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| Committee: | Date: |
| Finance Committee | 17 November 2015 |
| Subject: Revenue Budget Monitoring to September 2015 | Public |
| Report of: Chamberlain | For Information |

Summary

Local Risk Budgets (Chief Officer Cash Limits)

Net local risk expenditure (excluding Police) at the end of September is £2.8m (4%) within the profiled budget of £62.9m. The forecast year end position is £2.2m (2%) within the budget of £142.7m, which represents an improvement of £1.6m compared to the forecast year end position at quarter one. The main variations are outlined in paragraph 3.

The latest forecast for the Police ring-fenced account indicates that a transfer from the general reserves of £3.6m will be required to remain within the cash limit of £57.5m. This is an increase of £1.6m from the original budget and the reason for this is set out in paragraph 4.

Central Risk Budgets

Year-end property investment income is anticipated to be better than budget for City's Cash and Bridge House Estates by £2.7m and £1.5m respectively.

The forecast for City Fund interest earnings has improved by £0.9m due to a more beneficial cash flow.

Risks

The Chamberlain's Department has indicated a cost pressure relating to the Oracle R12 Upgrade (paragraph 3).

The Commissioner has reported on risks to his budget due to a number of external funding agreements that are awaiting confirmation (paragraph 5).

Recommendation

Members are asked to note the report.

Main Report

Local Risk Budgets

1. Net local risk expenditure across all funds, excluding the ring-fenced Police account, was £2.8m (4%) within the budget profile at the end of September. The forecast year end position, excluding the ring-fenced Police account, is £2.2m (2%) within the budget of £142.7m.
2. A more detailed summary of the financial position on Chief Officers' local risk (cash limited) budgets as at 30 September is set out in Appendix 1. A comparison of the full year forecasts at the end of quarter one and quarter two is provided in Appendix 2.

Main Variations

3. The main variations together with a brief commentary are outlined below.

| | |
|---|--|
| Chamberlain | YTD £389,000 (4%) worse, FY £74,000 (0%) better |
| These variations exclude a £448,000 cost pressure relating to the Oracle R12 Upgrade for which a separate report will be submitted next month. The improvement in the underlying position – from an adverse variance of £389,000 at the half year to a positive variance of £74,000 forecast for year end – is mainly due to a correction in the charges from the IT managed service provider relating to the later than anticipated delivery of server support. Monthly invoices for the second half year are being reduced to rectify the position. | |

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| City Surveyor | YTD £705,000 (6%) better, FY £147,000 (1%) better |
| The favourable year to date variance is mainly due to slippage on the cyclical works programme; however this is expected to catch up by year end. Favourable variances on staff vacancies and additional fee income are expected to continue until year end. | |

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| Director of the Built Environment, City Fund | YTD £717,000 (9%) better, FY £321,000 (2%) better |
| The underspend for the year to date is due to additional car park income from increased activity, additional income from road closure licence fees, reduced advertising costs for Traffic Management, additional staff time recharged to capital projects at Hampstead Heath Ponds Project and staff vacancies in Town Planning following a restructure. These underspends are partly offset by a reduction in income from hoarding & scaffolding license fees and additional highways repairs & maintenance works programmed over the summer months. Additional Highways resurfacing and maintenance is planned during the remainder of the year to address the backlog of work required. This will partly reduce the positive variance anticipated at year end. | |

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| Director of Community and Children's Services | YTD £163,000 (4%) better, FY £299,000 (4%) better |
| <p>The underspend is due to the current mix of clients and their support needs including one high cost client who is now being fully funded from the NHS. At this stage it has been assumed that these savings will continue to year end – although the nature of the service is that a relatively small change in clients and their needs can have a disproportionate impact on overall expenditure levels.</p> | |

| | |
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| Director of Culture, Heritage and Libraries, BHE | YTD £664,000 (150%) better, FY £1,000,000 (113%) better |
| <p>Income at Tower Bridge continues to be ahead of the profiled budget; at the mid year stage officers are now reasonably confident that this will continue and the year end forecast expects income to be 17% higher than budget, creating a surplus of around £800,000. In addition planned minor works, estimated to cost £200,000, have been postponed to 2016/17.</p> | |

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|---|--|
| Director of Markets and Consumer Protection City Fund | YTD £201,000 (18%) better, FY £86,000 (4%) better |
| <p>The favourable variance to date is mainly due to additional income for the 'Passports for Pets' service at the Heathrow Animal Reception Centre which is expected to continue until year end. However this additional income will be partly offset by overspends projected at the Ports due to the creation of seven additional posts to meet an increased level of trade, and a new rates bill for the Border Control Post premises at the London Gateway Port.</p> | |

| | |
|--|---|
| Director of Markets and Consumer Protection City's Cash | YTD £206,000 (20%) better, FY £171,000 (8%) better |
| <p>The favourable variance to date is mainly due to an underspend at Smithfield Market relating to salary savings on vacant security posts which will continue to year end; savings on water and energy due to lower seasonal usage over the months to date; and on works projects being behind profile but which will be completed by year end.</p> | |

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|---|---|
| Principal, Guildhall School of Music and Drama | YTD £397,000 (84%) worse, FY £357,000 (6%) worse |
| The budget includes a target saving of £491,000; however at the mid year stage no savings have been found and a deficit has been reported for the full year forecast. | |

City of London Police

4. The budget for the Police ring-fenced account was based on a contribution from the Police general reserve of some £1.7m in order to remain within the cash limit of £57.5m. The latest forecast indicates that a transfer from the general reserve of £3.6m will be required, an increase of £1.9m leaving the general reserve at £5m (still above the minimum reserve level of £4m agreed by Common Council). Since the original budget was set additional cost pressures have emerged, particularly on the IT spend required to ensure a stable and reliable service, and the New Street premises. The Government funding for Dedicated Security Posts is also below the level assumed in the original budget.
5. There is an underlying risk to the Police budget insofar as a number of external funding agreements are pending confirmation. This reflects experience in previous years with some grants not being confirmed until towards the end of the financial year. However, until confirmed, external funding remains a financial risk to the Force.

Central Risk Budgets

Corporate Budgets

| Chief Officer | Full Year Forecast | | | | |
|--------------------------------------|--------------------|------------------|----------------|------------|---|
| | Budget | Forecast | (Better)/Worse | | |
| | £000 | £000 | £000 | % | |
| Property Investment Income | | | | | |
| City Surveyor - City Fund | (41,547) | (41,680) | (133) | (0) | √ |
| City Surveyor - City's Cash | (42,794) | (45,458) | (2,664) | (6) | √ |
| City Surveyor - Bridge House Estates | (17,936) | (19,475) | (1,539) | (9) | √ |
| | | | | | |
| Interest on Cash Balances | | | | | |
| Chamberlain - City Fund | (1,635) | (2,500) | (865) | (53) | √ |
| Chamberlain - City's Cash | (100) | (200) | (100) | (100) | √ |
| Chamberlain - Bridge House Estates | (100) | 0 | 100 | 100 | x |
| | | | | | |
| | | | | | |
| Totals | (104,112) | (109,313) | (5,201) | (5) | √ |

6. The positive variation on Property Investment Income is due to a number of rental movements across the investment estates the main items being:

City's Cash (£2.7m)

- 209-212 and 216-219 Tottenham Court Road - a shorter void period before lease renewal; and
- 124 New Bond Street and Smithfield Commercial - backdated rent reviews have now been completed at a higher level than budgeted.

Bridge House Estate (£1.5m)

- 1-5 London Wall Buildings - refurbished space has been let more quickly than anticipated at higher than expected rent levels together with a lower vacancy factor;
- Colechurch House - short term tenancies have been extended pending redevelopment; and
- Electra House at 72-92 Moorgate - retail lease renewals have been agreed at a higher level than anticipated.

7. The anticipated improvement in interest earnings on City Fund cash balances reflects the latest assessment of cash flows and a less cautious approach in the light of experience in recent years' outturns. The assumed average interest rate for interest earnings remains at 0.5%.

Appendices

- Appendix 1 – year to date and forecast full year variances as at 30 September 2015.
- Appendix 2 – full year forecast comparison with the previous quarter
- Appendix 3 – summary of changes from the original budget to the 30 September 2015.

Financial Services Director

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Appendix 1

| Chief Officer | Year To Date - 30 September | | | | Full Year Forecast | | | |
|--|-----------------------------|----------------|------------|---|--------------------|----------------|----------|---|
| | Budget £000 | (Better)/Worse | | | Budget £000 | (Better)/Worse | | |
| | | £000 | % | | | £000 | % | |
| Chamberlain | 10,430 | 389 | 4 | x | 20,349 | (74) | (0) | √ |
| City Surveyor - City Fund (CF) | 2,057 | 19 | 1 | x | 5,079 | (24) | (0) | √ |
| City Surveyor - City's Cash (CC) | 5,962 | (399) | (7) | √ | 13,997 | (140) | (1) | √ |
| City Surveyor - Bridge House Estates (BHE) | 1,146 | (376) | (33) | √ | 2,291 | (80) | (3) | √ |
| City Surveyor - Guildhall Administration (GA) | 3,164 | 51 | 2 | x | 6,329 | 97 | 2 | x |
| Comptroller & City Solicitor | 1,550 | (90) | (6) | √ | 3,100 | 0 | 0 | - |
| Director of the Built Environment - CF | 7,830 | (717) | (9) | √ | 15,660 | (321) | (2) | √ |
| Director of the Built Environment - BHE | 123 | (9) | (7) | √ | 245 | 0 | 0 | - |
| Director of Community & Children's Services | 4,306 | (163) | (4) | √ | 7,918 | (299) | (4) | √ |
| Director of Culture, Heritage & Libraries - CF | 4,127 | 1 | 0 | x | 8,250 | 0 | 0 | - |
| Director of Culture, Heritage & Libraries - CC | 145 | (8) | (6) | √ | 290 | 0 | 0 | - |
| Director of Culture, Heritage & Libraries - BHE | 442 | (664) | (150) | √ | 883 | (1,000) | (113) | √ |
| Director of Markets & Consumer Protection - CF | 1,131 | (201) | (18) | √ | 2,262 | (86) | (4) | √ |
| Director of Markets & Consumer Protection - CC | 1,015 | (206) | (20) | √ | 2,029 | (171) | (8) | √ |
| Director of Open Spaces | 5,444 | (262) | (5) | √ | 10,887 | (251) | (2) | √ |
| Head, City of London School | (1,545) | (55) | (4) | √ | 800 | (30) | (4) | √ |
| Headmaster, City of London Freeman's School | (1,714) | (1) | (0) | √ | 214 | 0 | 0 | - |
| Headmistress, City of London School for Girls | (1,652) | (60) | (4) | √ | 231 | (21) | (9) | √ |
| Managing Director, Barbican Centre | 8,925 | (148) | (2) | √ | 16,754 | (128) | (1) | √ |
| Principal, Guildhall School of Music and Drama | 473 | 397 | 84 | x | 5,685 | 357 | 6 | x |
| Private Secretary & Chief of Staff to the Lord Mayor | 1,256 | (4) | (0) | √ | 2,365 | (30) | (1) | √ |
| Remembrancer | 96 | (25) | (26) | √ | 747 | 0 | 0 | - |
| Town Clerk | 8,178 | (293) | (4) | √ | 16,345 | (35) | (0) | √ |
| Totals Excluding Police | 62,889 | (2,824) | (4) | √ | 142,710 | (2,236) | 2 | √ |

Appendix 2

| Original Budget | Chief Officer - Local Risk Budgets | Full Year Forecast as at 30th June | | | Full Year Forecast as at 30th September | | | Movement in Full Year Forecast variances from budget |
|-----------------|--|------------------------------------|----------------|------------|---|----------------|-------------|--|
| | | Latest Budget | (Better)/Worse | | Latest Budget | (Better)/Worse | | |
| | | £000 | £000 | % | £000 | £000 | % | |
| | City Fund | | | | | | | |
| 1,680 | Chamberlain | 1,680 | 0 | 0 | 1,680 | 0 | 0 | 0 |
| 5,024 | City Surveyor | 5,066 | (32) | (1) | 5,079 | (24) | (0) | 8 |
| 6,823 | Director of Community & Children's Services | 7,247 | (156) | (2) | 7,498 | (239) | (3) | (83) |
| 8,083 | Director of Culture, Heritage & Libraries | 8,083 | 0 | 0 | 8,250 | 0 | 0 | 0 |
| 2,102 | Director of Markets & Consumer Protection | 2,102 | (58) | (3) | 2,262 | (86) | (4) | (28) |
| (600) | Director of Open Spaces | (600) | 0 | 0 | (565) | (251) | (44) | (251) |
| 15,300 | Director of the Built Environment | 15,195 | (390) | (3) | 15,660 | (321) | (2) | 69 |
| 16,478 | Managing Director, Barbican Centre | 16,478 | 0 | 0 | 16,754 | (128) | (1) | (128) |
| 7,057 | Town Clerk | 7,102 | 0 | 0 | 7,678 | 0 | 0 | 0 |
| 61,947 | Total City Fund (excluding Police) | 62,353 | (636) | (1) | 64,296 | (1,049) | (2) | (413) |
| | City's Cash | | | | | | | |
| 66 | Chamberlain | 66 | 0 | 0 | 66 | 0 | 0 | 0 |
| 12,973 | City Surveyor | 13,801 | 62 | 0 | 13,997 | (140) | (1) | (202) |
| 335 | Director of Community & Children's Services | 335 | 0 | 0 | 420 | (60) | (14) | (60) |
| (45) | Director of Culture, Heritage & Libraries | (45) | (5) | (11) | 290 | 0 | 0 | 5 |
| 1,840 | Director of Markets & Consumer Protection | 1,840 | (130) | (7) | 2,029 | (171) | (8) | (41) |
| 11,273 | Director of Open Spaces | 11,284 | 0 | 0 | 11,452 | 0 | 0 | 0 |
| 800 | Head, City of London School | 800 | 0 | 0 | 800 | (30) | (4) | (30) |
| 200 | Headmaster, City of London Freemen's School | 200 | 0 | 0 | 214 | 0 | 0 | 0 |
| 231 | Headmistress, City of London School for Girls | 231 | 0 | 0 | 231 | (21) | (9) | (21) |
| 6,181 | Principal, Guildhall School of Music & Drama | 5,656 | 0 | 0 | 5,685 | 357 | 6 | 357 |
| 2,351 | Private Secretary & Chief of Staff to the Lord Mayor | 2,351 | (15) | (1) | 2,365 | (30) | (1) | (15) |
| 1,050 | Remembrancer | 1,050 | 0 | 0 | 1,060 | 0 | 0 | 0 |
| 663 | Town Clerk | 663 | 0 | 0 | 692 | 15 | 2 | 15 |
| 37,918 | Total City's Cash | 38,232 | (88) | (0) | 39,301 | (80) | (0) | 8 |
| | Bridge House Estates | | | | | | | |
| 2,304 | City Surveyor | 2,291 | (80) | (3) | 2,291 | (80) | (3) | 0 |
| 883 | Director of Culture, Heritage & Libraries | 883 | 0 | 0 | 883 | (1,000) | (113) | (1,000) |
| 245 | Director of the Built Environment | 245 | 0 | 0 | 245 | 0 | 0 | 0 |
| 1,095 | Town Clerk | 1,095 | 0 | 0 | 1,137 | 0 | 0 | 0 |
| 4,527 | Total Bridge House Estates | 4,514 | (80) | (2) | 4,556 | (1,080) | (24) | (1,000) |
| | Guildhall Administration | | | | | | | |
| 18,666 | Chamberlain | 18,654 | 57 | 0 | 18,603 | (74) | (0) | (131) |
| 6,329 | City Surveyor | 6,329 | 98 | 2 | 6,329 | 97 | 2 | (1) |
| 2,901 | Comptroller and City Solicitor | 2,975 | 0 | 0 | 3,100 | 0 | 0 | 0 |
| (333) | Remembrancer | (333) | 0 | 0 | (313) | 0 | 0 | 0 |
| 6,511 | Town Clerk | 6,548 | 0 | 0 | 6,838 | (50) | (1) | (50) |
| 34,074 | Total Guildhall Administration | 34,173 | 155 | 0 | 34,557 | (27) | (0) | (182) |
| 138,466 | Grand Totals (excluding Police) | 139,272 | (649) | (0) | 142,710 | (2,236) | (2) | (1,587) |

Appendix 3

Local Risk Budget Changes (Excluding Police)

| | £'000 | £'000 |
|---|-------|-----------------------|
| Original Local Risk Budget (excluding Police) | | 138,466 |
| Previously reported budget movements | | 806 |
| Adjusted Local Risk Budget (excluding Police) | | <u>139,272</u> |
| Budgets reclassified from Central Risk to Local Risk | 372 | |
| Approved Local Risk carry forwards | 2,428 | |
| Chamberlain SBR saving | (100) | |
| Town Clerk additional resources for City Office in Brussels | 500 | |
| Barbican Centre Exhibition Hall compensation | 116 | |
| LLW adjustments | 95 | |
| Other minor adjustments | 27 | |
| | | <u>3,438</u> |
| Latest Local Risk Budget (excluding Police) | | <u>142,710</u> |