

Committee: Finance Committee	Date: 16 February 2016
Subject: Revenue Budget Monitoring to December 2015	Public
Report of: Chamberlain	For Information
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Summary

Local Risk Budgets (Chief Officer Cash Limits)

Net local risk expenditure (excluding Police) at the end of December is £3.9m (4%) within the profiled budget of £108.9m. The forecast year end position is £3m (2%) within the budget of £143.6m, which represents an improvement of £0.8m compared to the forecast year end position at quarter two. 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 £3.2m will be required to remain within the cash limit of £57.5m. This is an improvement of £0.4m compared to the forecast year end position last quarter.

Central Risk Budgets

Variations on corporate budgets such as rent incomes from the investment property estates and interest earned on cash balances are outlined in a separate report – 'Revenue and Capital Budgets 2015/16 and 2016/17' – elsewhere on the agenda.

Risks

There is one significant risk which relates to the Guildhall School. The forecast year end overspend has increased from £357,000 at quarter two to £769,000 at quarter three. There is also a potential funding gap of £3.5m by 2017/18. Consequently it is intended to commission a fundamental review of the School's operating model.

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 £3.9m (4%) within the budget profile at the end of December. The forecast year end position, excluding the ring-fenced Police account, is £3m (2%) within the budget of £143.6m.

2. A summary of the financial position on each Chief Officers' local risk (cash limited) budgets as at 31 December is set out in Appendix 1. A comparison of the full year forecasts at the end of quarter two and quarter three is provided in Appendix 2.

Main Variations

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

Chamberlain	YTD £170,000 (1%) better, FY £277,000 (1%) better
<p>The full year underspend of £277,000 does not include additional unfunded Oracle project costs that total £585,000 and which are the subject of a separate report elsewhere on the agenda. This underspend will be used towards the Oracle project costs and will leave an estimated unfunded sum of £308,000. The separate report requests that this £308,000 be funded from the Finance Committee's contingencies.</p>	

City Surveyor	YTD £718,000 (4%) better, FY £383,000 (1%) better
<p>The favourable year to date variance at Quarter 3 principally comprises slippage on repairs and maintenance projects for Bridge House and City's Estates; savings on departmental staff budgets due to vacancies; and additional fee income recovered from property activities. These savings are offset in part by an overspending on Guildhall Complex budgets as a result of increasing demands, such as, the ongoing programme of staff being relocated to the Complex, increasing the energy required to power the building and associated IT requirements; the requirement for repairs and maintenance within the building growing beyond the rate of inflation together with the rising demands for event areas; as well as the significant 'bow wave' of deferred maintenance and renewal which will need to be addressed. It is anticipated that the slippage on repairs and maintenance projects will be partly recovered prior to year end which reduces the forecast underspending.</p> <p>Going forward, given the increased use of Guildhall, and future maintenance liabilities following the completion of North Wing, the Guildhall Complex budget is under considerable pressure and it is very likely that it will need to be increased. The City Surveyor is reviewing the budgets for 2016/17 and will report back to Members once additional requirements have been fully quantified. These requirements will also be considered in the context of the income being earned from the asset.</p>	

Comptroller & City Solicitor	YTD £400,000 (17%) better, FY £400,000 (13%) better
Income from particular types of commercial property and planning transactions has been higher than expected during the year to date.	

Director of Community and Children's Services	YTD £487,000 (8%) better, FY £395,000 (5%) better
The underspend is due to the current mix of clients and their support needs - 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; the Golden Lane playground project has been delayed but is anticipated to start in March; and the budget held centrally by the Director has not yet been used.	

Director of Culture, Heritage and Libraries, BHE	YTD £539,000 (133%) better, FY £650,000 (121%) better
The budget for net income from Tower Bridge tourism was increased by £350,000 from £525,000 to £875,000 earlier this year but the latest forecast is for the outturn to still exceed budget by 13%. This is largely due to the impact of the glass flooring and the new marketing campaign. In addition, the online ticketing system is beginning to grow in popularity and the recently launched online gift shop has boosted shop profit.	

Director of Markets and Consumer Protection City Fund	YTD £438,000 (23%) better, FY £257,000 (10%) better
The favourable variance to date is due to additional 'Passport for Pets' income at the Heathrow Animal Reception Centre (HARC); increased income at the Ports for 'Common Veterinary Entry Document (CVED) and Common Entry Document (CED)' trade and savings from staff vacancies. Engine repair works to the launch and a payment of dilapidation costs for the Thamesport Office are expected to take place in the last quarter reducing the year to date favourable position. In addition, the levy raised from late night opening alcohol suppliers has not been spent to date. As the levy must be used in relation to the management of the night time economy, the balance will be spent in 2016/17 to tackle alcohol related crime and disorder.	

Managing Director, Barbican Centre	YTD £773,000 (6% better), FY £640,000 (4%) better
<p>A surplus has been generated to date through strong box office sales at the theatre and gallery which have exceeded attendance and ticket yields; and strong commercial income through partnership work, touring programme and business events which have exceeded targets. Under the financial arrangements agreed for the Barbican Centre this surplus will be carried forward in order to deliver the strategic plan and support the SBR proposals in 2016/17.</p>	

Principal, Guildhall School of Music and Drama	YTD £578,000 (12%) worse, FY £769,000 (13%) worse
<p>The forecast of the year end overspend has increased from £357,000 at quarter two to £769,000 at quarter three. This position is due to target savings in the original budget which have not been achieved; a higher than expected energy bill for Milton Court of £120,000, which is based on an estimation and is being challenged; a shortfall on student enrolment of £100,000; additional expenditure of £75,000 incurred on setting up regional Centre for Young Musician centres and an increased Music teaching provision of £25,000.</p> <p>Modelling of new student numbers indicates that the School faces a potential funding gap of £3m by 2017/18. HEFCE is currently considering 'Specialist Institution' funding allocations and an announcement is anticipated in March on whether additional funding of around £1m will be made available. However even with such funding there is still likely to be a deficit and, consequently, it is intended to commission a fundamental review of the School's operating model.</p>	

Town Clerk	YTD £395,000 (3%) better, FY £244,000 (2%) better
<p>The underspend to date is due to vacant posts being held open in anticipation of Service Based Review budget savings and delays in recruiting to certain posts together with projects that have started later than anticipated, such as the 'Power of Diversity' and a review of administration processes in Occupational Health. Part of the project expenditure is expected to be incurred in the final quarter thus somewhat reducing the favourable position by year end.</p>	

City of London Police

4. The December forecast for the Police ring - fenced account indicates that a year end transfer from reserve of £3.2m will be required to remain within the cash limit of £57.5m. This is an improvement of £0.4m compared to the forecast year end position at the end of September.

Central Risk Budgets

5. Variations on corporate budgets such as rent incomes from the investment property estates and interest earned on cash balances are outlined in a separate report – ‘Revenue and Capital Budgets 2015/16 and 2016/17’ – elsewhere on the agenda.

Appendices

- Appendix 1 – year to date and forecast full year variances as at 31 December 2015.
- Appendix 2 – full year forecast comparison with the previous quarter
- Appendix 3 – summary of changes from the original budget to the 31 December 2015.

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Appendix 1

Chief Officer	Year To Date - 31 December				Full Year Forecast			
	Budget	(Better)/Worse			Budget	(Better)/Worse		
	£000	£000	%		£000	£000	%	
Chamberlain	14,845	(170)	(1)	√	20,596	(277)	(1)	√
City Surveyor - City Fund (CF)	3,116	30	1	x	5,195	(78)	(2)	√
City Surveyor - City's Cash (CC)	9,768	(567)	(6)	√	14,301	(389)	(3)	√
City Surveyor - Bridge House Estates (BHE)	1,778	(467)	(26)	√	2,370	(125)	(5)	√
City Surveyor - Guildhall Administration (GA)	4,904	286	6	x	6,480	209	3	x
Comptroller & City Solicitor	2,349	(400)	(17)	√	3,132	(400)	(13)	√
Director of the Built Environment - CF	11,795	(172)	(1)	√	15,726	(143)	(1)	√
Director of the Built Environment - BHE	191	(16)	(8)	√	254	(1)	(0)	√
Director of Community & Children's Services	5,896	(487)	(8)	√	7,927	(395)	(5)	√
Director of Culture, Heritage & Libraries - CF	6,205	94	2	x	8,274	6	0	x
Director of Culture, Heritage & Libraries - CC	221	15	7	x	295	0	0	-
Director of Culture, Heritage & Libraries - BHE	405	(539)	(133)	√	539	(650)	(121)	√
Director of Markets & Consumer Protection - CF	1,940	(438)	(23)	√	2,587	(257)	(10)	√
Director of Markets & Consumer Protection - CC	1,253	(227)	(18)	√	1,670	(106)	(6)	√
Director of Open Spaces	8,236	(270)	(3)	√	10,979	(251)	(2)	√
Head, City of London School	1,889	(7)	(0)	√	800	0	0	-
Headmaster, City of London Freemen's School	1,565	(2)	(0)	√	214	0	0	-
Headmistress, City of London School for Girls	1,010	9	1	x	231	0	0	-
Managing Director, Barbican Centre	12,631	(773)	(6)	√	16,830	(640)	(4)	√
Principal, Guildhall School of Music and Drama	4,917	578	12	x	5,816	769	13	x
Private Secretary & Chief of Staff to the Lord Mayor	1,751	14	1	x	2,365	(50)	(2)	√
Remembrancer	233	(30)	(13)	√	747	(63)	(8)	√
Town Clerk	12,029	(395)	(3)	√	16,260	(244)	(2)	√
Totals Excluding Police	108,927	(3,934)	(4)	√	143,588	(3,085)	(2)	√

Appendix 2

Original Budget	Chief Officer - Local Risk Budgets	Full Year Forecast as at 30th September			Full Year Forecast as at 31st December			Movement in Full Year Forecast variances from budget £000
		Latest Budget	(Better)/Worse		Latest Budget	(Better)/Worse		
		£000	£000	%	£000	£000	%	
	City Fund							
1,680	Chamberlain	1,680	0	0	1,686	0	0	0
5,024	City Surveyor	5,079	(24)	0	5,195	(78)	(2)	(54)
6,823	Director of Community & Children's Services	7,498	(239)	(3)	7,507	(342)	(5)	(103)
8,083	Director of Culture, Heritage & Libraries	8,250	0	0	8,274	6	0	6
2,102	Director of Markets & Consumer Protection	2,262	(86)	(4)	2,587	(257)	(10)	(171)
(600)	Director of Open Spaces	(565)	(251)	(44)	(602)	(251)	(42)	0
15,300	Director of the Built Environment	15,660	(321)	(2)	15,726	(143)	(1)	178
16,478	Managing Director, Barbican Centre	16,754	(128)	(1)	16,830	(640)	(4)	(512)
7,057	Town Clerk	7,678	0	0	7,427	(47)	(1)	(47)
61,947	Total City Fund (excluding Police)	64,296	(1,049)	(2)	64,630	(1,752)	(3)	(703)
	City's Cash							
66	Chamberlain	66	0	0	68	0	0	0
12,973	City Surveyor	13,997	(140)	(1)	14,301	(389)	(3)	(249)
335	Director of Community & Children's Services	420	(60)	(14)	420	(53)	(13)	7
(45)	Director of Culture, Heritage & Libraries	290	0	0	295	0	0	0
1,840	Director of Markets & Consumer Protection	2,029	(171)	(8)	1,670	(106)	(6)	65
11,273	Director of Open Spaces	11,452	0	0	11,581	0	0	0
800	Head, City of London School	800	(30)	(4)	800	0	0	30
200	Headmaster, City of London Freemen's School	214	0	0	214	0	0	0
231	Headmistress, City of London School for Girls	231	(21)	(9)	231	0	0	21
6,181	Principal, Guildhall School of Music & Drama	5,685	357	6	5,816	769	13	412
2,351	Private Secretary & Chief of Staff to the Lord Mayor	2,365	(30)	(1)	2,365	(50)	(2)	(20)
1,050	Remembrancer	1,060	0	0	1,060	0	0	0
663	Town Clerk	692	15	2	692	(40)	(6)	(55)
37,918	Total City's Cash	39,301	(80)	(0)	39,513	131	0	211
	Bridge House Estates							
2,304	City Surveyor	2,291	(80)	(3)	2,370	(125)	(5)	(45)
883	Director of Culture, Heritage & Libraries	883	(1,000)	(113)	539	(650)	(121)	350
245	Director of the Built Environment	245	0	0	254	(1)	(0)	(1)
1,095	Town Clerk	1,137	0	0	1,198	(82)	(7)	(82)
4,527	Total Bridge House Estates	4,556	(1,080)	(24)	4,361	(858)	(20)	222
	Guildhall Administration							
18,666	Chamberlain	18,603	(74)	0	18,842	(277)	(1)	(203)
6,329	City Surveyor	6,329	97	2	6,480	209	3	112
2,901	Comptroller and City Solicitor	3,100	0	0	3,132	(400)	(13)	(400)
(333)	Remembrancer	(313)	0	0	(313)	(63)	(20)	(63)
6,511	Town Clerk	6,838	(50)	(1)	6,943	(75)	(1)	(25)
34,074	Total Guildhall Administration	34,557	(27)	(0)	35,084	(606)	(2)	(579)
138,466	Grand Totals (excluding Police)	142,710	(2,236)	(2)	143,588	(3,085)	(2)	(849)

Appendix 3

Local Risk Budget Changes (Excluding Police)

	£'000	£'000
Original Local Risk Budget (excluding Police)		138,466
Previously reported budget movements		<u>4,244</u>
Adjusted Local Risk Budget (excluding Police)		142,710
Contribution pay and LLW	1,043	
Increased income target for Tower Bridge	(350)	
Base adjustment for Town Clerk Office in Brussels	(230)	
Budgets reclassified from Central Risk to Local Risk	187	
Carry forwards	95	
Base adjustment for additional posts in City Bridge Trust	50	
Base adjustment for Chamberlain Open Mediated Wifi Project	43	
Other minor changes	40	
Latest Local Risk Budget (excluding Police)		<u>143,588</u>