

Committees: Finance	Dates: 21 Oct 2014
Subject: Revenue Budget Monitoring to September 2014	Public
Report of: The Chamberlain	For Information

Summary

Local Risk Budgets (Chief Officer Cash Limits)

Net local risk expenditure at the end of September, excluding the ring-fenced Police account, is £3m (5%) within the profiled budget of £60m.

The forecast year end position, excluding the ring-fenced Police account, is £1.7m (1%) within the budget of £143.1m.

The most significant variations forecast to local risk budgets at year end are a better than budget position of £0.8m (5%) by the Director of the Built Environment and a £0.6m (10%) favourable variance by the Director of Community and Children's Services – both variations due to a combination of factors as set out in paragraphs 2(vi) and 4 respectively.

The City Police is forecasting a broadly break even position at year end due to a number of largely compensating variations.

Central Risk Budgets

Year-end property investment income is anticipated to be better than budget for City Fund, City's Cash and Bridge House Estates by £0.3m, £0.5m and £1m respectively.

The forecast for interest earnings has also improved due to changes in cash flow – by £0.4m on City Fund and £0.2m on City's Cash.

As previously reported the contract procured last year by City Procurement for agency staff is forecast to produce a corporate year-end saving of at least £0.4m. Income from on-street parking is forecast to reduce but is largely offset by increased income from planning application fees resulting in a net reduction of £0.2m.

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 12 and 13.

Future Reports

As Finance Committee meetings for the rest of this financial year do not provide sufficient time to allow monthly budget monitoring reports to be circulated in advance of meetings it is proposed that reports are submitted to the Committee on a quarterly basis. However, monthly monitoring will still be undertaken. Should any matters of significance arise outside the quarterly reporting cycle the Committee will receive verbal updates.

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 30 September is set out in the following table.

Chief Officer	Year To Date - 30th Sept				Full Year Forecast			
	Budget £000	(Better)/Worse			Budget £000	(Better)/Worse		
		£000	%			£000	%	
Chamberlain	10,902	(7)	(0)	√	21,688	54	0	x
City Surveyor - City Fund (CF)	2,150	142	7	x	5,226	139	3	x
City Surveyor - City's Cash (CC)	5,221	247	5	x	12,253	155	1	x
City Surveyor - Bridge House Estates (BHE)	1,248	(180)	(14)	√	2,493	(176)	(7)	√
City Surveyor - Guildhall Administration (GA)	3,220	101	3	x	6,369	164	3	x
Comptroller & City Solicitor	1,613	(435)	(27)	√	3,226	(326)	(10)	√
Director of the Built Environment - CF	8,050	(539)	(7)	√	16,100	(758)	(5)	√
Director of the Built Environment - BHE	120	(6)	(5)	√	240	(6)	(3)	√
Director of Community & Children's Services	3,209	(152)	(5)	√	6,517	(649)	(10)	√
Director of Culture, Heritage & Libraries - CF	4,141	(73)	(2)	√	8,282	0	0	-
Director of Culture, Heritage & Libraries - CC	32	(23)	(72)	√	64	0	0	-
Director of Culture, Heritage & Libraries- BHE	455	(223)	(49)	√	909	(246)	(27)	√
Director of Markets & Consumer Protection - CF	1,180	(127)	(11)	√	2,715	18	1	x
Director of Markets & Consumer Protection - CC	975	(231)	(24)	√	2,338	(33)	(1)	√
Director of Open Spaces	5,409	(216)	(4)	√	10,815	0	0	-
Head, City of London School	(2,778)	(2)	(0)	√	781	0	0	-
Headmaster, City of London Freeman's School	(3,056)	97	3	x	263	0	0	-
Headmistress, City of London School for Girls	(2,375)	(37)	(2)	√	566	0	0	-
Managing Director, Barbican Centre	8,585	(1,077)	(13)	√	16,366	0	0	-
Principal, Guildhall School of Music and Drama	1,977	76	4	x	6,701	(3)	(0)	√
Private Secretary & Chief of Staff to the Lord Mayor	1,241	15	1	x	2,522	(50)	(2)	√
Remembrancer	201	(16)	(8)	√	727	0	0	-
Town Clerk	8,314	(331)	(4)	√	15,934	0	0	-
Totals (Period 6) Excluding Police	60,034	(2,997)	(5)	√	143,095	(1,717)	(1)	√
Police (Period 6)	28,842	(161)	(1)	√	57,808	8	0	x

Variations at 30 September

2. Net local risk expenditure across all funds, excluding the ring-fenced Police account, was £3m (5%) within the budget profile at the end of September. The main variations at 30 September are outlined below.
- (i) City Surveyor, City Fund £142,000 (7%) worse – a combination of additional expenditure on repairs and maintenance and a shortfall in service charge income.
 - (ii) City Surveyor, City's Cash £247,000 (5%) worse – increased expenditure on repairs and maintenance.

- (iii) City Surveyor, Bridge House Estates £180,000 (14%) better – underspends in a number of areas including employees, repairs and maintenance, and cleaning and domestic costs.
- (iv) City Surveyor, Guildhall Administration £101,000 (3%) worse – an overspend on repairs and maintenance not covered by the Building Repairs and Maintenance (BRM) contract. The BRM contract is moving to charges based on assets to be maintained rather than area size. The scrutiny and verification of those assets may reduce the costs, but until the review has been completed, there is an expectation the budget will be overspent due to the number of works required that are not within the scope of the contract.
- (v) Comptroller and City Solicitor, Guildhall Administration, £435,000 (27%) better – additional income from property based transactions and other legal fees, together with underspends on employees.
- (vi) Director of the Built Environment, City Fund £539,000 (7%) better – savings from the new on street parking enforcement contract; income for hoardings, scaffolding, road closure licences and off-street car parking being ahead of the profiled budget and a saving on Town Planning due to vacant posts waiting to be filled following the proposed Planning Service restructure. These favourable variances have been partly offset by repairs and maintenance works taking place earlier than anticipated to avoid the worst of the winter weather and costs relating to the Barbican Area strategy.
- (vii) Director of Culture, Heritage and Libraries, City's Cash £23,000 (72%) better – higher than anticipated income at the Monument. It is expected that a reduction in income during the winter together with increased expenditure on works will result in a broadly break even position by year-end.
- (viii) Director of Culture, Heritage and Libraries, BHE £223,000 (49%) better – higher than anticipated income at Tower Bridge. In addition, expenditure on works is behind the profiled budget for the period.
- (ix) Director of Markets and Consumer Protection, City Fund £127,000 (11%) better - additional income has been generated at the Heathrow Animal Reception Centre (HARC) from 'Passports for Pets', however this is not expected to continue at this rate in future months. Some of this additional income has been offset by reduced revenue from Port Health Authority work following the closure of Thamesport and there is uncertainty on the levels of trade following the opening of the new London Gateway Port.
- (x) Director of Markets and Consumer Protection, City's Cash £231,000 (24%) better – underspends on vacant posts and savings on energy budgets for the Smithfield Market. These underspends will be offset at year end by adjusting service charges due from tenants to achieve a break even position.
- (xi) Director of Open Spaces, £216,000 (4%) better – higher than anticipated fees and charges income at the Cemetery and Crematorium and Hampstead Heath, and grant income at Epping Forest. However, it is anticipated that over the next 6 months the grant income will be fully spent and additional expenditure will be incurred on

fuel, grounds and vehicle maintenance so that the forecast is for a break-even position by year-end.

- (xii) Managing Director, Barbican Centre, City Fund £1,077,000 (13%) better – a strong start to the year at the Box Office with ‘Testament of Mary’, ‘Gaultier’, and ‘Digital Revolution’ all significantly outperforming their income targets. Membership and booking fees have benefitted from the advance ticket sales for Hamlet, starring Benedict Cumberbatch. Risks remain over the Autumn programme and, therefore, at this stage a year-end breakeven position is assumed.
- (xiii) Town Clerk, £331,000 (4%) better – expenditure on projects is behind budget profile but expected to catch up by year-end.

Variations Forecast at Year End

- 3. At year end, net local risk expenditure across all funds is forecast to be £1.7m (1%) within budget excluding the ring-fenced Police account. The most significant variations anticipated at year end are set out below.
- 4. Director of Community and Children’s Services £649,000 (10%) better – underspends are anticipated in the Youth Programme, Student Support and the Troubled Families Programme; specific government grants are higher than anticipated; and a £250,000 budget set aside to help mitigate potential financial pressures is unlikely to be required. In addition, an underspend, mainly on consultancy costs, is anticipated on the budget for the new Education Board.
- 5. In relation to items (i) to (vii) below, the reasons for the anticipated year end positions are essentially the same as set out in Paragraphs 2 (i) to (vi) and (viii). Further information on the risks underlying the City Surveyor’s year end forecasts are set out in paragraphs 13 and 14.
 - (i) City Surveyor, City Fund, £139,000 (3%) worse.
 - (ii) City Surveyor, City’s Cash, £155,000 (1%) worse.
 - (iii) City Surveyor, Bridge House Estates, £176,000 (7%) better.
 - (iv) City Surveyor, Guildhall Admin, £164,000 (3%) worse.
 - (v) Comptroller and City Solicitor, £326,000 (10%) better.
 - (vi) Director of the Built Environment, City Fund £758,000 (5%) better.
 - (vii) Director of Culture, Heritage and Libraries, Bridge House Estates £246,000 (27%) better
- 6. The City Police is forecasting a broadly break even position at year end due to a number of largely compensating variations.
- 7. A comparison of the full year forecast as at 30 September with the previous full year forecast as at 31 August is set out in Appendix 1.

Central Risk Budgets

Corporate Budgets

Chief Officer	Full Year Forecast				
	Budget	Forecast	(Better)/Worse		
	£000	£000	£000	%	
Property Investment Income					
City Surveyor - City Fund	(39,352)	(39,613)	(261)	(1)	√
City Surveyor - City's Cash	(41,845)	(42,306)	(461)	(1)	√
City Surveyor - Bridge House Estates	(16,719)	(17,743)	(1,024)	(6)	√
Interest on Cash Balances					
Chamberlain - City Fund	(2,137)	(2,532)	(395)	(18)	√
Chamberlain - City's Cash	(100)	(346)	(246)	(246)	√
Chamberlain - Bridge House Estates	0	0	0	0	-
Non-Property Investment Income (net of fees)					
Chamberlain - City's Cash	(18,400)	(18,400)	0	0	-
Chamberlain - Bridge House Estates	(12,200)	(12,200)	0	0	-
Totals	(130,753)	(133,140)	(2,387)	(2)	√

8. The improvement in year-end property investment income is due to:
- (i) City Fund, £261,000 better – higher than anticipated rental income achieved prior to the redevelopment of Fleet House.
 - (ii) City's Cash, £461,000 better – a combination of earlier than anticipated lettings and the renewal of leases to existing tenants.
 - (iii) Bridge House Estates, £1,024,000 better - 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.
9. The anticipated improvements in interest earnings on cash balances are due to more beneficial cash flows compared to the prudent assumptions used in the original budget. The assumed average interest rate for interest earnings remains at 0.75%.
10. 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.

Service Budgets

11. At this stage the only significant variations anticipated on central risk budgets within service committees are the items mentioned in previous reports – £0.4m in corporate procurement savings on the contract for agency staff; and

a reduction in income from on-street parking largely offset by increased income from planning application fees, a net reduction of £0.2m.

Risks

12. 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 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 being broadly 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.

13. City Surveyor – there are particular cost pressures on repairs and maintenance for the operational estate. The Building Repairs and Maintenance contract costs are being updated to reflect charges based on assets to be maintained rather than the current charging regime based on property area. The in-house scrutiny and verification of these asset costs may identify scope for reducing costs by way of lower planned maintenance standards for certain assets going forward. However, until that review has been completed there is an expectation the budget will be overspent based on the current demand for out of scope and reactive repairs and the associated material costs.
14. All City Surveyor budgets are in the process of being reviewed for revised estimates with a view to covering the projected overspend by moving resources between the investment and operational estate portfolios. This has been complicated by pressure on service charge income due to lower than anticipated recoverability of costs, which will need to be funded from the estates budgets before any contribution towards the overspend on operational property. Therefore at this stage, to be prudent, a full year overspend is projected.

Contingencies

15. General contingencies are used to fund unforeseen items of expenditure which cannot be contained within existing budgets. In addition to the general contingencies, the Finance Committee has a specific City's Cash contingency

of £100,000 to support humanitarian disaster relief efforts both nationally and internationally. At 14 October, £40,000 has been committed - £20,000 to the British Red Cross' Ebola Relief appeal and £20,000 to the British Red Cross' South Sudan Relief appeal.

16. The uncommitted balances on contingencies as at 10 October are set out in the table below. 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).

Uncommitted Balances on 2014/15 Contingencies as at 14 October 2014				
	City Fund £'000	City's Cash £'000	Bridge House Estates £'000	Total £'000
General Contingencies				
Policy and Resources Committee	-	141	-	141
Finance Committee	543	363	43	949
Total General Contingencies	543	504	43	1,090
National and International Disasters	n/a	60	n/a	60

17. The approved commitments against the Finance Committee's 2014/15 general contingencies are listed at Appendix 2. The Policy and Resources Committee receives a similar financial statement for its contingency.

Future Reports

18. As Finance Committee meetings for the rest of this financial year do not provide sufficient time to allow monthly budget monitoring reports to be circulated in advance of meetings it is proposed that reports are submitted to the Committee on a quarterly basis. However, monthly monitoring will still be undertaken. Should any matters of significance arise outside the quarterly reporting cycle the Committee will receive verbal updates.

Appendices

- Appendix 1 – full year local risk forecasts comparison
- Appendix 2 – allocations from Finance Committee contingencies

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Summary Position - Local Risk Budgets

Original Budget £000	Chief Officer - Local Risk Budgets	Full Year Forecast as at 31 August			Full Year Forecast as at 30 September			Forecast ↑ better ↓ worse ↔ no change
		Latest Budget £000	(Better)/Worse		Latest Budget £000	(Better)/Worse		
			£000	%		£000	£000	
	City Fund							
2,267	Chamberlain	2,698	34	1	2,698	34	1	↔
4,843	City Surveyor	5,226	85	2	5,226	139	3	↓
16,250	Director of the Built Environment	15,896	(544)	(3)	16,100	(758)	(5)	↑
5,912	Director of Community & Children's Services	6,367	(598)	(9)	6,367	(580)	(9)	↓
8,257	Director of Culture, Heritage & Libraries	8,282	0	0	8,282	0	0	↔
2,526	Director of Markets & Consumer Protection	2,715	(40)	(1)	2,715	18	1	↓
(520)	Director of Open Spaces	(387)	0	0	(387)	0	0	↔
15,957	Managing Director, Barbican Centre	16,366	(30)	(0)	16,366	0	0	↓
7,279	Town Clerk	7,314	0	0	7,347	0	0	↔
62,771	Total City Fund (excluding Police)	64,477	(1,093)	(2)	64,714	(1,147)	(2)	↑
57,808	Commissioner of Police	57,808	84	0	57,808	8	0	↑
120,579	Total City Fund	122,285	(1,009)	(1)	122,522	(1,139)	(1)	↑
	City's Cash							
182	Chamberlain	182	18	10	182	18	10	↔
12,188	City Surveyor	12,253	(15)	(0)	12,253	155	1	↓
0	Director of Community & Children's Services	0	0	0	150	(69)	(46)	↑
64	Director of Culture, Heritage & Libraries	64	0	0	64	0	0	↔
2,341	Director of Markets & Consumer Protection	2,338	0	0	2,338	(33)	(1)	↑
11,116	Director of Open Spaces	11,202	0	0	11,202	0	0	↔
726	Head, City of London School	765	0	0	781	0	0	↔
263	Headmaster, City of London Freeman's School	263	0	0	263	0	0	↔
535	Headmistress, City of London School for Girls	566	0	0	566	0	0	↔
6,516	Principal, Guildhall School of Music & Drama	6,701	(20)	(0)	6,701	(3)	(0)	↓
2,453	Private Secretary & Chief of Staff to the Lord Mayor	2,522	(50)	(2)	2,522	(50)	(2)	↔
1,030	Remembrancer	1,030	0	0	1,038	0	0	↔
816	Town Clerk	816	0	0	816	0	0	↔
38,230	Total City's Cash	38,702	(67)	(0)	38,876	18	0	↓
	Bridge House Estates							
2,255	City Surveyor	2,493	(199)	(8)	2,493	(176)	(7)	↓
240	Director of the Built Environment	240	0	0	240	(6)	(3)	↑
872	Director of Culture, Heritage & Libraries	909	0	0	909	(246)	(27)	↑
854	Town Clerk	884	0	0	901	0	0	↔
4,221	Total Bridge House Estates	4,526	(199)	(4)	4,543	(428)	(9)	↑
	Guildhall Administration							
18,792	Chamberlain	18,808	0	0	18,808	2	0	↓
6,232	City Surveyor	6,369	134	2	6,369	164	3	↓
3,121	Comptroller and City Solicitor	3,226	(326)	(10)	3,226	(326)	(10)	↔
(327)	Remembrancer	(327)	0	0	(311)	0	0	↔
6,559	Town Clerk	6,870	0	0	6,870	0	0	↔
34,377	Total Guildhall Administration	34,946	(192)	(1)	34,962	(160)	(0)	↓
139,599	Grand Totals (excluding Police)	142,651	(1,551)	(1)	143,095	(1,717)	(1)	↑
197,407	Grand Totals	200,459	(1,467)	(1)	200,903	(1,709)	(1)	↑

Budget Changes

	£'000	£'000
Original Budget		197,407
Movements		
Carry forwards		2,292
Allocations from contingencies		509
Base budget changes:		
London Living Wage increases	473	
Set up costs for the insourcing of rates and council tax collection	431	
Harmonisation to Corporation standards of unsocial hours payments at the Barbican Centre	246	
Implementation of the Education Strategy (local risk element)	150	
Adjustments required following the declaration of Whites Row car park as surplus to requirements	103	
Budget equalisation in relation to the Building Repairs and Maintenance contract	62	
On street car parking contract	(819)	
Others	49	
		695
Latest Budget		<u>200,903</u>

FINANCE COMMITTEE GENERAL CONTINGENCY - CITY FUND

Committee Date	Description	Resp Officer	Allocation	Contingency Balance
	Annual Provision		£	£ 800,000
01 May 2012	Original allocation of up to £99,000 for the funding for the preparation of the City of London Community Infrastructure (CIL) Charging Schedule, of which £36,000 was allocated from the 2012/13 contingency and £15,000 from the 2013/14 contingency. The funds allocated should be fully reimbursed from CIL receipts during the first three years of CIL operation.	DBE	48,000	
27 May 2014	Microsoft Licences Agreement - allocation to cover additional cost of licences in year 1 of a 3 year agreement, years 2 and 3 to be covered by base budget increases. The total allocation of £254,000 is split between the three funds.	CH	168,000	
Urgency reported to Committee 27 May 2014	Term consultancy services for the inspection and management of highway structures - additional funding of £41,000 for the first year of the contract.	DBE	41,000	
	Total allocations agreed to date			257,000
	Balance remaining prior to any requests that may be made to this meeting			543,000

FINANCE COMMITTEE GENERAL CONTINGENCY - CITY'S CASH

Committee Date	Description	Resp Officer	Allocation £	Contingency Balance £
	Annual Provision			950,000
24 May 2013	St Paul's lighting project to meet the cost of preparing the Sponsorship Package and securing external funding for the implementation of the project, including developing the project through the Gateways, a total contribution of £100,000, of which £25,000 was met from the 2013/14 contingency.	DBE	75,000	
10 Dec 2013	£55,000 (£40,000 in 2014/15 and £15,000 in 2015/16) for additional one-off revenue costs in respect of the Education/Community Programme to launch the Heritage Gallery and the provision of retail stock to promote the opening and the City's role in looking after London and the Nation's heritage. The first £15,000 of income from the sale of the special retail stock will be credited to central risk.	DCHL	40,000	
18 Feb 2014	£40,000 to engage the necessary external network design and security consultants to advise on the replacement of the City's LAN infrastructure.	CH	40,000	
18 Feb 2014	a loan of £150,000 to the City Arts Trust, to pay the costs of a temporary pop-up venue, to be repaid over not more than five years	DCHL	150,000	
27 May 2014	Microsoft Licences Agreement - allocation to cover additional cost of licences in year 1 of a 3 year agreement, years 2 and 3 to be covered by base budget increases. The total allocation of £254,000 is split between the three funds.	CH	79,000	
27 May 2014	a guarantee of up to £75,000 in support of a bridging loan to be made by the Law Society to the Global Law Summit to be held in February 2015. The guarantee would become payable if the Summit does not break even and is therefore unable to repay the loan.	REM	75,000	
27 May 2014	Up to £128,000 to meet the cost of a second State Banquet in 2014/15. The full amount may not be required as the Remembrancer may be able to contain some or all of the cost within resources carried forward from 2013/14.	REM	128,000	
	Total allocations agreed to date			587,000
	Balance remaining prior to any requests that may be made to this meeting			363,000

FINANCE COMMITTEE GENERAL CONTINGENCY - BRIDGE HOUSE ESTATES

Committee Date	Description	Resp Officer	Allocation £	Contingency Balance £
	Annual Provision			50,000
27 May 2014	Microsoft Licences Agreement - allocation to cover additional cost of licences in year 1 of a 3 year agreement, years 2 and 3 to be covered by base budget increases. The total allocation of £254,000 is split between the three funds.	CH	7,000	
	Total allocations agreed to date			7,000
	Balance remaining prior to any requests that may be made to this meeting			43,000

KEY TO RESPONSIBLE OFFICERS

CH: Chamberlain

DBE: Director of the Built Environment

DCHL: Director of Culture, Heritage and Libraries

REM: Remembrancer