

Committee(s)	Dated:
Residents Consultation Committee	28 November 2016
Barbican Residential Committee (For Decision)	12 December 2016
Subject: Revenue and Capital Budgets - Latest Approved Budget 2016/17 and Original 2017/18 (Excluding dwellings service charge income and expenditure)	Public
Report of: The Chamberlain Director of Community & Children's Services Report authors: Goshe Munir and Mark Jarvis	For Information

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 2017/18, 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.

These accounts do not include income and expenditure in relation to dwellings service charges, which is the subject to a separate report before you today, but does include the following:-

- Landlord Services

This includes income and expenditure relating to short term lessee flats, void flats and commercial properties as well as grounds maintenance for public areas.

- Car Parking

The running expenses, capital charges, rent income and service charges relating to 1,508 car spaces of which some 995 (66%) are currently occupied .

- Baggage Stores

The running expenses, capital charges, rent income and service charges relating to 1,266 baggage stores.

- Trade Centre

This is a commercial area of some 117,000 square feet bounded broadly by Beech Street, Aldersgate Street, Fann Street and Bridgewater Square. Capital charges are the main item of expense, although some premises and supervision and management costs are incurred. Income comprises rent and charges for services in respect of Virgin Active, GSMD practice room, Laundrette, Vinci Parking and Creche.

The provisional nature of the revenue budgets particularly recognises that further revisions may arise from the necessary realignment of funds resulting from corporate projects.

Summary Of Table 1	Original Budget 2016/17	Latest Approved Budget 2016/17	Original Budget 2017/18	Movement
	£'000	£'000	£'000	£'000
Expenditure	2,697	2,616	2,608	(8)
Income	(5,094)	(5,065)	(5,134)	(69)
Net Income (Local and Central Risk)	(2,397)	(2,449)	(2,526)	(77)
Capital and support services	5,212	5,345	4,855	(490)
Total Net Income/Expenditure	2,815	2,896	2,329	(567)

Overall, the 2017/18 provisional revenue budget totals a deficit of £2,329,000 a variance of £(567,000) compared with the Latest Approved Budget for 2016/17. The main reason for this decrease is a reduction in the capital charge against operational properties, which reflects a diminution in the most recent valuation (31st March 2016) of the properties.

Recommendations

1. The Barbican Residents Consultation Committee are asked to note and comment on the provisional 2017/18 Revenue Budget.
2. The Barbican Residential Committee is requested to:
 - a) review to ensure that it reflects the Committee's objectives and, if so, approve the budget for submission to the Finance Committee;
 - b) review and approve the draft capital budget;
 - c) authorise the Chamberlain to revise these budgets to allow for further implications arising from departmental reorganisations and other reviews, corporate projects.

Main Report

Introduction

1. This report sets out the proposed revenue budget and capital budgets for 2017/18. 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

2. The budget has been analysed by service expenditure and compared with the latest approved budget for the current year.

The report also compares the current year's budget with the forecast outturn.

Proposed Revenue Budget for 2017/18

3. The proposed Revenue Budget for 2017/18 is shown in Table 2 overleaf 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).
 - Support Services and Capital Charges – 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.
4. The provisional 2017/18 budgets, under the control of the Director of Community & Children's Services being presented to your Committee, have been prepared in accordance with guidelines agreed by the Policy and 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 budget to staffing budgets. The budgets include an allowance towards any potential pay and price increases of 1% and an increase in income targets of £154,000 as previously agreed by this committee. The budget has been prepared within the resources allocated to the Chief Officer.

Table 1 - Analysis of Service Expenditure	Local or Central Risk	Actual 2015-16 £'000	Original Budget 2016-17 £'000	Latest Approved Budget 2016-17 £'000	Original Budget 2017-18 £'000	Movement 2016-17 to 2017-18 £'000	Paragraph Reference
EXPENDITURE							
Employees	L	1,543	1,616	1,578	1,633	55	7
Premises Related Expenses							
Repairs and Maintenance	L	802	629	532	564	32	11
Other Premises Related Expenditure	L	366	340	324	314	(10)	
Supplies & Services	L	129	111	181	96	(85)	9
Transport	L	0	1	1	1	0	
Supplementary Revenue Projects	C	13	0	0	0	0	
Total Expenditure		2,853	2,697	2,616	2,608	(8)	
INCOME							
Customer, Client Receipts (mainly rents and non-dwelling service charges)	L	(4,859)	(4,869)	(4,854)	(4,909)	(55)	
Charge for insurance	C	(234)	(225)	(211)	(225)	(14)	
Transfer from Reserves	C	(13)	0	0	0	0	
Total Income		(5,106)	(5,094)	(5,065)	(5,134)	(69)	
NET INCOME BEFORE SUPPORT SERVICES AND CAPITAL CHARGES		(2,253)	(2,397)	(2,449)	(2,526)	(77)	
SUPPORT SERVICES AND CAPITAL CHARGES							
Central Support Services and Capital charges		5,991	5,806	5,636	5,201	(435)	10
Recharges within Fund		(49)	(152)	(130)	(129)	1	
Recharges to Service Charge Account		(685)	(442)	(161)	(217)	(56)	
Total Support Services and Capital charges		5,257	5,212	5,345	4,855	(490)	
TOTAL NET EXPENDITURE		3,004	2,815	2,896	2,329	(567)	

Notes - Examples of types of service expenditure:-

- (i) Other Premises Related Expenses – includes energy costs, rates, water services, cleaning and domestic supplies

5. 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 £100,000) have been commented on in the following paragraphs.
6. Overall there is a decrease of the deficit of £567,000 in the overall budget between the 2016/17 latest approved budget and the 2017/18 original budget. The main movements are explained by the variances in the following paragraphs.
7. There has been an increase in employee budgets of £55,000. An allowance of 1% towards any increases in pay has been applied from 1st April 2017.
8. Analysis of the movement in manpower and related staff costs are shown in Table 2 below.

Table 2 - Manpower statement	Latest Approved Budget		Original Budget	
	2016/17		2017/18	
	Manpower Full-time equivalent	Estimated cost £000	Manpower Full-time equivalent	Estimated cost £000
Supervision and Management	14	677	14	712
Car Parking - Estate Concierge (2/3)	19	901	19	921
Total	33	1,578	33	1,633

9. Supplies & Services has decreased expenditure of £85,000 relating to agency fees.
10. The main reason for the £435,000 decrease is a reduction in the capital charges against operational properties, reflecting a diminution in the most recent valuation of the properties. A detailed breakdown of Central Support Services and Capital Charges is presented in Appendix 2.
11. A detailed breakdown of Repairs and Maintenance costs are provided in Appendix 3.
12. The current forecast outturn for 2016/17 is on budget.

Potential Further Budget Developments

13. The provisional nature of the 2017/18 revenue budget recognises that further revisions may be required, including in relation to:
 - budget reductions to capture savings arising from the on-going PP2P reviews;

Draft Capital and Supplementary Revenue Budgets

14. The latest estimated costs of the Committee's draft capital and supplementary revenue projects are summarised in the Table overleaf.

Capital & Supplementary Revenue projects - latest estimated costs						
Service	Project	Exp. Pre 01/04/16 £'000	2016/17 £'000	2017/18 £'000	Later Years £'000	Total £'000
Pre-implementation						
Landlord Costs	Contractor's Office	6	2			8
Landlord Costs	Residential baggage stores		7			7
Landlord Costs	Barbican Turret John Wesley Highwalk	13	45			58
Authority to start work						
Landlord Costs	Beech Gardens waterproofing & soft landscaping	4,467	85			4,552
Landlord Costs	Frobisher Crescent balcony waterproof	188	80			268
TOTAL BARBICAN RESIDENTIAL		4,674	219	0	0	4,893

15. Pre-implementation costs comprise feasibility and option appraisal expenditure which has been approved in accordance with the project procedure, prior to authority to start work. It should be noted that the above figures exclude the implementation costs of those schemes which have yet to receive authority to start work.

16. Subject to further approvals are the installation of additional residential baggage stores and conversion of the Contractor's office space into a 2 bedroom flat at Andrewes House.

17. Approval has been given to obtain planning permission and listed building consent for the Barbican Turret, John Wesley Highwalk. The anticipated cost of £58,000 will be funded from central resources.

18. The final phase of the Beech Gardens project has now been completed, as have the waterproofing works to the Frobisher Crescent balconies.

19. The latest Capital and Supplementary Revenue Project budgets will be presented to the Court of Common Council for formal approval in March 2017.

Appendices

Appendix 1: Revenue Expenditure by Service Managed

Appendix 2: Support Service and Capital Charges from/to Barbican Residential Committee

Appendix 3: Analysis of Repairs, Maintenance and Minor Improvements

Appendix 4: Original Budget 2016/17 to Latest Approved Budget

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APPENDIX 1

Analysis by Service Managed	Actual 2015-16 £'000	Original Budget 2016-17 £'000	Latest Approved 2016-17 Budget £'000	Original Budget 2017-18 £'000	Movement 2016-17 to 2017-18 £'000
CITY FUND					
Supervision & Management (fully recharged)	0	0	0	0	0
Landlord Services	3,190	3,157	3,147	2,690	(457)
Car Parking	427	283	337	382	45
Baggage Stores	(141)	(138)	(132)	(240)	(108)
Trade Centre	(478)	(498)	(464)	(513)	(49)
Other Non-Housing	6	11	8	10	2
TOTAL	3,004	2,815	2,896	2,329	(567)

Supervision and Management – General

This section relates to the requirements of the Barbican Estate Office including staffing, premises, information technology and support from Guildhall. The Estate Office is responsible for the management of the flats, commercial units, car parks and baggage stores. Management includes repairs and maintenance, security, cleanliness of common parts, calculation of service charges and the initial stages of arrears recovery. Total expenditure on this section is fully recharged to other sections of these accounts plus a relevant proportion to the Service Charge account, which is the subject to a separate report before you today. The IT costs are recharged on number of transactions while the other costs are allocated broadly on time sheet information.

Landlord Services

Expenditure includes repairs to the interior of short term lessees' flats and void flats. Grounds maintenance of public areas, insurance (other than that included in the Service Charge Account for lifts and the garchey system), capital charges relating to properties not sold on a long lease, and supervision and management. Income includes rent income from short term tenancies (apart from the service charge element), rent from ten commercial properties, licence fees for various aerial sites, and reimbursements for insurance, dilapidations and other services. Long lessees have the option to arrange alternative insurance to that provided through the City and, consequently, insurance is accounted for in the Landlord Account rather than as part of the Service Charge Account.

Car Parking

The running expenses, capital charges, rent income and service charges relating to 1,508 car spaces of which some 995 (66%) are currently occupied. The budget position for 2016/17 has been helped from the continued commercial car parking and Heron paying service charges for residential car bays. However, although we have retained 24 commercial bays with Deutsche Bank which are based on market value rates, they have surrendered 34 bays over the last two years.

Baggage Stores

The running expenses, capital charges, rent income and service charges relating to 1,266 baggage stores.

Trade Centre

This is a commercial area of some 117,000 square feet bounded broadly by Beech Street, Aldersgate Street, Fann Street and Bridgewater Square. Capital charges are the main item of expense, although some premises and supervision and management costs are incurred. Income comprises rent and charges for services in respect of Virgin Active, GSMD practice room, Laundrette, Vinci Parking and Crèche.

APPENDIX 2

Support Service and Capital Charges from/to Barbican Residential Committee	Actual 2015/16 £'000	Original Budget 2016/17 £'000	Latest Approved Budget 2016/17 £'000	Original Budget 2017/18 £'000
Support Service and Capital Charges				
Insurance	319	322	296	297
IS Recharges	374	263	167	228
Capital Charges	4,734	4,695	4,560	4,074
Chamberlain	319	275	343	345
Comptroller and City Solicitor	119	112	140	135
Town Clerk	116	126	119	111
City Surveyor	3	9	3	3
Other Services	7	4	8	8
Total Support Services and Capital Charges	5,991	5,806	5,636	5,201
Recharges Within Funds				
Corporate and Democratic Core - Finance Committee	(50)	(50)	(50)	(50)
HRA	(82)	(160)	(160)	(160)
Community and Children's Services Committee	83	58	80	81
Service Charge Account	(685)	(442)	(161)	(217)
TOTAL SUPPORT SERVICE AND CAPITAL CHARGES	5,257	5,212	5,345	4,855

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

APPENDIX 3

ANALYSIS OF REPAIRS, MAINTENANCE AND MINOR IMPROVEMENTS ALL LOCAL RISK

	<i>Original Budget 2016/17</i>	<i>Latest Approved Budget 2016/17</i>	<i>Original Budget 2017/18</i>	
	£'000	£'000	£'000	
<u>Supervision & Management Holding Account</u>				
Estate Office - Breakdown Maintenance	9	20	9	E
Total Supervision & Management Holding Account	9	20	9	
<u>Services and Repairs - Landlords</u>				
Breakdown Maintenance	248	175	170	E
Drains	95	70	95	E
Rechargeable works - Emergency work in sold flats, dilapidations and insurance claims	0	50	50	E
Lift contract servicing	0	6	5	E
Asbestos data	0	5	5	E
	35	0	0	
External redecoration (70% of soffits)	35	35	35	A
Total Services and Repairs - Landlords	413	341	360	
<u>Car Parking</u>				
Breakdown Maintenance - Building	144	100	143	E
Safety Security		20	1	E
Total Car Parking	144	120	144	
<u>Stores</u>				
Breakdown Maintenance	6	6	6	E
	6	6	6	
<u>Total Stores</u>				
<u>Trade Centre</u>				
Breakdown Maintenance	55	45	45	E
Total Trade Centre	55	45	45	
<u>Other Non-Housing</u>				
Breakdown Maintenance	2	0		E
Total Other Non-Housing	2	0	0	
TOTAL	629	532	564	

E = ESSENTIAL,

A = ADVISABLE

D = DESIRABLE

Appendix 4

Original Budget 2016/17 to Latest Approved Budget	£'000
Original Budget Net Income	2,815
Carry Forwards Balance from 2016/17 (Not in Original Budget)	(129)
Loss of Sales	67
Recharges	133
Other movements	10
Latest Approved Budget	2,896