRAMME	324.2	180.8	(143.3)

12. The main items of slippage within the BAU programme:

- a. There is significant slippage identified against **City Surveyor & Property** (£14.3m), **HRA** (£18.4m) and **Environment** (£11.4m).
- Within City Surveyor the main areas of slippage relate to 1-6 Broad Street Place (£6.9m) and Central Criminal Court (£7.2m). In relation to 1-6 Broad Street Place and 15-17 Eldon Street, these projects were closed as per report from the Project Manager to PPSC in February 2024, so the forecast was

overstated for these schemes. In respect of the Central Criminal Ct, there was a delay in spend due to the time taken to agree the permits for the hot works and the impact to the delivery of works on the roof due to another project taking place (roof replacement) which has required a resequencing of the installation of PV and solar thermal panels.

- The main reason for the variance in the HRA is the delays against predicted phasing of two new build projects at Sydenham Hill & York Way. The HRA is a statutory ringfenced account all slippage for planned schemes will be incorporated as part of the continued review of phasing within the 30-year business plan.
 - Environment slippage (mainly Built Environment including bank junction) relates to delays to developer's programmes which consequently impacted the timeline for handing over sites required for highway infrastructure projects to be undertaken. Another reason for the underspend is due to delays in securing the necessary agreements from key stakeholders.
- b. Other chief officer departments with significant variances, include:
- **City of London Police** with an aggregated £6.2m underspend. The Police service recognise the capacity to deliver against agreed capital projects and are enhancing their Project Management Office (PMO) capability to support a longer-term view of their capital investment requirements.
 - **Community & Childrens Services (Non HRA)** (£5.1m) The majority of slippage relates to delays to the Barbican Podium Waterproof Phase 2 project. Delays have been caused by the project having to be significantly re-scoped after further survey works and additional planning requirements.
 - **Innovation & Growth** (£9.1m) the main reasons for slippage against the Climate Action programme is due to delays in procuring the expertise and specialist contractors, the production of portfolio-level management plans, and the development of the disposals and acquisitions strategy.
 - **Barbican Centre** £3.3m mainly relates to Barbican Renewal as part of the overall £25.2m approved with further works planned in 24/25.

13. The main items of slippage within the Major Projects programme:

- a. There was slippage against both the **Museum of London** (£52.2m) and the **Salisbury Square Development** (£21.0m). The original budget plans were phased with an inherent optimism bias in their assumptions, although the lifetime project costs remain to budget. The position on the Museum of London also specifically resulted from a delay in obtaining vacant possession of the poultry market.

City's Estate - Revenue

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

Table 6: City's Estate 2023/24 Revenue Outturn by Committee

Net Expenditure (Income)	Net Budget £m	Outturn £m	Total £m	Local Risk £m	Central Risk £m	Support Services £m
	£m		£m			
					Variation (Better)/Worse	
Culture, Heritage & Libraries	0.4	0.6	0.2	0.2	0.0	0.0
Education Board	3.1	3.2	0.1	0.1	0.0	0.0
Finance	50.4	38.2	(12.2)	(0.3)	(11.1)	(0.8)
G. P. Committee of Aldermen	4.2	5.3	1.1	0.7	0.4	0.0
Guildhall School of Music and Drama	16.5	17.5	1.0	0.6	0.5	(0.1)
Markets	0.9	2.0	1.1	0.5	0.4	0.2
Open Spaces :-						
Open Spaces Directorate	0.0	0.0	0.0	0.1	0.0	(0.1)
Epping Forest and Commons	8.7	8.6	(0.1)	(0.4)	0.0	0.3
Hampstead, Queen's Park and Highgate	5.3	6.9	1.6	0.3	1.2	0.1
Bunhill Fields	0.2	0.4	0.2	0.2	0.0	0.0
West Ham Park	1.2	1.2	0.0	0.0	0.0	0.0
Policy and Resources	22.1	19.4	(2.7)	0.1	(2.8)	0.0
Property Investment	(48.5)	(52.9)	(4.4)	0.3	(4.3)	(0.4)
Schools :-						
City of London School	1.5	1.9	0.4	0.9	(0.5)	0.0
City of London Freeman's School	0.0	(0.8)	(0.8)	(0.5)	(0.4)	0.1
City of London School for Girls	1.5	1.1	(0.4)	(1.5)	1.1	0.0
City of London Junior School	(0.3)	0.5	0.8	0.7	0.0	0.1
Deficit/(Surplus) from (to) reserves	67.2	53.1	(14.1)	2.0	(15.5)	(0.6)

15. The key variations contributing to the £14.1m better than budget position are:

- a. **Finance** - Slippage of SRP works amounting to £7.6m, and unused central contingencies of £4m contributed to this favorable position. SRP amounts will roll forward automatically as part of the ongoing programme.
- b. **Policy and Resources** - Unused P&R Contingencies of £1.8m, which will be carried forward into 2024-25 along with less than budgeted costs on climate action of £0.7m.
- c. **Property Investments** – higher rental receipts due to the acquisitions of 2 new estates and a head lease purchase, as well

- as additional rental income following the completion of a redevelopment and the expiry of a number of rent-free periods.
- d. **Markets Board** - Additional costs following closure of Poultry Market in August 2023 along with one off reactive repairs and maintenance at Smithfield Market not recoverable from tenants. These costs were partly offset by additional rental income achieved during the year at Billingsgate Market due to a rent review.
 - e. **GP Aldermen** – The biggest variance is due to underachievement of income at the Mansion House. The House was closed for a while during the year which impacted the income it could generate along with free events being held such as the South Korea Business event and the David Brewer Memorial event which attract additional costs but generate no income. Work is underway to optimise the income generated from events including reviewing discounts offered.
 - f. **Hampstead, Queen Park and Highgate Wood** – There was a (£1.145m) adverse variance on the central risk income budget at Hampstead Heath largely attributable to reduced contributions from the Hampstead Heath Trust during 2023/24 due to reduced income from dividends as a result of a lower yield earned on UK equities compared with the previous year. The shortfall was offset by increased deficit funding from City’s Estate reserves to meet the total net expenditure of the Hampstead Heath charity for 2023/24.

16. It should be noted that 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.

City’s Estate – Capital

The provisional City Estate Capital outturn position against the final budget for each Chief Officer department is shown in Table 7 below.

Table 7: City Estate Capital Expenditure by Chief Officer

CAPITAL PROGRAMME - CITY'S ESTATE	Budget £m	Outturn £m	Variance £m
CAPITAL & SRP - BAU			
Chamberlains & Chief Financial Officer	30.1	0.7	(29.4)
City of London Freeman's School	2.2	0.7	(1.5)
City of London School	1.2	0.9	(0.2)
City of London School for Girls	4.4	2.3	(2.1)
City Surveyor & Property	55.7	49.7	(6.1)
Community & Children's Services (Non HRA)	0.6	-	(0.6)
Environment	4.0	4.3	0.3
Innovation and Growth	2.6	-	(2.6)
Principal GSMD	2.8	0.2	(2.6)
Sub-Total	103.5	58.8	(44.7)
CAPITAL & SRP - MAJOR PROJECTS			

Markets Consolidation	127.2	106.1	(21.1)
Museum of London	28.8	16.0	(12.8)
City Fund (Combined Courts)	30.4	21.0	(9.4)
Sub-Total	186.4	143.1	(43.3)
TOTAL CAPITAL PROGRAMME	289.9	201.9	(88.0)

17. The main area of underspend relates to:

- g. **City Surveyor & Property** is reporting an underspend relating to an approved allocation for planned future investment property purchases, to be funded from the Designated Sales Pool. The variance represents the agreed funding envelope, for which future Investment property purchases are to be drawn down against, subject to successful bid appraisals.
- h. **Major Projects:**
- **Markets Consolidation** Considerable delay to the MCP (including pauses to conduct intensification studies and re-examining design options) has occurred since the 24/25 budget was set.
 - **Museum of London** –some minor programme slippage and removal of planned spend in relation to de-scoping the Annex building from the programme.

Additional information

18. During 2023/24 a review of central support services recharges was carried out. This involved updating the basis of apportionment for all recharges following the TOM and Governance Review along with trying to make them more transparent and fairer across all services. The updated basis has led to several variations to the original budget across committees, but overall total recharges have remained within the total original envelope. Consultation has been held with areas where recharges are funded from local reserves, i.e. City Bridge Foundation, HRA and Police, any variation/increase in costs across other services are met from the deficit funding and have no effect on front-line services.

19. The 2023/24 recharges were approved via necessary delegations for CBF and following consultation with the Joint CFO of CoLP. The full review is to be formally approved by Members of the relevant committees as work is ongoing as how the new basis will affect 2024/25 budgets. Once the review is fully adopted the 2024/25 budget will be reviewed and updated where necessary and the paper on the review made available.

20. 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.

21. Financial regulations also delegate 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.
22. 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). However, under exceptional circumstances the Chamberlain, in consultation with the Chair and Deputy Chairman of Resource Allocation Sub Committee may recommend that these overspends are not carried forward in full. The outcome of these discussions is set out in Appendix 3.

Conclusion

23. The provisional outturn for the year an underspend of £60.1m across both City Fund (£46m) and City's Estate (£14.1m). The Chamberlain, in consultation with the Chairman and Deputy Chairman of RASC will review the carry forward requests next month and decisions will be communication to Chief Officers.
24. The 2023/24 position is subject to audit review so remains provisional until that process has been completed. The final position will be confirmed to Finance Committee as part of the accounts sign off process.

Appendices

- Appendix 1 – 2023/24 Outturn by Chief Officer (all risks)
- Appendix 2 – 2023/24 Local Risk Outturn by Chief Officer
- Appendix 3 – 2023/24 Overspend carry forward summary

Daniel Peattie

Assistant Director, Strategic Finance

T: 020 3834 8915

E: Daniel.Peattie@cityoflondon.gov.uk