

Committee(s)	Dated:
Residents' Consultation Committee	4 September 2017
Barbican Residential Committee	11 September 2017
Subject: 2016/17 Revenue Outturn (Excluding the Residential Service Charge Account)	Public
Report of: The Chamberlain Director of Community & Children's Services	For Information
Report author: Mark Jarvis Head of Finance, Chamberlains	

Summary

This report compares the revenue outturn for the services overseen by your committee in 2016/17, with the final agreed budget for the year.

These accounts do not include income and expenditure in relation to dwellings service charges, which is the subject of a separate report before you today, but does include the following:-

- Landlord Services

This includes income and expenditure relating to short term lessee flats, void flats and commercial properties as well as grounds maintenance for public areas.

- Car Parking

The running expenses, capital charges, rent income and service charges relating to 1,508 car spaces of which some 1,077 (71.4%) are currently occupied.

- Baggage Stores

The running expenses, capital charges, rent income and service charges relating to 1,290 baggage stores.

- Trade Centre

This is a commercial area of some 117,000 square feet bounded broadly by Beech Street, Aldersgate Street, Fann Street and Bridgewater Square. Capital charges are the main item of expense, although some premises and supervision and management costs are incurred. Income comprises rent and charges for services in respect of Virgin Active, GSMD practice room, Laundrette, Indigo Park Services UK Ltd and Creche.

1. Total net expenditure during the year was £2,562,000, whereas the total agreed budget was net expenditure of £2,797,000, representing an underspend of £235,000. This is summarised in the table below:

- 2.

Summary Comparison of 2016/17 Revenue Outturn with Final Agreed Budget – Barbican Residential Committee			
	Latest Agreed Budget £000	Revenue Outturn £000	Variations Increase/ (Reduction) £000
Expenditure	2,616	2,375	(241)
Income	(4,476)	(4,467)	9
Net Local Risk	(1,860)	(2,092)	(232)
Central Risk	(206)	(220)	(14)
Recharges	4,863	4,874	11
Overall Totals	2,797	2,562	(235)

3. The Director of Community and Children's Services has had a carry forward of £45,000 of his local risk underspend agreed and this will be added to the Director's budgets for 2017/18. This funding will contribute towards the cost of staff and consultancy costs in investigating the feasibility, design, cost and construction of a 'hireable' community room in the Barbican Library.

Recommendation(s)

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

Main Report

Revenue Outturn for 2016/17

5. This report compares the revenue outturn for the services overseen by your Committee in 2016/17, excluding the dwellings service charge account, which is the subject of a separate report, with the final agreed budget for the year.
6. Actual net revenue expenditure for your Committee's services during 2016/17 totalled £2,562,000. A summary comparison of this expenditure with the final agreed budget for the year of £2,797,000 is tabulated below. In the various tables, figures in brackets indicate income or in hand balances, increases in income or decreases in expenditure.

Comparison of 2016/17 Revenue Outturn with Latest Agreed Budget					
	<i>Original Budget</i> £000	Latest Agreed Budget £000	Revenue Outturn £000	Variations Increase/ (Reduction) £000	
<u>Local risk</u>					
Employees	1,616	1,578	1,584	6	
Repairs and Maintenance	629	532	521	(11)	
Other Property Related	341	315	223	(92)	8
Supplies and Services	111	191	47	(144)	9
Total Expenditure	2,697	2,616	2,375	(241)	
Total Income	(4,869)	(4,476)	(4,467)	9	
Net Local Risk	(2,172)	(1,860)	(2,092)	(232)	
Central Risk	(225)	(206)	(220)	(14)	
Total Recharges	5,212	4,863	4,874	11	
Total	2,815	2,797	2,562	(235)	

7. Annex A1 sets out an analysis of the £235,000 underspend by service area.

Annex A2 shows the reconciliation of the original budget to the latest agreed budget.

8. The favourable variance on "Other Property Related" expenditure of £92k is due to the following:
 - Reduction in expenditure on rates due to the surrender of a number of car parking bays.
 - Underspend on grounds maintenance costs and premises cost.

9. The favourable variance on “Supplies and Services” expenditure of £144k is due to the following:
- Reduction in expenditure for equipment, furniture and materials.
 - Lower than expected expenditure for agency fees incurred in the sale of a number of properties – the expenditure is offset by the income received from the proceeds of sales.
 - Reduction in debt provision has resulted in a credit on the account.

Local Risk Carry Forward 2016/17

10. £45,000 of the local risk underspend of this Committee has been agreed to be carried forward. This funding will contribute towards the cost of staff and consultancy costs in investigating the feasibility, design, cost and construction of a 'hireable' community room in the Barbican Library.

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.

Appendices

- Annex A1 - Barbican Residential Committee – Comparison of 2016/17 Revenue Outturn with Latest Agreed Budget by Service Areas.
- Annex A2 - Barbican Residential Committee – Comparison of 2016/17 Original Budget with Latest Agreed Budget.
- Annex A3 - Efficiency & Sustainability Plan – Core Messages on the City of London Corporation's Finances – January 2017

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**Barbican Residential Committee – Comparison of 2016/17
Revenue Outturn with Latest Agreed Budget**

Comparison of 2016/17 Revenue Outturn with Latest Agreed Budget by Service Area				
	<i>Original Budget</i>	Latest Agreed Budget	Revenue Outturn	Variations Increase/ (Reduction)
	£000	£000	£000	£000
<u>Local risk</u>				
Supervision and Management -General	812	807	733	(74)
Landlords Services	(1,371)	(1,105)	(1,035)	70
Car Parking	(140)	(115)	(298)	(183)
Stores	(387)	(382)	(360)	22
Trade Centre	(1,084)	(1,061)	(1,130)	(69)
Other Non-Housing	(2)	(4)	(0)	4
Total Local Risk	(2,172)	(1,860)	(2,092)	(232)
Central Risk	(225)	(206)	(220)	(14)
Recharges	5,212	4,863	4,874	11
Total	2,815	2,797	2,562	(235)

Recharges include recharges from the Service Charge Account to Landlord and Car Park Accounts for cleaning and electricity as well as and Central and Departmental Recharges.

**Barbican Residential Committee – Comparison of 2016/17 Original Budget
With Latest Agreed Budget**

	£'000
Original Budget	2,815
Decrease in Repairs and Maintenance Costs	(97)
Corrected budget estimate allocation of rental income and supervision and management recharges with service charge account	153
Decrease in Capital Charges	(100)
Other movements	26
Latest Approved Budget	2,797

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 four funds.

Two of these are paid for by ratepayers and taxpayers:

- City Fund - money used to cover local authority activities in the square mile and beyond.
- Police Fund – the 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, but only 2% and only 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 with the recent Police core grant settlement marginally lower than anticipated. Additional cost pressures have meant the fund has moved into deficit, utilising the remaining ring fenced reserves in 2016/17 and 2017/18. 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 £5.6m in 2018/19 and £3.8m 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.