

Committee:	Date:
Finance Committee	19 July 2016
Subject: Revenue Budget Monitoring to June 2016	Public
Report of: Chamberlain	For Information
Report author: Stephen Telling, Deputy Financial Services Director	

Summary

Local Risk Budgets (Chief Officer Cash Limits)

Net local risk expenditure (excluding Police) at the end of June is £0.7m (3%) within the profiled budget of £25.4m. The forecast year end position is £0.9m (1%) within the budget of £140.7m. The main variations are outlined in paragraph 3.

Part of the better than budget position relates to the sustained increase in income relating to visitors to Tower Bridge. Consequently, the budget will be re-based to a more realistic level.

The latest forecast for the Police ring-fenced account indicates that a transfer from the general reserves of £1.2m will be required to remain within the cash limit of £58.3m. The budget was based on remaining within the cash limit without any call on reserves. Using £1.2m from the general reserve would leave a balance of £2.9m at 31 March 2017, breaching the current strategy to retain £4m in reserves. Discussions with the Commissioner are ongoing on the options for bringing the financial forecasts in to balance.

Central Risk Budgets

Year-end property investment income is anticipated to be better than budget for City's Cash, City Fund and Bridge House Estates by £1.4m, £0.9m and £0.6m respectively.

The forecast for interest earnings on City Fund is £2m better than budget due to a less cautious approach in the light of experience with previous year's outturns' and a more beneficial cash flow.

Risks

The break even position forecast for my own department is before taking account of a significant budget pressure in relation to IT service provision. A fundamental review of IT operations is being undertaken to identify what changes are required to ensure a robust and sustainable service going forwards. A report will be submitted in the autumn that is likely to include a request for an ongoing budget increase.

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 £0.7m (3%) within the budget profile at the end of June. The forecast year end position, excluding the ring-fenced Police account, is £0.9m (1%) within the budget of £140.7m.
2. A summary of the financial position on each Chief Officers' local risk (cash limited) budgets as at 30 June is set out in Appendix 1.

Main Variations

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

City Surveyor, Guildhall Administration	YTD £179,000 (11%) worse, FY £262,000 (4%) worse
The unfavourable variance is due to the escalation in repairs and maintenance required to the Guildhall Complex as a result of its increased use. Consequently, a report is currently being written which seeks additional resources.	

Director of Built Environment, City Fund	YTD £179,000 (4%) better, FY £555,000 (4%) better
The favourable variance to date is expected to continue to year end, which is due to staff savings, increased income from reimbursement of staff costs in relation to the Thames Tideway Tunnel project and a budget uplift assumed for the street cleaning contract which is no longer required. This favourable variance is partly offset by income from road closures being behind the budget profile; however this income target is expected to be met by year end.	

Director of Culture, Heritage and Libraries (CC)	YTD £79,000 (878%) worse, FY on budget
The unfavourable variance to date is largely due to the six week closure of Monument to fix loose balusters and the impact of TfL hoardings at Fish St Hill which obscured views of and access to Monument. In addition, the advertising budget has been spent ahead of the budget profile in preparation for the 350 th anniversary of the Great Fire. It is expected that the anniversary will attract higher visitor numbers and therefore the income target will be met by year end.	

Director of Culture, Heritage and Libraries (BHE)	YTD £147,000 (294%) better, FY £400,000 (67%) better
<p>Income at Tower Bridge is above target for the first quarter of the year, which is largely attributable to venue hire. It is expected that the income surplus at year end will be £400k owing to higher than targeted visitors and events, but also taking into account the bridges closure during quarter three when major surfacing works are scheduled to take place. Consequently, in light of the sustained increase in income received in recent years and the continued positive performance, the budget will be re-based to a more realistic level.</p>	

Director of Open Spaces	YTD £331,000 (12%) better, FY £363,000 (4%) better
<p>Income from the Cemetery and Crematorium is 5% above target for the first quarter of the year, in particular due to sales of "high end" graves. The Superintendent expects to improve on last year's income figure by at least £75k, which would result in overall net income being £363k over target at year-end.</p>	

City of London Police

4. The latest forecast for the Police ring-fenced account indicates that a transfer from the general reserves of £1.2m will be required to remain within the cash limit of £58.3m. The budget was based on remaining within the cash limit without any call on reserves. Using £1.2m from the general reserve would leave a balance of £2.9m at 31 March 2017, breaching the current strategy to retain £4m in reserves.
5. The increased requirement reflects the impact of cost pressures which have emerged since the budget was agreed including an increased revenue contribution towards the cost of capital projects, the Ring of Steel managed service, reduced income from the Economic Crime Academy and legal settlements. A Strategic Finance Board has been established within the City Police to challenge and to seek to mitigate these pressures. Discussions with the Commissioner are ongoing on the options for bringing the financial forecasts in to balance.

Central Risk Budgets

Chief Officer	Full Year Forecast				
	Budget	Forecast	(Better)/Worse		
	£000	£000	£000	%	
Property Investment Income					
City Surveyor - City Fund	(42,329)	(43,238)	(909)	(2)	√
City Surveyor - City's Cash	(50,447)	(51,842)	(1,395)	(3)	√
City Surveyor - Bridge House Estates	(20,153)	(20,773)	(620)	(3)	√
Interest on Cash Balances					
Chamberlain - City Fund	(2,500)	(4,500)	(2,000)	(80)	√
Chamberlain - City's Cash	(300)	(300)	0	0	-
Chamberlain - Bridge House Estates	(100)	(100)	0	0	-
Totals	(115,829)	(120,753)	(4,924)	(4)	√

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 (£1.4m) - new lettings at 53 New Broad St following refurbishment, 64-88 Brewery Road where the head lease has been purchased and rent reviews at Staffordshire House and 26 Brook St.
- City Fund (£0.9m) - a significant rent review on Baynard House, new lettings at 4-14 Tabernacle and increased rents and reduced voids at Leadenhall Market.
- Bridge House Estate (£0.6m) - retention of tenants at Colechurch House, recovery of back rent at Candlewick House, tenants not exercising anticipated lease breaks at Finsbury House and at 35-38 New Bridge St, and additional rental income at Arches Southwark Bridge.

7. The £2m anticipated improvement in interest earnings on City Fund cash balances reflects a less cautious approach in the light of experience in recent years' outturns and the latest assessment of cash flows, particularly the beneficial impact of the £200m assembled for the contribution to Crossrail and business rates income including the amounts being retained pending the outcome of appeals. The assumed average rate for interest earnings remains at 0.5% following the Monetary Policy Committee's decision to leave the base rate unchanged – for now.

Risks

8. The broadly break even position forecast for my own department is before taking account of a significant budget pressure in relation to IT service provision. A fundamental review of IT operations is being undertaken to identify what changes are required to ensure a robust and sustainable service

going forwards. A report will be submitted in the autumn that is likely to include a request for an ongoing budget increase.

Appendices

- Appendix 1 – year to date and forecast full year variances as at 30 June 2016.
- Appendix 2 – summary of changes from the original budget to the 30 June 2016.

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Appendix 1

Chief Officer	Year To Date - 30 June				Full Year Forecast			
	Budget	(Better)/Worse			Budget	(Better)/Worse		
	£000	£000	%		£000	£000	%	
Chamberlain	5,084	0	0	-	20,337	0	0	-
City Surveyor - City Fund (CF)	764	26	3	x	5,053	16	0	x
City Surveyor - City's Cash (CC)	2,550	(6)	(0)	√	14,225	0	0	-
City Surveyor - Bridge House Estates (BHE)	603	(203)	(34)	√	2,412	0	0	-
City Surveyor - Guildhall Administration (GA)	1,667	179	11	x	6,696	262	4	x
Comptroller & City Solicitor	725	54	7	x	2,954	0	0	-
Director of the Built Environment (CF)	4,870	(179)	(4)	√	15,622	(555)	(4)	√
Director of the Built Environment (BHE)	54	0	0	-	256	0	0	-
Director of Community & Children's Services (CF)	(1,153)	86	7	x	7,387	2	0	x
Director of Community & Children's Services (CC)	105	0	0	-	420	0	0	-
Director of Culture, Heritage & Libraries (CF)	2,084	20	1	x	7,831	0	0	-
Director of Culture, Heritage & Libraries (CC)	9	79	878	x	(42)	0	0	-
Director of Culture, Heritage & Libraries (BHE)	50	(147)	(294)	√	595	(400)	(67)	√
Director of Markets & Consumer Protection (CF)	(550)	(92)	(17)	√	1,955	23	1	x
Director of Markets & Consumer Protection (CC)	(219)	(73)	(33)	√	1,457	0	0	-
Director of Open Spaces	2,663	(331)	(12)	√	10,347	(363)	(4)	√
Head, City of London School	(1,260)	45	4	x	799	0	0	-
Headmaster, City of London Freeman's School	(1,511)	(138)	(9)	√	(51)	0	0	-
Headmistress, City of London School for Girls	(1,126)	90	8	x	155	0	0	-
Managing Director, Barbican Centre	4,555	30	1	x	17,730	67	0	x
Principal, Guildhall School of Music and Drama	954	8	1	x	5,479	0	0	-
Private Secretary & Chief of Staff to the Lord Mayor	647	(14)	(2)	√	2,381	0	0	-
Remembrancer (CC)	265	(24)	(9)	√	1,080	0	0	-
Remembrancer (GA)	(321)	(31)	(10)		(379)	0	0	
Town Clerk	3,892	(77)	(2)	√	15,993	0	0	-
Totals Excluding Police	25,401	(698)	(3)	√	140,692	(948)	(1)	√

Appendix 2

Local Risk Budget Changes (Excluding Police)		
	£'000	£'000
Original Local Risk Budget (Excluding Police)		139,925
Carry forward of Barbican Centre 2015/16 surplus	821	
Other net budget reductions	(54)	
		767
Latest Local Risk Budget (Excluding Police)		<u>140,692</u>