

Committee(s):	Date(s):	Item no.
Culture, Heritage and Libraries	24 November 2014	
Subject: REVENUE AND CAPITAL BUDGETS - 2015/16	Public	
Report of: The Chamberlain Director of Culture, Heritage and Libraries	For Decision	

Summary

This report is the annual submission of the revenue and capital budgets overseen by your Committee. In particular it seeks approval to the provisional revenue budget for 2015/16, for subsequent submission to the Finance Committee. Details of the Committee's draft capital budget are also provided. The budgets have been prepared within the resources allocated to the Director.

Summary Of Table 2	Latest Approved Budget 2014/15 £'000	Original Budget 2015/16 £'000	Movement £'000
Expenditure	20,673	20,384	(289)
Income	(5,302)	(5,444)	(142)
Recharges	4,937	5,253	316
Total Net Expenditure	20,308	20,193	(115)

Overall, the 2015/16 provisional revenue budget totals £20.193m, a decrease of £115,000 compared with the latest approved budget for 2014/15. Main reasons for this decrease are :-

- Latest Approved budget for 2014/15 included expenditure of £37,000 funded from the previous year's underspend.

- Savings as a result of the Service Based Reviews totalling £449,000, as agreed at the last Committee.
- Decrease in the City Surveyor's repairs and maintenance programme of £216,000.
- Increase to the local risk budgets following the net 2% allowance given towards any potential pay and price increases of £154,000.
- Increase in recharges of £316,000 due to increased repairs and maintenance charges at the Guildhall Complex and the depreciation cost of the new Heritage Gallery.

Recommendations

The Committee is requested to:

- review the provisional 2015/16 revenue budget to ensure that it reflects the Committee's objectives and, if so, approve the budget for submission to the Finance Committee;
- review and approve the draft capital budget;
- authorise the Chamberlain, in consultation with the Director of Culture, Heritage and Libraries, to revise these budgets to allow for any further implications arising from Corporate Projects, departmental reorganisations and other reviews and changes to the Additional Works Programme;
- if specific service based review proposals included with this budget report are rejected by the Committee, or other Committees request that further proposals are pursued, that the substitution of other suitable proposals for a corresponding amount is delegated to the Town Clerk in discussion with the Chairman and Deputy Chairman of the relevant Committee. If the substituted saving is not considered to be straight forward in nature, then the Town Clerk shall also consult the Chairman and Deputy Chairmen of the Policy and Resources Committee prior to approving an alternative proposal(s).

Main Report

Introduction

1. The department comprises three lending libraries (Barbican, Artizan Street and Shoe Lane), two reference libraries (City Business Library and Guildhall Library), Guildhall Art Gallery, Keats House, London Metropolitan Archives (LMA), City Records Services, City of London Information Centre, Tower Bridge and The Monument. This front line activity is assisted by a number of non-public services including

Bibliographical Services, the Visitor Development Team and Support Services.

2. This report sets out the proposed revenue budget and capital budgets for 2015/16. The revenue budget management arrangements are to:
 - Provide a clear distinction between local risk, central risk and recharge budgets.
 - Place responsibility for budgetary control on departmental Chief Officers.
 - Apply a cash limit policy to Chief Officers' budgets.
3. The budget has been analysed by the service expenditure and compared with the original budget for the current year.
4. The report also compares the current year's budget with the forecast outturn.

Business Planning Priorities

5. The department's mission statement is to educate, entertain and inform, through discovery of our amazing range of resources.

The four Strategic Aims are:

- To refocus our services with more community engagement and partnerships with others.
- To transform the sense of the City as a destination.
- To continue to use technology to improve customer service and increase efficiency.
- To further develop the City's contribution to the life of London as a whole.

Proposed Revenue Budget for 2015/16

6. The proposed Revenue Budget for 2015/16 shown in Table 2 is analysed between:
 - Local Risk budgets – these are budgets deemed to be largely within the Chief Officer's control.
 - Central Risk budgets – these are budgets comprising specific items where a Chief Officer manages the underlying service, but where the eventual financial outturn can be strongly influenced by external

factors outside of his/her control or are budgets of a corporate nature (e.g. interest on balances and rent incomes from investment properties).

- Recharges – these cover budgets for services provided by one activity to another. The control of these costs is exercised at the point where the expenditure or income first arises as local or central risk.
7. The provisional 2015/16 budgets, under the control of the Director of Culture, Heritage and Libraries being presented to your Committee, have been prepared in accordance with guidelines agreed by the Policy & Resources and Finance Committees. These include continuing the implementation of the required budget reductions across both local and central risks, as well as the proper control of transfers of non-staffing budgets to staffing budgets. An allowance was given towards any potential pay and price increases of 2% in 2014/15 (already applied) and a further 2% in 2015/16. The budget has been prepared within the resources allocated to the Director.
 8. The Service Based Review aims to deliver sustainable savings and / or increased income in order to balance City Fund and City's Cash over the medium term. The proposals approved by the Policy & Resources Committee included a total of £1,347K (over 3 years) for this Committee. These proposals were reported to and agreed by this Committee last month and are reflected in the 2015/16 budgets as below:

Table 1	
Agreed 2015/16 Service Based Review Savings	£'000
Delete staff posts through retirement and restructuring	201
Reduce printing, equipment and other costs at LMA	40
Reduce materials costs at Guildhall Library	15
Reduce costs in Guildhall Art Gallery	30
Increase commission income at City Information Centre	15
Delete one part time post in Visitor Marketing (contract expiry)	26
Reduce Visitor Development advertising	12
Increase targets at Keats House	10
Increase ticket income at Monument	100
Total 2015/16	449

TABLE 2 CULTURE, HERITAGE AND LIBRARIES COMMITTEE SUMMARY – ALL FUNDS

Analysis of Service Expenditure	Local or Central Risk	Actual 2013-14 £'000	Latest Approved Budget 2014-15 £'000	Original Budget 2015-16 £'000	Movement 2014-15 to 2015-16 £'000	Paragraph Reference
EXPENDITURE						
Employees	L	9,187	9,182	9,483	301	11
Employees (redundancy costs)	C	1	1	-	(1)	
Premises Related Expenses	L	944	1,231	1,148	(83)	12
Premises Related Expenses *	C	911	942	942	-	
City Surveyor – Repairs & Maintenance	L	633	928	712	(216)	13
Transport Related Expenses	L	90	78	70	(8)	
Supplies & Services	L	3,180	2,622	2,287	(335)	14
Supplies & Services (Grants to outside bodies)	C	5,677	5,677	5,677	-	
Transfer to Reserves – Heritage projects	L	149	-	-	-	
Capital Charges – City's Cash & BHE	C	42	12	65	53	
Total Expenditure		20,814	20,673	20,384	(289)	
INCOME						
Other Grants, Reimbursements and Contribution	L	(418)	(125)	(3)	122	14
Other Grants, Reimbursements and Contribution	C	(262)	-	-	-	
Customer, Client Receipts	L	(5,955)	(5,025)	(5,369)	(344)	15
LMA Rental Income	C	(86)	(109)	(72)	37	
Transfer from Reserves – Heritage projects / Local Area Agreement	L	(46)	(43)	-	43	14
Total Income		(6,767)	(5,302)	(5,444)	(142)	
TOTAL EXPENDITURE/ (INCOME) BEFORE RECHARGES		14,047	15,371	14,940	(431)	
RECHARGES						
Central Support Services and Capital Charges – City Fund		5,932	5,788	6,104	316	16
Recharges within Fund		89	62	62	-	
Recharges Across Funds		(918)	(913)	(913)	-	
Total Recharges		5,103	4,937	5,253	316	
TOTAL NET EXPENDITURE/(INCOME)		19,150	20,308	20,193	(115)	

*(Barbican & Community Libraries and LMA Rates & Service Charges & LMA rent)

9. Income and favourable variances are presented in brackets. An analysis of this Revenue Expenditure by Service Managed is provided in Appendix 1. Only significant variances (generally those greater than £50,000) have been commented on in the following paragraphs.
10. Overall there is a decrease of £115,000 in the overall budget between the 2014/15 latest approved budget and the 2015/16 original budget. This movement is explained by the variances explained in the following paragraphs.
11. The increase to the local risk Employees budget is due to an allowance of 2% in respect of any potential pay award and anticipated incremental rises. The decrease in full-time equivalent staff at the Directorate, London Metropolitan Archives, City Records Services and Visitor Services & City Information Centre are as a result of efficiency savings arising from the Service Based reviews. The decreases in full-time equivalents at Guildhall Art Gallery and Keats House are due to staff funded in 2014/15 from grant awards. An analysis of the movement in manpower and related staff costs are shown in Table 3 below.

Table 3 - Manpower statement	Latest Approved Budget 2014/15		Original Budget 2015/16	
	Manpower Full-time equivalent	Estimated cost £000	Manpower Full-time equivalent	Estimated cost £000
Guildhall Library	19.25	752	19.00	814
City Business Library	8.50	326	8.50	343
Barbican and Community Libraries	40.84	1,442	40.84	1,469
Artizan Street Library	8.00	241	8.00	249
Culture Heritage & Libraries Directorate	15.31	647	14.60	647
Guildhall Art Gallery	7.97	330	7.47	318
London Metropolitan Archives	48.89	2,039	48.19	2,020
City Records Services	23.84	983	23.54	982
Keats House	4.83	219	4.05	189
Visitor Services & City Information Centre	12.11	531	10.51	433
Monument	7.27	225	7.27	274
Tower Bridge Tourism	37.33	1,447	37.83	1,745
TOTAL CULTURE, HERITAGE AND LIBRARIES	234.14	9,182	229.80	9,483

12. The decrease of £83,000 to the local risk budget for Premises Related Expenses is mainly due to a reduction in planned minor works at the Monument and Education Centre of £40,000 and the fallout of carry forward funding of £37,000 at Tower Bridge from their 2013/14 underspend.
13. The 2014/15 Latest Approved Budget reflects the re-allocation of the full 2014/15 Additional Works Programme to reflect the expenditure that is anticipated will be incurred in the year.

The reduction at the Guildhall Art Gallery is due to some of the works previously identified as being funded from AWP moving to the Capital Programme and the level of work identified in the AWP at the Gallery reducing during 2015/16.

The 2015/16 Additional Works Programme is based on the bids endorsed by the Corporate Asset Sub Committee in June 2014 totalling £182,000. The anticipated balance of remaining Additional Works Programme schemes of £178,000 has also been incorporated.

The basis on which costs are charged under the Building Repairs and Maintenance contract is being reviewed. The present costs, which are based on a square footage basis, are to be replaced by costs relating to the individual assets of each property. The outcome of the review is likely to result in variations to the budgets that have been submitted for 2014/15 and 2015/16. The City Surveyor will report separately on any significant changes.

A decision on the funding of the programme will be made by the Resource Allocation Sub Committee. It may therefore be necessary to adjust the budgets to reflect the Resource Allocation Sub Committee's decision. See Table 4 below.

TABLE 4 - CITY SURVEYOR LOCAL RISK	Latest Approved Budget 2014/15 £'000	Original Budget 2015/16 £'000
Repairs & Maintenance		
Additional Works Programme		
Guildhall Art Gallery	252	58
London Metropolitan Archives	167	151
Keats House	37	38
Visitor Services & City Information Centre	6	6
Monument	32	38
Roman Bath House	73	39
Mayoralty and Shrievalty	5	30
Planned & Reactive Works (Breakdown & Servicing)		
Culture Heritage & Libraries Directorate	2	2
City Business Library	2	2
Barbican and Community Libraries	6	6
Guildhall Art Gallery	3	3
London Metropolitan Archives	89	91
Keats House	8	8
Visitor Services & City Information Centre	28	46
Monument	7	7
Cleaning	211	187
Total City Surveyor	928	712

14. The decrease of £335,000 to the local risk budget for Supplies and Services is mainly due to the fallout of various grants which at this stage have only been awarded for 2014/15 and efficiency savings applied as a result of the Service Based Review totalling approximately £70,000.
15. The increase of £344,000 to the local risk budgets for Customer, Client Receipts is mainly due to increased income at Tower Bridge as a result of the new glass flooring to the walkways which open in November 2014. This is expected to have a positive effect on the footfall numbers, which will have a larger impact on 2015/16 as the majority of their customers are during the first six months of a financial year. In addition, as a result of the Service Based Review, the Monument have increased their income targets by £100,000 for 2015/16.

16. The increase of £316,000 to Support Services and Capital Charges (City Fund) is mainly due to an increase in Guildhall Admin charges of £230,000 as a result of increased Repairs and Maintenance costs (including AWP works) on the Guildhall Complex. In addition, from 2015/16 onwards the new Heritage Gallery at Guildhall Art Gallery incurs depreciation charges. Appendix 2 provides an analysis of Support Services and Capital Costs.
17. The increased budget at Guildhall Library for 2015/16 is due to a transfer of resources from the Culture Heritage & Libraries Directorate in respect of computer licences. The reduction to the budget of the Directorate is offset by an increase to Guildhall Admin charges.

Potential Further Budget Developments

18. The provisional nature of the 14/15 and 15/16 revenue budgets recognises that further revisions may be required, including in relation to:
 - budget reductions to capture savings arising from the on-going Service Based Review;
 - decisions on funding of the Additional Work Programme by the Resource Allocation Committee.
 - if specific service based review proposals included with this budget report are rejected by the Committee, or other Committees request that further proposals are pursued, that the substitution of other suitable proposals for a corresponding amount is delegated to the Town Clerk in discussion with the Chairman and Deputy Chairman of the relevant Committee. If the substituted saving is not considered to be straight forward in nature, then the Town Clerk shall also consult the Chairman and Deputy Chairmen of the Policy and Resources Committee prior to approving an alternative proposal(s).

Any revisions will be agreed after consultation with the Director of Culture, Heritage and Libraries.

Revenue Budget 2014/15

19. The forecast outturn for the current year is £20.062m compared to the latest approved budget of £20.308m showing a potential underspend of £246,000. This potential underspend relates to a significant increase in income for the first half of the year at Tower Bridge.

Draft Capital and Supplementary Revenue Budgets

20. The latest estimated costs for the Committee's draft capital and supplementary revenue projects are summarised in the Table below.

Table 5						
Service Managed	Project	Exp. Pre 01/04/14 £'000	2014/15 £'000	2015/16 £'000	Later Years £'000	Total £'000
CITY FUND						
<u>Pre-implementation</u> London Metropolitan Archives	Long term options appraisal		20			20
<u>Authority to start work granted</u> Guildhall Art Gallery	Lighting replacment		554			554
Libraries & LMA general	Access to cultural collections (City Fund portion)	107	19	19		145
TOTAL CITY FUND		107	593	19	0	719
CITY'S CASH						
<u>Authority to start work granted</u> Guildhall Art Gallery	Heritage Gallery	151	374			525
Libraries & LMA general	Access to cultural collections (City's Cash portion)	26	8			34
The Monument	Additional works	1	52	52		105
Mayoralty & Shrievalty	Historic carriages	154	16	39		209
TOTAL CITY'S CASH		332	450	91	0	873
BRIDGE HOUSE ESTATES						
<u>Pre-implementation</u> Tower Bridge Tourism	Engine rooms Reception/Gift shop		30			30
<u>Authority to start work granted</u> Tower Bridge Tourism	Glass viewing panels	26	962			988
TOTAL BRIDGE HOUSE ESTATES		26	992	0	0	1,018
TOTAL		465	2,035	110	0	2,610

21. Pre-implementation costs comprise option appraisal expenditure which has been approved in accordance with the project procedure, prior to authority to start work.
22. The implementation phase of the Reception & Gift shop project at Tower Bridge is anticipated to commence in 2015/16, subject to approval. A scheme to replace the roof at London Metropolitan Archives is also in the pipeline.
23. The remaining schemes have received authority to start work and are in progress.

24. The latest Capital and Supplementary Revenue Project budgets will be presented to the Court of Common Council for formal approval in March 2015.

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APPENDIX 1

Analysis by Service Managed	Actual 2013-14 £'000	Latest Approved Budget 2014-15 £'000	Original Budget 2015-16 £'000	Movement 2014-15 to 2015-16 £'000	Paragraph Reference
CITY FUND					
Guildhall Library	1,039	1,008	1,103	95	17
City Business Library	850	698	710	12	
Barbican and Community Libraries	2,665	2,617	2,574	(43)	
Artizan Street Library	298	308	312	4	
Culture Heritage & Libraries Directorate^	8,542	8,423	8,395	(28)	17
Guildhall Art Gallery	2,264	2,487	2,526	39	
London Metropolitan Archives	3,070	3,153	3,136	(17)	
City Records Services	434	439	424	(15)	
Visitor Services & City Information Centre	902	924	822	(102)	11
Roman Bath House (City Surveyor)	71	96	61	(35)	
Roman Remains and Guildhall Complex Land (City Surveyor)	98	97	97	-	
TOTAL CITY FUND	20,233	20,250	20,160	(90)	
CITY'S CASH					
Keats House	-	294	287	(7)	
Heritage Gallery	-	15	52	37	16
Monument	(123)	(69)	(168)	(99)	15
Mayoralty & Shrievalty (City Surveyor)	123	112	137	25	
TOTAL CITY'S CASH	-	352	308	(44)	
BRIDGE HOUSE ESTATES					
Tower Bridge Tourism	(1,083)	(294)	(275)	19	
TOTAL BRIDGE HOUSE ESTATES	(1,083)	(294)	(275)	19	
TOTAL	19,150	20,308	20,193	(115)	

^ The Culture, Heritage and Libraries Directorate budget include the costs of the Guildhall Library building and therefore include £0.8m of Capital Recharges for 2014/15 and 2015/16, as well as a grant to the Museum of London for £5.3m for 2014/15 and 2015/16.

APPENDIX 2

Recharges from/to Culture, Heritage and Libraries	Actual 2013/14 £000	Latest Approved Budget 2014/15 £000	Original Budget 2015/16 £000
Support Service and Capital Charges			
Administrative Buildings	2,025	2,088	2,318
City Surveyor's Employee Recharge	173	152	146
Insurance	240	251	266
IS Recharges - Chamberlain	789	754	735
Capital Charges – City Fund	1,956	1,857	1,961
Support Services -			
Chamberlain	386	342	349
Comptroller and City Solicitor	45	46	45
Town Clerk	209	209	201
City Surveyor	56	55	55
Support services with Other services*	53	34	28
Total Support Services and Capital Charges	5,932	5,788	6,104
Recharges Within Funds			
Utilities recharge - Barbican Centre	258	231	231
Corporate and Democratic Core – Finance Committee	(169)	(169)	(169)
Recharges Across Funds			
Support Services – CHL Guildhall Administration	(913)	(913)	(913)
Salaries Recharged to Capital Projects	(5)	-	-
TOTAL SUPPORT SERVICE AND CAPITAL CHARGES	5,103	4,937	5,253

* Various services including central training, corporate printing, occupational health. Union costs and environmental and sustainability section.