

<b>Committee:</b> Finance Committee	<b>Date:</b> 15 November 2016
<b>Subject:</b> Revenue Budget Monitoring to September 2016	<b>Public</b>
<b>Report of:</b> Chamberlain	<b>For Information</b>
<b>Report author:</b> John James, Chamberlain's Department	

## **Summary**

The overall forecast year end position at the end of quarter two is £3.1m better than budget. This comprises an adverse variance of £2.8m on Chief Officer Cash Limited Budgets which has been more than offset by a favourable variance of £5.9m on Central Risk (Corporate) Budgets.

### **Chief Officer Cash Limited Budgets**

The latest year end forecast is £2.8m (1%) over the budget of £208.1m, which represents a worsening position of £2.5m compared to the forecast year end position at quarter one. The key cause for the deterioration is the significant budget pressure in relation to the IT service provision which is addressed in a report elsewhere on the agenda.

Brief commentary on the main variances and actions being taken are outlined in Appendix 1.

### **Central Risk Budgets**

Year end property investment income is anticipated to be better than budget by £4.3m. The forecast for interest earnings is £1.5m better than budget and reflects securing better than expected returns and the expected rate of return will be reviewed during the production of the Medium Term Financial Forecast.

## **Recommendation**

Members are asked to note the report.

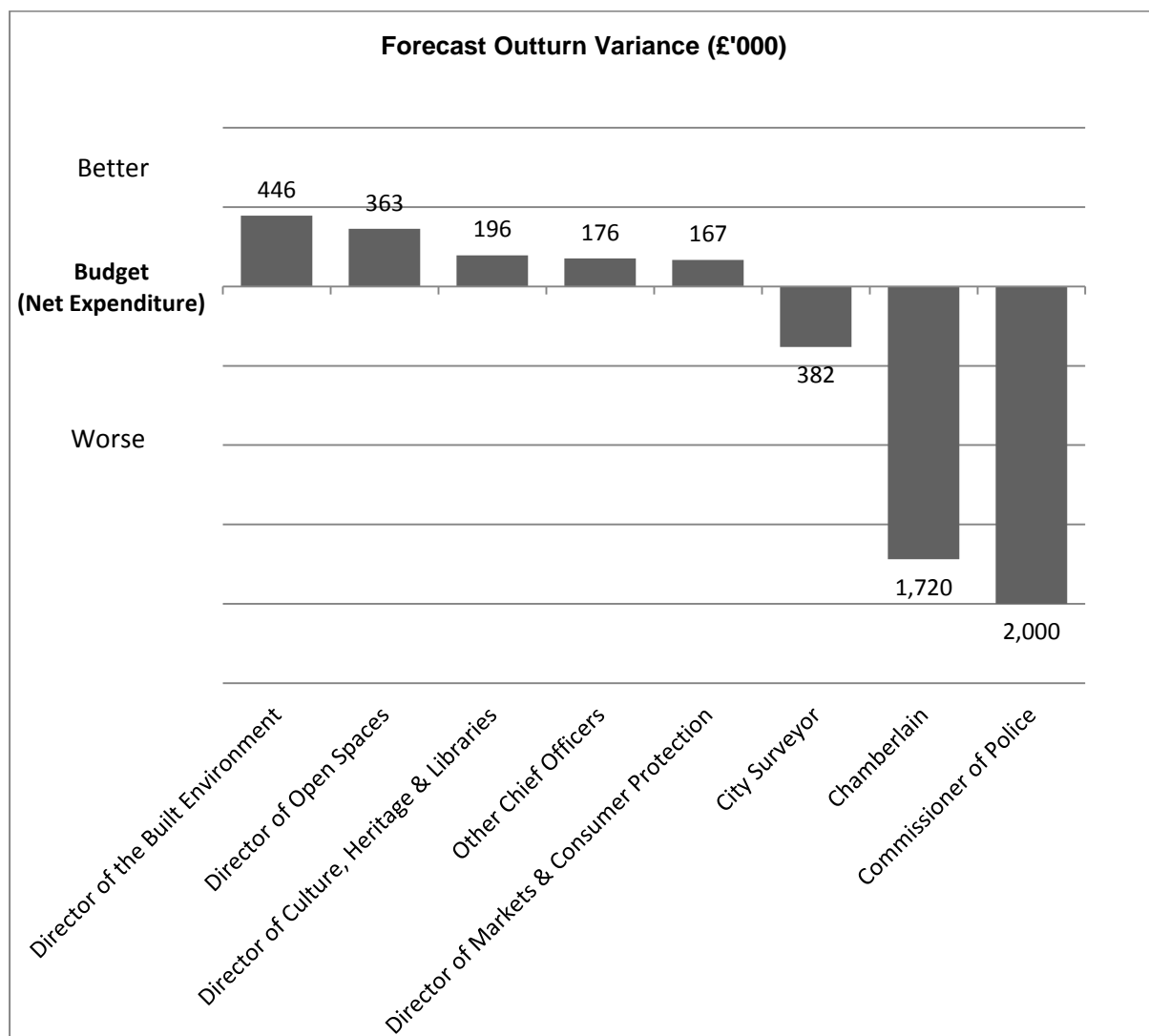
## **Main Report**

### **Chief Officer Cash Limited Budgets**

1. The latest year end forecast is £2.8m (1%) over the budget of £208.1m, which represents a worsening position of £2.5m compared to the forecast year end position at quarter one. The key cause for the deterioration is the significant budget pressure in relation to the IT service provision. A fundamental review of IT operations has been undertaken to identify what changes are required to ensure a robust and sustainable service going forwards. A report was submitted to this Committee last month which included a request for an ongoing budget increase of £2.7m (£1.9m for Chamberlains and £0.8m for

Police) and a subsequent report is included elsewhere on this month's agenda.

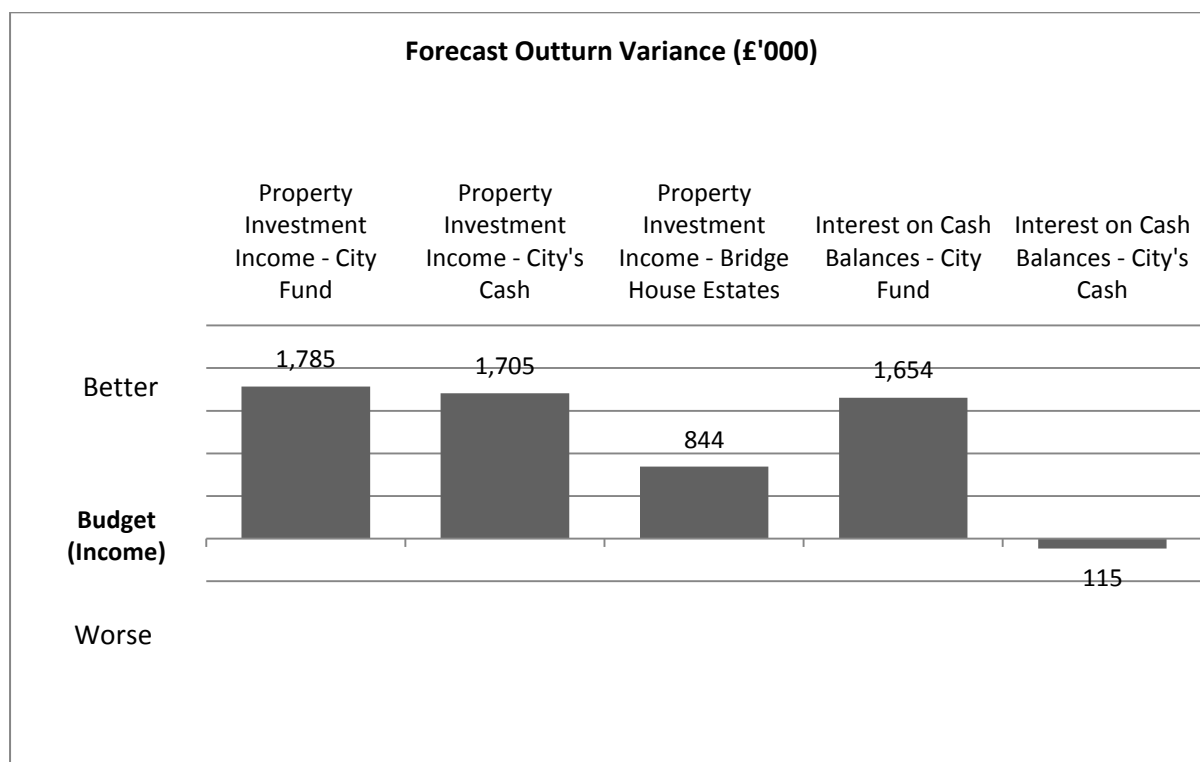
- The below graph shows Chief Officers with significant variances against budget forecast for the full year. Brief commentary on the main variances and actions being taken are outlined in Appendix 1. The other Chief Officers are broadly in line with the year to date and full year budgeted positions.



- A summary of changes from Chief Officers original cash limited budgets to latest budgets is provided in Appendix 3.

## Central Risk Budgets

### Corporate Income Budgets



4. The positive variation on Property Investment Income is due to a number of rental movements across the investment estates, the main items being:
  - City Fund (£1.8m) – is mainly due to rent received on a new property acquisition at 133-137 Whitechapel High St.
  - City's Cash (£1.7m) – is mainly due to new lettings at 53 New Broad St following refurbishment and 64-88 Brewery Road where the head lease has been purchased, a rent review at Staffordshire House, and also at 26 Brook St.
  - Bridge House Estate (£0.8m) – is principally due to 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.
  
5. The forecast for interest earnings is £1.5m better than budget comprising a favourable variance on City Fund of £1.6m, partially offset by an unfavourable variance on City's Cash of £0.1m. The better than budget position reflects securing better than expected returns and the expected rates of return will be reviewed during the production of the Medium Term Financial Forecast.

## **Appendices**

- Appendix 1: Chief Officers Cash Limited Budgets - Full year forecast variances and commentary
- Appendix 2: Full year forecast comparison with the previous quarter
- Appendix 3: Summary of changes from the original budget to latest budget at 30 September 2016
- Appendix 4: Central Risk (Corporate Income Budgets) - Full year forecast variances

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## Appendix 1

Chief Officer	Latest Budget £'000	Forecast Outturn £'000	Forecast Outturn Variance £'000	Forecast Outturn Variance %
Director of the Built Environment	16,044	15,598	(446)	(3%)
Director of Open Spaces	10,789	10,426	(363)	(3%)
Director of Culture, Heritage and Libraries	8,556	8,360	(196)	(2%)
Other Chief Officers	55,372	55,196	(176)	0%
Director of Markets and Consumer Protection	3,758	3,591	(167)	(4%)
City Surveyor	29,314	29,696	382	1%
Chamberlain	20,640	22,360	1,720	8%
<b>Total (excluding Police)</b>	<b>144,473</b>	<b>145,227</b>	<b>754</b>	<b>1%</b>
Commissioner of Police	63,600	65,600	2,000	3%
<b>Total (including Police)</b>	<b>208,073</b>	<b>210,827</b>	<b>2,754</b>	<b>1%</b>

Chief Officer	Latest Budget £'000	Forecast Outturn Variance £'000	Cause/Action
Director of the Built Environment	16,044	(446)	City Fund favourable variance for the full year of £446k is due to salary savings from vacant posts, reduced overtime, lower pension fund contributions for staff not opting into the scheme; additional SLA payments from Thames Tideway Tunnel for staff time spent on the project; an unexpected rebate from Evening Standard for advertising costs relating to previous years and savings from changes to contract prices. This underspend will remain as part of the year end position.

Chief Officer	Latest Budget £'000	Forecast Outturn Variance £'000	Cause/Action
Director of Open Spaces	10,789	(363)	The full year favourable variance is due to City Fund's Cemetery and Crematorium where income is above target due to increased demand. The Superintendent expects to improve on last year's income figure by at least £75k, resulting in income being £363k above target which will remain part of the year end position.
Director of Culture, Heritage and Libraries	8,556	(196)	<p>The full year forecast comprises a favourable variance of £300k on Bridge House Estates due to Tower Bridge, which is partially offset by an adverse variance of £104k on City's Cash due to Monument.</p> <p>Tower Bridge income to date is significantly above target with a favourable variance of £472k, and in light of the continued positive performance, it is likely that the income target will be revised upwards in the 2016/17 revised estimates by £300k with the agreement of the Chamberlain. The closure of Monument for repair work and limited access due to TfL hoardings at Fish Hill has resulted in a shortfall in income and a year to date unfavourable variance of £127k. As the reasons for the shortfall in income are beyond the control of the Director, a request may be made for this element of the budget to be funded from corporate contingency.</p>
Other Chief Officers	55,372	(176)	This comprises other Chief Officers who are broadly in line with the year to date and full year budgeted positions. The forecast variance of £176k comprises favourable positions of £66k for Private Secretary and Chief of Staff to the Lord Mayor, £58k for Director of Community and Childrens Services, £50k for Town Clerk and £2k for Headmaster, City of London Freeman's School. The following Chief Officers are forecasting to be on budget at year end - Comptroller and City Solicitor; Managing Director, Barbican Centre; Principal, Guildhall School of Music and Drama; Remembrancer; Town Clerk; Headmistress, City of London School for Girls and Head, City of London School.
Director of Markets and Consumer Protection	3,758	(167)	The latest forecast comprises a favourable variance on City Fund of £99k and City's Cash of £68k as a result of additional income from 'Common Veterinary Entry Documents' and underspends on salary budgets due to vacancies. The current position at period six is an underspend of £749k comprising £505k on City Fund and £244k on City's Cash. These savings are forecast to be offset later in the year by additional costs, including the rescheduling of repairs and maintenance works and the netting off of the service charge account at year end. This will reduce the final underspend to the sum shown.

Chief Officer	Latest Budget £'000	Forecast Outturn Variance £'000	Cause/Action
City Surveyor	29,314	382	<p>The full year position is principally due to an unfavourable variance on Guildhall Administration as repairs and maintenance, salaries and energy costs being much higher than anticipated from the increased utilisation of the Guildhall complex leading to an overspend of £379k.</p> <p>A report will be presented detailing the budgetary pressures across the Guildhall complex and seeking additional resources.</p>
Commissioner of Police	63,600	2,000	<p>The Police budget is based on remaining within the cash limit with no call on reserves. The latest forecast indicates that a transfer of £2.0m will be required to remain within the cash limit of £63.6m. There is a report elsewhere on the agenda requesting an uplift of £2.7m in the IT Division budget which includes £0.8m for City Police. If agreed this will reduce the forecast call on reserves from £2.0m to £1.2m which relates to other 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.</p> <p>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 medium term financial forecasts in to balance. 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.</p>
Chamberlain	20,640	1,720	<p>A report by the IT Division included elsewhere on the agenda, is requesting a budget uplift in 2016/17 of £2.7m which includes £1.9m for Chamberlains and £0.8m for City Police as a result of a fundamental review of its operations.</p>

## Appendix 2

Original Budget	Chief Officer Cash Limited 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	Variance (Better)/Worse		Latest Budget	Variance (Better)/Worse		
			£'000	£'000		%	£'000	
£'000		£'000	£'000	%	£'000	£'000	%	£'000
	<b>City Fund</b>							
1,736	Chamberlain	1,736	0	0	1,819	(50)	(3)	(50)
5,053	City Surveyor	5,053	16	0	5,651	14	0	(2)
7,387	Director of Community & Children's Services	7,387	2	0	7,560	(58)	(1)	(60)
7,831	Director of Culture, Heritage & Libraries	7,831	0	0	7,906	0	0	0
1,955	Director of Markets & Consumer Protection	1,955	23	1	2,155	(99)	(5)	(122)
(646)	Director of Open Spaces	(646)	(363)	0	(520)	(363)	(70)	0
15,563	Director of the Built Environment	15,622	(555)	(4)	15,788	(446)	(3)	109
16,909	Managing Director, Barbican Centre	17,730	67	0	18,108	0	0	(67)
7,552	Town Clerk	7,552	0	0	7,743	(50)	(1)	(50)
<b>63,340</b>	<b>Total City Fund (excluding Police)</b>	<b>64,220</b>	<b>(810)</b>	<b>(1)</b>	<b>66,210</b>	<b>(1,052)</b>	<b>(2)</b>	<b>(242)</b>
	<b>City's Cash</b>							
69	Chamberlain	69	0	0	69	0	0	0
14,225	City Surveyor	14,225	0	0	14,555	(15)	(0)	(15)
420	Director of Community & Children's Services	420	0	0	445	0	0	0
(42)	Director of Culture, Heritage & Libraries	(42)	0	0	(17)	104	612	104
1,457	Director of Markets & Consumer Protection	1,457	0	0	1,603	(68)	(4)	(68)
10,993	Director of Open Spaces	10,993	0	0	11,309	0	0	0
799	Head, City of London School	799	0	0	799	0	0	0
60	Headmaster, City of London Freeman's School	(51)	0	0	(51)	(2)	(4)	(2)
155	Headmistress, City of London School for Girls	155	0	0	155	0	0	0
5,479	Principal, Guildhall School of Music & Drama	5,479	0	0	5,479	0	0	0
2,381	Private Secretary & Chief of Staff to the Lord Mayor	2,381	0	0	2,471	(66)	(3)	(66)
1,080	Remembrancer	1,080	0	0	1,105	0	0	0
569	Town Clerk	569	0	0	667	0	0	0
<b>37,645</b>	<b>Total City's Cash</b>	<b>37,534</b>	<b>0</b>	<b>0</b>	<b>38,589</b>	<b>(47)</b>	<b>(0)</b>	<b>(47)</b>
	<b>Bridge House Estates</b>							
2,412	City Surveyor	2,412	0	0	2,412	4	0	4
595	Director of Culture, Heritage & Libraries	595	(400)	(67)	667	(300)	(45)	100
256	Director of the Built Environment	256	0	0	256	0	0	0
1,267	Town Clerk	1,267	0	0	1,309	0	0	0
<b>4,530</b>	<b>Total Bridge House Estates</b>	<b>4,530</b>	<b>(400)</b>	<b>(9)</b>	<b>4,644</b>	<b>(296)</b>	<b>(6)</b>	<b>104</b>
	<b>Guildhall Administration</b>							
18,532	Chamberlain	18,532	0	0	18,752	1,770	9	1,770
6,696	City Surveyor	6,696	262	4	6,696	379	6	117
2,897	Comptroller and City Solicitor	2,954	0	0	3,119	0	0	0
(379)	Remembrancer	(379)	0	0	(339)	0	0	0
6,664	Town Clerk	6,605	0	0	6,802	0	0	0
<b>34,410</b>	<b>Total Guildhall Administration</b>	<b>34,408</b>	<b>262</b>	<b>1</b>	<b>35,030</b>	<b>2,149</b>	<b>6</b>	<b>1,887</b>
<b>139,925</b>	<b>Grand Totals (excluding Police)</b>	<b>140,692</b>	<b>(948)</b>	<b>(1)</b>	<b>144,473</b>	<b>754</b>	<b>1</b>	<b>1,702</b>
53,659	Commissioner of Police	53,659	1,200	(2)	63,600	2,000	3	800
<b>193,584</b>	<b>Grand Totals (excluding Police)</b>	<b>194,351</b>	<b>252</b>	<b>(3)</b>	<b>208,073</b>	<b>2,754</b>	<b>1</b>	<b>2,502</b>



### Appendix 3

<b>Chief Officer - Cash Limited Budgets (Excluding Police)</b>		£'000	£'000
<b>Original Budget (Excluding Police)</b>			<b>139,925</b>
Previously reported budget movements			4,175
			<u>144,100</u>
Movements since previous report			
Approved local risk carry forwards		33	
Allocation from contingencies to Public Relations for additional staff to assist with increasing the level of voters registered in the City		40	
Barbican Centre SBR saving rephased to 2017/18 agreed by P&R on 6th October 2016		300	
			373
<b>Latest Budget (Excluding Police)</b>			<b><u>144,473</u></b>

### Appendix 4

	<b>Latest Budget £'000</b>	<b>Forecast Outturn £'000</b>	<b>Forecast Outturn Variance £'000</b>	<b>Forecast Outturn Variance %</b>
Property Investment Income - City Fund	(42,329)	(44,114)	(1,785)	(4%)
Property Investment Income - City's Cash	(50,447)	(52,152)	(1,705)	(3%)
Property Investment Income - Bridge House Estates	(20,153)	(20,997)	(844)	(4%)
<b>Total Property Investment Income</b>	<b>(112,929)</b>	<b>(117,263)</b>	<b>(4,334)</b>	<b>(4%)</b>
Interest on Cash Balances - City Fund	(2,500)	(4,154)	(1,654)	(66%)
Interest on Cash Balances - City's Cash	(300)	(185)	115	38%
Interest on Cash Balances - Bridge House Estates	(100)	(100)	0	0%
<b>Total Interest on Cash Balances</b>	<b>(2,900)</b>	<b>(4,439)</b>	<b>(1,539)</b>	<b>0%</b>
<b>Total</b>	<b>(115,829)</b>	<b>(121,702)</b>	<b>(5,873)</b>	<b>(5%)</b>