

<b>Committee:</b>	<b>Dated</b>
Finance Committee	12 November 2019
<b>Subject:</b> Revenue Budget Monitoring to September 2019	<b>Public</b>
<b>Report of:</b> Chamberlain	<b>For Decision</b>
<b>Report author:</b> Julie Smith, Acting Deputy Director, Financial Services	

### Summary

The overall forecast year-end position at Quarter 2 is £8.2m better than budget. This comprises an adverse variance of £1.9m on Chief Officer Cash Limited Budgets, offset by a favourable variance of £10.1m on Central Risk Budgets.

#### Chief Officer Cash Limited Budgets

The year-end forecast at the end of the second quarter is an overspend of £1.9m against the latest approved budget of £236.1m. This includes significant forecast overspends for the City of London Police (£2.2m), the Barbican Centre (£1.1m) and the City Surveyor (£0.8m).

#### Central Risk Budgets

Year-end Central Risk Budgets are forecast to be better than budget by £10.1m against the budget of £28.2m. This principally relates to Corporate Income from Property Investments and Interest on Cash Balances which are forecast to be £7.3m and £3.7m respectively better than budget. Given the consistent pattern of income in these areas a less pessimistic income budget forecast has been incorporated into the 2020-21 budget.

### Recommendation

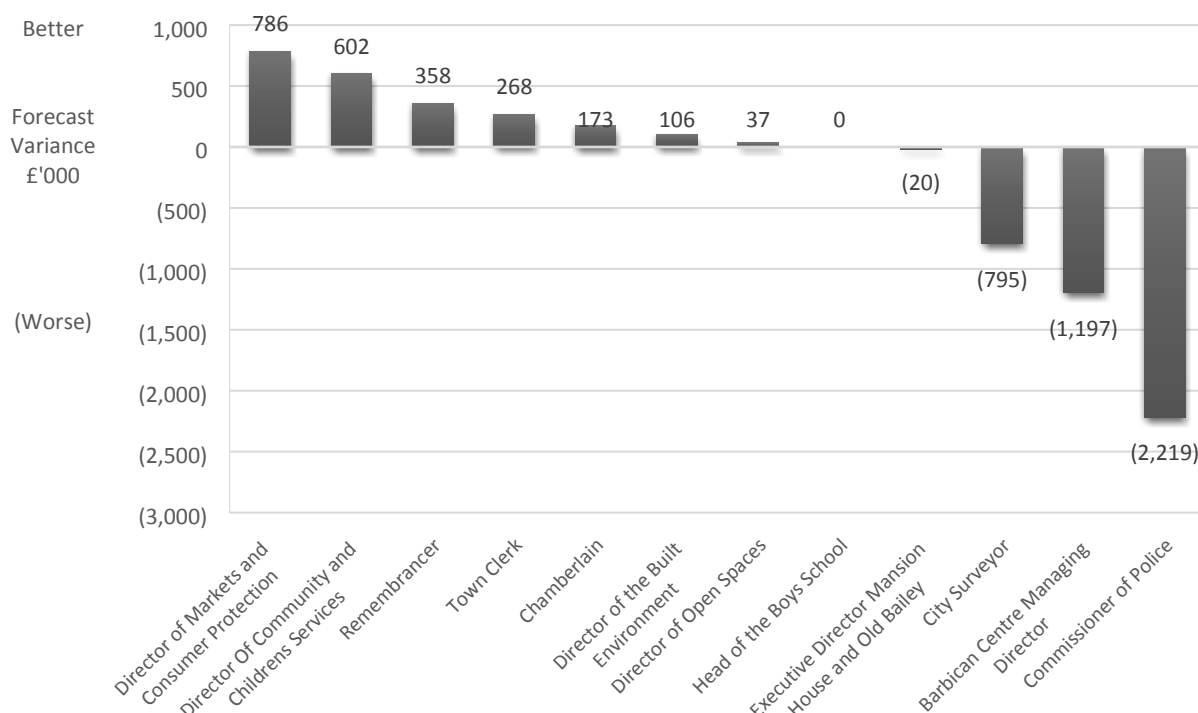
Members are asked

- i. to note the report.
- ii. in accordance with Financial Regulation 2.2 agree to waive £200k of the City Surveyor's brought forward overspending from 2018-19 relating to additional security costs at the Guildhall complex.

### Main Report

#### Chief Officer Cash Limited Budgets

1. The year-end forecast is an overspend of £1.9m against the latest approved budget of £236.1m. Chief Officer variances against net local risk budgets are shown in the chart below.



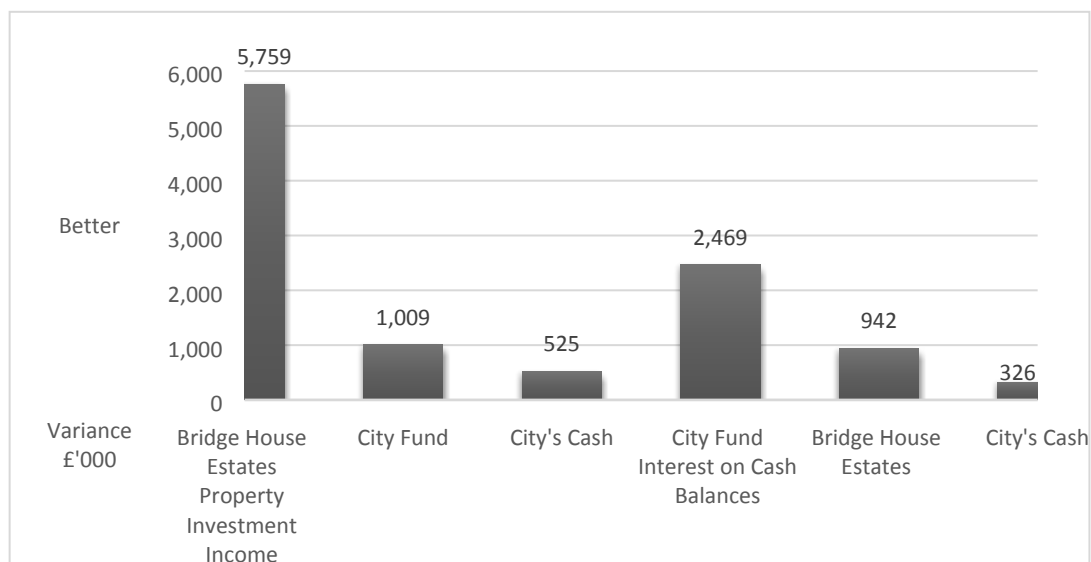
2. The forecast position comprises a favourable variance of £6.8m against budgeted income of £292.8m offset by an adverse variance of £8.7m against budgeted expenditure of £530.8m. Appendix 2 provides income and expenditure budget variances by Chief Officer.
3. The vast majority of the favourable forecast relates to substantial increases in income from Passport for Pets applications, which have resulted in an underspend of £0.8m in Markets and Consumer Protection. Additionally, there has been lower than expected repair and maintenance expenditure costs at Billingsgate Market as a result of reduced levels of planned works and increased use of reserves to assist funding.
4. A change in the number and funding of adult social care clients has led to an underspend of £0.6m in Community and Children's Services. It should be noted that expenditure in this area is dependent on client care needs and therefore can move significantly if new high needs clients are eligible for support.
5. The City Surveyor had a £501k net overspending on his local risk budget in 2018/19 of which £200k were for additional security costs at the Guildhall as a result of the prevailing security threat level. Under financial regulations, any overspending on a Chief Officer's local risk budget is automatically recovered by deduction from his local risk budget for the next financial year, unless Finance Committee agree to waive the requirement. As these additional security costs were unavoidable the City Surveyor has requested that this element of the brought forward overspend be waived by Finance Committee and a recommendation is included in this report for your consideration.

6. Excluding £200k of the brought forward overspend for security, detailed in paragraph 5 above, the City Surveyor is projecting an overspend of £0.8m principally due to the remaining overspend in 2018/19 being brought forward, an increase in reactive repairs and maintenance spend due to higher than anticipated demand and a shortfall in fee income from property deals. The City Surveyor is examining his expenditure plans with a view to bringing the budget back into balance by year end.
7. The Barbican forecast year-end position is an adverse variance of £1.2m comprising an overspend of £1.5m on expenditure linked to additional programming costs (which are offset by additional income), increase contract inflation costs, funding to progress the Exhibition Hall project to the next gateway and a delay in restructuring teams to deliver agreed savings. This has been partially offset by an additional £0.3m from programming income which is set to do well, with tax relief outperforming budget.
8. The City of London Police are forecasting an overspend of £2.2m by the end of the year, primarily due to an unfunded increase in Police Officer pension contributions in the region of £2.5m based on full establishment. Current workforce levels indicate a pressure of £2.3m this year, which has been partially offset by additional income from seized vehicles and continued management of vacant posts. The forecast includes pressure on Action Fraud (AF) around disputed invoices from IBM of c.£530k for this year. The AF position continues to be monitored as does potential use of the reserves to fund these costs.

### **Central Risk Budgets**

9. The forecast for Central Risk Budgets at Quarter 2 is a better than budget position of £10.1m against the budget of £28.2m. Appendix 3 provides the Central Risk forecast variances by Chief Officer. This comprises favourable variances of £10.1m against budgeted income of £238.6m. There is no variance against the budgeted expenditure of £210.4m. The key budget areas are addressed in the following paragraphs.
10. Property Investment income at Quarter 2 is forecast to be £7.3m better than budget of £131.7m and comprises:
  - Bridge House Estates £5.8m favourable - Principally the £3.1m additional rent received from the Electra House & Tower Chambers tenant to surrender the lease and the acquisition of 4-7 Chiswell St generating additional rent of £1.8m.
  - City Fund £1.0m favourable – Additional rent from 70 Fleet Street and additional income from 15-17 Eldon Street where refurbishment work has been rescheduled.
  - City's Cash £0.5m favourable – Tottenham Court Road expected rent-free period and void costs are not now expected.

11. Interest on cash balances are anticipated to be £12.0m at year-end which is £3.7m above budget of £8.3m. The below graph provides a split by fund of these variances. Appendix 4 provides further information on the Corporate Income Budgets.



12. Expenditure to date is £15.1m reflecting commitments approved at the first three CBT Committee meetings. The full year grant commitments allocation for City Bridge Trust (CBT) for 2019/20 is forecast to be £26.3m which is above the original budget (£21.3m). CBT have been allocated £100m over 5 years under the Bridging Divides funding policy, with the over delivery in 2019/20 utilising some of these funds in advance. The current forecast consists of £20m for the core grants programme (Bridging Divides) alongside other amounts set aside for continuation of the 20<sup>th</sup> anniversary programmes (Employability & Infrastructure Support) and support for The Mayor's Fund for Young Londoners, funding for which was carried forward at the financial year-end within a designated reserve. An additional £25m budget allocation to reflect the forthcoming CBT 25<sup>th</sup> anniversary has been recommended by the CBT Committee for approval; and the request will be considered by Finance Committee as part of budget setting and medium-term financial planning.

## Conclusion

13. Members are asked to note the forecast year-end position at Quarter 2 of £8.2m better than budget position comprising a favourable variance of £10.1m on Central Risk Budgets and an adverse variance of £1.9m on Chief Officer Cash Limited Budgets.

## **Appendices**

- Appendix 1: Chief Officers Cash Limited Budgets by Fund
- Appendix 2: Chief Officers Cash Limited Budgets – Income and Expenditure Budget Variances
- Appendix 3: Central Risk Budgets
- Appendix 4: Central Risk Budgets - Corporate Income Budgets
- Appendix 5: Chief Officer Cash Limited Budgets – Budget changes

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