

Committee(s):	Date(s):
Finance	22 July 2014
Subject: Revenue Budget Monitoring to June 2014	Public
Report of: The Chamberlain	For Information

Summary

Local Risk Budgets (Chief Officer Cash Limits)

Net local risk expenditure at the end of June, excluding the ring-fenced Police account, is £0.8m (3%) within the profiled budget of £29.9m.

The forecast year end position, excluding the ring-fenced Police account, is £1.2m (1%) within the budget of £137m.

The most significant variation forecast to local risk budgets at year end is a better than budget position of £1.1m (6%) by the Director of the Built Environment due to savings from the new On-Street Parking enforcement contract. Some £550,000 of this saving is attributable to the procurement process managed by the CLPS and this sum will be retained centrally.

The City Police is forecasting a year end position of £0.6m (1%) better than budget.

Central Risk Budgets

The year end property investment income for Bridge House Estates is anticipated to be better than budget by £1m, whereas a reduction of £700,000 is forecast for City's Cash.

Income from on-street parking is forecast to reduce from £8.8m to £7.9m following the Government's ban on the use of Spy Car CCTV 'alone' for parking enforcement which is due to come into effect by October. The impact from 2015/16 could therefore be a reduction in income of some £1.8m.

Uncommitted Policy and Resources Committee and Finance Committee general contingencies total £1.1m.

Risks

The Chamberlain and City Surveyor have reported risks to their budgets as set out in paragraphs 11 and 12.

Recommendation

Members are asked to note the report.

Main Report

Local Risk Budgets

1. A summary of the financial position on Chief Officers' local risk (cash limited) budgets as at 30th June is set out in the following table.

Chief Officer	Year To Date - 30th June				Full Year Forecast			
	Budget £000	(Better)/Worse			Budget £000	(Better)/Worse		
		£000	%			£000	%	
Chamberlain	5,533	(31)	(1)	√	20,895	0	0	-
City Surveyor - City Fund (CF)	920	243	26	x	5,017	54	1	x
City Surveyor - City's Cash (CC)	2,150	353	16	x	12,225	46	0	x
City Surveyor - Bridge House Estates (BHE)	547	(107)	(20)	√	2,193	(228)	(10)	√
City Surveyor - Guildhall Administration (GA)	1,609	112	7	x	6,294	106	2	x
Comptroller & City Solicitor	780	(321)	(41)	√	3,121	(121)	(4)	√
Director of the Built Environment - CF	4,071	(617)	(15)	√	16,282	(1,053)	(6)	√
Director of the Built Environment - BHE	60	(4)	(7)	√	240	0	0	-
Director of Community & Children's Services	1,403	74	5	x	5,912	(23)	(0)	√
Director of Culture, Heritage & Libraries - CF	2,064	34	2	x	8,257	0	0	-
Director of Culture, Heritage & Libraries - CC	16	0	0	-	64	0	0	-
Director of Culture, Heritage & Libraries- BHE	218	(13)	(6)	√	872	0	0	-
Director of Markets & Consumer Protection - CF	543	(116)	(21)	√	2,170	(41)	(2)	√
Director of Markets & Consumer Protection - CC	487	(37)	(8)	√	1,949	44	2	x
Director of Open Spaces	2,648	(154)	(6)	√	10,591	0	0	-
Headmaster, City of London School	(1,169)	10	1	x	(392)	0	0	-
Headmaster, City of London Freeman's School	(1,629)	(57)	(3)	√	(50)	0	0	-
Headmistress, City of London School for Girls	(883)	(16)	(2)	√	313	0	0	-
Managing Director, Barbican Centre	4,499	(138)	(3)	√	16,107	0	0	-
Principal, Guildhall School of Music and Drama	1,136	(18)	(2)	√	6,666	0	0	-
Private Secretary & Chief of Staff to the Lord Mayor	713	0	0	-	2,455	0	0	-
Remembrancer	(22)	1	5	x	703	0	0	-
Town Clerk	4,199	(14)	(0)	√	15,577	0	0	-
Totals (Period 3) Excluding Police	29,893	(816)	(3)	√	137,461	(1,216)	(1)	√
Police (Period 3)	16,341	(880)	(5)	√	54,308	(620)	(1)	√

2. Net local risk expenditure across all funds, excluding the ring-fenced Police account, was £0.8m (3%) within the budget profile at the end of June. The main variations at 30 June are outlined below.

- (i) City Surveyor, City Fund £243,000 (26%) worse – a combination of repairs and maintenance being ahead of budget profile, increased costs relating to Walbrook Wharf and a shortfall in service charge income. These pressures are anticipated to have largely mitigated by year end to leave a broadly break even position.
- (ii) City Surveyor, City's Cash £353,000 (16%) worse – increased expenditure on repairs and maintenance, as well as spending in advance of the profiled budget on cyclical works and security on City's Estate. These overspends are partially offset by underspends on fees and departmental salaries. Again, there is anticipated to be a broadly break even position by year end.
- (iii) City Surveyor, Bridge House Estates £107,000 (20%) better – underspends in a number of areas including employees, repairs and maintenance, cleaning and domestic costs, and fees payable.

- (iv) City Surveyor, Guildhall Administration £112,000 (7%) worse – an overspend on repairs and maintenance.
 - (v) The figures above relating to the City Surveyor include provisions for a backdated claim from MITIE for repairs and maintenance expenditure which is currently being verified.
 - (vi) Comptroller and City Solicitor, Guildhall Administration, £321,000 (41%) better – additional income from property based transactions and other legal fees, together with underspends on employees.
 - (vii) Director of the Built Environment, City Fund £617,000 (15%) better – savings from the new On Street Parking enforcement contract. In addition, income for hoardings, scaffolding and road closure licences has been received ahead of the profiled budget.
 - (viii) Director of Markets and Consumer Protection, City Fund £116,000 (21%) better – additional income has been generated at the Heathrow Animal Reception Centre (HARC) from ‘Passports for Pets’. This trend is not expected to continue in future months.
3. Police, £880,000 (5%) better – vacancies within civilian staff leading to lower pay costs, underspends on rates and utilities, catering, consultant fees and professional fees. This reduced expenditure has been partly offset by a decrease in associated grant income (i.e. where such income is a reimbursement for the expenditure).
4. At year end, net local risk expenditure across all funds is forecast to be £1.2m (1%) within budget excluding the ring-fenced Police account. The most significant variations anticipated at year end are as follows.
- (i) City Surveyor, Bridge House Estates, £228,000 (10%) better – for the reasons set out at 2 (iii) above.
 - (ii) City Surveyor, Guildhall Admin, £106,000 (2%) worse – For the reason set out at 2 (iv) above.
 - (iii) Director of the Built Environment, City Fund £1,053,000 (6%) better – largely savings attributable to the new On Street Parking enforcement contract. Some £550,000 of this saving is attributable to the procurement process managed by the CLPS and this sum will be retained centrally.
5. The City Police is forecasting a year end better than budget position of £620,000 (1%).

Central Risk Budgets

Chief Officer	Full Year Forecast				
	Budget	Forecast	(Better)/Worse		
	£000	£000	£000	%	
Property Investment Income					
City Surveyor - City Fund	(39,352)	(39,448)	(96)	(0)	√
City Surveyor - City's Cash	(41,845)	(41,159)	686	2	x
City Surveyor - Bridge House Estates	(16,719)	(17,700)	(981)	(6)	√
Interest on Cash Balances					
Chamberlain - City Fund	(2,137)	(2,137)	0	0	-
Chamberlain - City's Cash	(100)	(100)	0	0	-
Chamberlain - Bridge House Estates	0	0	0	0	-
Funds with Managers					
Chamberlain - City's Cash	(21,000)	(21,000)	0	0	-
Chamberlain - Bridge House Estates	(14,700)	(14,700)	0	0	-
Totals	(135,853)	(136,244)	(391)	(0)	√

6. The adverse variance of £686,000 on City's Cash property investment income relates to the strategy for the use of capital receipts from the sale of properties to the City Fund. Instead of investment in new properties, the monies have been reallocated for investment in refurbishments and redevelopments in the portfolio which will increase returns in subsequent years. Members should note that lettings for the estate have recently been completed for Tallis House and 85 Gresham Street which, after rent free periods will generate £2.7m a year.
7. Conversely, the favourable variance of £981,000 on Bridge House Estates is due to better than expected rental income on re-investment of capital receipts from the sale of properties to the City Fund into the purchases of 30-38 New Bridge Street and Candlewick House.
8. Income from interest on cash balances has not been reassessed. The forecast therefore remains as budgeted at this stage.
9. No variances are expected on income from Non-Property Investments as, under the new pooled investment arrangements, the budgeted sum will be drawn down from fund managers. Under the previous segregated investment arrangements, the budget represented the fund managers' assessment of the dividends receivable which, by definition, would always result in some variation between budget and outturn.
10. On departmental central risk budgets, income from on-street parking is forecast to reduce by £900,000, from £8.8m to £7.9m, following the Government's ban on the use of Spy Car CCTV 'alone' for parking enforcement which is due to come into effect by October. The impact from 2015/16 could therefore be a reduction in income of some £1.8m.

Risks

11. Chamberlain - As well as ensuring that the City's IS services continue to operate effectively and efficiently, the number and complexity of corporate projects which the Chamberlain's IS Division is being requested to undertake is increasing. Such projects currently include:

- a telecommunications strategy which is investigating how broadband services can be extended into the City of London for Small and Medium Enterprises and residents;
- a new Virtual Private Network (VPN) infrastructure to allow remote working to individuals with Corporate equipment, to promote flexible working throughout the organisation and supporting the corporate accommodation initiative;
- the rebuild of the SharePoint Content Management infrastructure to manage organisational information more effectively across the City.

The Division's capacity to absorb the additional costs of such projects within existing budgets has been significantly impacted by successive budget decreases. Although the forecast year end position is currently reported as break even for the Chamberlain's Department, the situation is dynamic and it may be necessary to bring a report to Committee which quantifies the budget pressures and considers options for the delivery of such projects.

12. City Surveyor - Work is currently being undertaken by the City Surveyor to examine and prioritise planned repairs and maintenance work for the remainder of the year with a view to containing the overall expenditure repairs and maintenance within existing budgets. Should it be possible to contain the costs within the overall budgetary totals, this will only be achieved at the expense of the investment property portfolios covering the costs of the operational property. This will have long term consequences for both portfolios. The imbalance between expenditure and budgets will be a continuing cause for concern, and will need to be considered in the next round of estimates.

Contingencies

13. The uncommitted balances on contingencies as at 11th July are set out in the table below:

Uncommitted Balances on 2014/15 Contingencies as at 11th July				
	City Fund £'000	City's Cash £'000	BHE £'000	Total £'000
General Contingencies				
Policy and Resources Committee	0	141	0	141
Finance Committee	559	363	70	992
Total General Contingencies	559	504	70	1,133
National and International Disasters		100		100

14. It is anticipated that overall these contingencies will be adequate to fund unforeseen commitments as budgets can be transferred between funds (although not between Committees).

Caroline Al-Beyerty
Financial Services Director

T: 020 7332 1164
E: caroline.al-beyerty@cityoflondon.gov.uk