

Committee(s)	Dated:
Culture, Heritage and Libraries	05/12/2016
Subject: Revenue and Capital budgets – 2017/18	Public
Report of: The Chamberlain Director of Culture, Heritage and Libraries Report author: Mark Jarvis - Head of Finance,	For Decision

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.

Summary Of Table 2	Latest Approved Budget 2016/17 £'000	Original Budget 2017/18 £'000	Movement £'000
Expenditure	21,543	21,436	(107)
Income	(7,708)	(8,044)	(336)
Recharges (including capital charges)	5,768	6,371	603
Total Net Expenditure	19,603	19,763	160

Overall, the 2017/18 provisional revenue budget totals £19.763m, an increase of £160,000 compared with the latest approved budget for 2016/17. Main reasons for the movement are :-

- Increase to the local risk budgets following the net 1% allowance given towards any potential pay and price increases of £69,000.

- Increase in the City Surveyor's repairs and maintenance programme of £488,000.
- Increase in recharges of £603,000 due to increased repairs and maintenance charges at the Guildhall Complex and a rise in capital costs due to a combination of the completion and subsequent depreciation of the LMA Roof Project, fit-out costs attributable to the new Police Museum and a share of investment in new corporate IS costs.
- Latest Approved budget for 2016/17 included expenditure of £127,000 funded from the previous year's underspend.
- Savings as a result of the Service Based Reviews totalling £325,000, as previously agreed by this Committee.
- Tower Bridge income budget targets have been revised upwards by a further £300,000 in 2017/18 as a result of their positive performance.
- Increase in City's Cash contribution to Keats House of £139,000 in 2017/18 as a result of the increase to the Cyclical Works Programme.

Recommendations

Members are asked to:

- review the provisional 2017/18 revenue budget to ensure that it reflects the Committee's objectives and, if so, approve the budget for submission to the Finance Committee;
- review and approve the draft capital budget;
- authorise the Chamberlain, in consultation with the Director of Culture, Heritage and Libraries, (or his successor), to revise these budgets to allow for any implications arising from departmental reorganisations, in particular the CHL Re-organisation report. Also any amendments to Corporate Projects and other reviews and changes to the Additional Works Programme.

If specific service based review proposals included with this budget report are rejected by the Committee, or other Committees request that further proposals are pursued, that the substitution of other suitable proposals for a corresponding amount is delegated to the Town Clerk in discussion with the Chairman and Deputy Chairman of the relevant Committee. If the substituted saving is not considered to be straight forward in nature, then the Town Clerk shall also consult the Chairman and Deputy Chairmen of the Policy and Resources Committee prior to approving an alternative proposal(s).

Main Report

Introduction

1. The department comprises three lending libraries (Barbican, Artizan Street and Shoe Lane), two reference libraries (City Business Library and Guildhall Library), City of London Police Museum, Guildhall Art Gallery (including Heritage Gallery and Amphitheatre), Billingsgate Roman Bathhouse, Keats House, London Metropolitan Archives (LMA), City Records Services, City of London Information Centre, Tower Bridge and The Monument. This front line activity is assisted by a number of non-public services including Information Services, the Cultural and Visitor Development Team and Support Services.
2. 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.
3. The budget has been analysed by the service expenditure and compared with the original budget for the current year.
4. The report also compares the current year's budget with the forecast outturn.

Business Planning Priorities

5. The department's mission statement is to educate, entertain and inform, through discovery of our amazing range of resources.

The two Strategic Aims are:

- To transform activities through best use of technology and community engagement, to improve customer service and increase efficiency and effectiveness.
- To transform the perception and experience of the City as a destination.

Proposed Revenue Budget for 2017/18

6. The proposed Revenue Budget for 2017/18 shown in Table 1 is 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).

- Recharges – 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.
7. The provisional 2017/18 budgets, under the control of the Director of Culture, Heritage and Libraries being presented to your Committee, have been prepared in accordance with guidelines agreed by the Policy & 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 budgets to staffing budgets. An allowance was given towards any potential pay and price increases of 1.5% in 2016/17 (already applied) and a further 1% in 2017/18. The budget has been prepared within the resources allocated to the Director.
 8. The Service Based Review aims to deliver sustainable savings and / or increased income in order to balance City Fund and City's Cash over the medium term. The proposals approved by the Policy & Resources Committee included a total of £1,347K (over 3 years) for this Committee. The agreed proposals reflected in the 2017/18 budgets are a total of £325K. Alternative proposals to make the (formerly Keats House) saving of £220K in 2017/18 are currently being reviewed.

TABLE 1 CULTURE, HERITAGE AND LIBRARIES COMMITTEE SUMMARY– ALL FUNDS

Analysis of Service Expenditure	Local or Central Risk	Actual 2015-16 £'000	Latest Approved Budget 2016-17 £'000	Original Budget 2017-18 £'000	Movement 2016-17 to 2017-18 £'000	Paragraph Reference
EXPENDITURE						
Employees	L	10,020	9,983	9,956	(27)	11
Employees (redundancy costs)	C	56	19	-	(19)	
Premises Related Expenses	L	952	1,391	1,421	30	
Premises Related Expenses *	C	761	1,018	1,035	17	
City Surveyor – Repairs & Maintenance	L	619	532	1,020	488	12
Transport Related Expenses	L	71	88	81	(7)	
Supplies & Services	L	3,738	2,776	2,145	(631)	13
Grants to Museum of London and the former City of London Festival	C	5,675	5,649	5,649	-	
Capital Charges – City's Cash & BHE	C	89	87	129	42	
Transfer to Reserves	L	138	-	-	-	
Total Expenditure		22,119	21,543	21,436	(107)	
INCOME						
Other Grants, Reimbursements and Contribution	L	(521)	(440)	(143)	297	13
City's Cash contribution to Keats House	C	(361)	(287)	(426)	(139)	14
Customer, Client Receipts	L	(7,885)	(6,903)	(7,397)	(494)	15
LMA Rental Income	C	(88)	(78)	(78)	-	
Staff time charged to Capital	C	(12)	-	-	-	
Transfer from Reserves	L	(112)	-	-	-	
Total Income		(8,979)	(7,708)	(8,044)	(336)	
TOTAL EXPENDITURE/ (INCOME) BEFORE RECHARGES		13,140	13,835	13,392	(443)	
RECHARGES						
Central Support Services and Capital Charges – City Fund		6,143	6,141	6,740	599	16
Recharges within Fund		115	83	87	4	
Recharges Across Funds		(456)	(456)	(456)	-	
Total Recharges		5,802	5,768	6,371	603	
TOTAL NET EXPENDITURE		18,942	19,603	19,763	160	

*(Barbican & Community Libraries and LMA Rates, Service Charges & rent)

9. 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 £50,000) have been commented on in the following paragraphs.
10. Overall there is an increase of £160,000 in the overall budget between the 2016/17 latest approved budget and the 2017/18 original budget. This movement is explained in the following paragraphs.
11. The decrease to the local risk Employees budget is due to a number of LMA Project posts coming to an end in 2016/17. The increase in FTE's, (despite a smaller increase in costs), at Tower Bridge is due to two full time staff appointed in the retail element of the business, which reduces the need for casual staff costs in 2017/18. In addition, there were vacancies at Tower Bridge during the year covered by temporary staff. An analysis of the movement in manpower and related staff costs are shown in Table 2 below.

Table 2 - Manpower statement	Latest Approved Budget 2016/17		Original Budget 2017/18	
	Manpower Full-time equivalent	Estimated cost £000	Manpower Full-time equivalent	Estimated cost £000
Guildhall Library	10.50	540	10.50	555
City Business Library	6.20	291	6.20	302
Library Services Team	8.00	276	8.00	277
Information Services Section	6.00	250	6.00	255
Barbican and Community Libraries	36.71	1,455	36.71	1,460
Artizan Street Library	7.58	259	7.50	263
Culture Heritage & Libraries Directorate	4.68	309	4.68	309
Guildhall Art Gallery	7.35	322	7.46	317
London Metropolitan Archives	50.11	2,146	45.90	2,047
City Records Services	22.19	996	22.32	1,004
Keats House	4.54	202	4.01	208
Visitor Services & City Information Centre	10.54	488	10.69	488
Monument	7.01	276	7.21	282
Tower Bridge Tourism	46.55	2,173	50.35	2,189
TOTAL CULTURE, HERITAGE AND LIBRARIES	227.96	9,983	227.53	9,956

12. The 2016/17 Latest Approved Budget reflects the re-allocation of the full 2016/17 Additional Works Programme to reflect the expenditure that is anticipated will be incurred in the year. Please see the detailed breakdown in Table 3 below.

TABLE 3 - CITY SURVEYOR LOCAL RISK	Latest Approved Budget 2016/17 £'000	Original Budget 2017/18 £'000
Repairs & Maintenance		
Additional/Cyclical Works Programme		
Barbican and Community Libraries	3	36
Guildhall Art Gallery	4	18
Culture Heritage & Libraries Directorate	25	-
London Metropolitan Archives	79	298
Keats House	5	143
Monument	5	32
Roman Bath House	5	55
Mayoralty and Shrievalty	-	36
Planned & Reactive Works (Breakdown & Servicing)		
Guildhall Library	6	6
Barbican and Community Libraries	19	18
Guildhall Art Gallery	8	8
London Metropolitan Archives	117	117
Keats House	20	20
Visitor Services & City Information Centre	13	13
Monument	14	11
Cleaning	209	209
Total City Surveyor	532	1,020

The increases at both London Metropolitan Archives and Keats House reflect an increase in the value in projects undertaken than in previous years. The works are part of a cycle and reflect the work that has been approved (by CASC) for 2017/18 as part of the 3 year delivery programme.

The Latest Approved Budgets reflects the work to be undertaken in 2016/17. The Original 2017/18 budgets reflects the balances phased from continuing approved live programmes and the new 2017/18 projects (£12.1m) endorsed by Corporate Asset Sub Committee in October 2016.

The Building Repairs Maintenance costs, which were originally assessed on a square foot basis, are now based on the individual assets of each property.

The corporate Building Repairs and Maintenance contract is currently being re-tendered and the new contract will commence on the 1st July 2017. Original estimates for 2017/18 are based on the latest available asset price from the current contractor. Any changes to these budgets arising from the new contract will be reported to Committee in due course.

A decision on the funding of the programme will be made by the Resource Allocation Sub Committee. It may therefore be necessary to adjust the budgets to reflect the Resource Allocation Sub Committee's decision.

13. This decrease includes a reduction of £411,000 to Supplies and Services budgets, mainly attributable to the fallout of various grants and contributions, which total £342,000 and carry forward requests totalling £55,000 included in the 2016/17 budgets as a result of the 2015/16 underspend. In addition, this line also includes the alternative proposals to make the (formerly Keats House) saving of £220,000 that are currently being reviewed.
14. The increase in the City's Cash contribution to Keats House of £139,000 in 2017/18 largely as a result of the increase to the Cyclical Works Programme. Keats House is deficit funded by City's Cash.
15. The increase of £494,000 to the local risk budgets for Customer, Client Receipts is mainly due to increased income of £449,000 at Tower Bridge to reflect their continued positive performance in both visitor numbers and the event hire element of the business. In addition, there is an increase in income targets at the City Information Centre of £80,000 as a result of the Service Based Review proposals with contracts already in place to meet these targets for the next 5 to 10 years. These increases were partly offset by a reduction in income targets at the Guildhall Art Gallery, owing to the 2016/17 income targets including admission fees to the Martin Parr exhibition.
16. Appendix 2 provides a full analysis of Support Services and Capital costs. The increase of £599,000 to Support Services and Capital Charges (City Fund) is mainly due to an increase in Guildhall Admin charges of £411,000 as a result of increased Repairs and Maintenance costs on the Guildhall Complex. In addition, there was a rise in capital charges of £228,000 due to a combination of the completion and subsequent depreciation of the LMA Roof Project, fit-out costs attributable to the new Police Museum and a share of investment in new corporate IS costs. These are partly offset by a fall in support services costs of £35,000.

Potential Further Budget Developments

17. The provisional nature of the 2016/17 and 2017/18 revenue budgets recognises that further revisions may be required, including in relation to:
 - budget reductions to capture savings arising from the on-going Service Based Review;
 - decisions on funding of the Additional Works Programme by the Resource Allocation Sub Committee.

- if specific service based review proposals included with this budget report are rejected by the Committee, or other Committees request that further proposals are pursued, that the substitution of other suitable proposals for a corresponding amount is delegated to the Town Clerk in discussion with the Chairman and Deputy Chairman of the relevant Committee. If the substituted saving is not considered to be straight forward in nature, then the Town Clerk shall also consult the Chairman and Deputy Chairmen of the Policy and Resources Committee prior to approving an alternative proposal(s).
- any further budget adjustments or reallocations resulting from an agreement to the alternative proposals to save £220,000 in 2017/18 will be notified separately to this committee.
- Approval given to amend the budget to reflect the outcome of the CHL Reorganisation Report.

Any revisions will be agreed after consultation with the Director of Culture, Heritage and Libraries, (or his successor).

Revenue Budget 2016/17

18. The forecast outturn for the current year is £19.360m compared to the latest approved budget of £19.556m showing a potential underspend of £196,000. This potential underspend relates to a significant increase in income for the first half of the year at Tower Bridge, partly offset by a reduction of income at the Monument owing to its unexpected closure for a significant period during the first three months of the year for essential repairs and the impact of TfL hoardings at Fish Street Hill which partially obscure views of and access to the attraction.
19. The movement between 2016/17 Original and Latest Approved Budget is detailed in Appendix 3.

Draft Capital and Supplementary Revenue Budgets

20. The latest estimated costs for the Committee's draft capital and supplementary revenue projects are summarised in the Table below.

Capital & Supplementary Revenue projects - latest estimated costs							
Service Managed	Project	Exp. Pre 01/04/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	Later Years £'000	Total £'000
CITY FUND							
<u>Pre-implementation</u>							
London Metropolitan Archives	Future accommodation	9	5				14
Libraries	Shoe Lane Library transformation	8	15				23
<u>Authority to start work granted</u>							
London Metropolitan Archives	Roof replacement	42	678				720
Libraries	Police Museum		109				109
Guildhall Art Gallery	Lighting replacement	528	14				542
TOTAL CITY FUND		587	821	0	0	0	1,408
CITY'S CASH							
<u>Pre-implementation</u>							
Mayoralty & Shrievalty	Lord Mayor's Coach refurbishment	2	27	4			33
<u>Authority to start work granted</u>							
The Monument	Deferred works	4	7	94			105
TOTAL CITY'S CASH		6	34	98	0	0	138
BRIDGEHOUSE ESTATES							
<u>Authority to start work granted</u>							
Tower Bridge Tourism	Engine rooms / Reception / Gift shop	3	349				352
TOTAL BRIDGEHOUSE ESTATES		3	349	0	0	0	352
TOTAL		596	1,204	98	0	0	1,898

21. 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.
22. The Shoe Lane Library transformation scheme is not proceeding.
23. 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 – Analysis by Service Managed
- Appendix 2 – Recharges from/to Culture, Heritage and Libraries
- Appendix 3 – Original to Latest Approved Local Risk Budget

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APPENDIX 1

Analysis by Service Managed	Actual 2015-16 £'000	Latest Approved Budget 2016-17 £'000	Original Budget 2017-18 £'000	Movement 2016-17 to 2017-18 £'000	Paragraph Reference
CITY FUND					
Guildhall Library and City Business Library	1,374	1,420	1,442	22	
Library Services Team	305	278	279	1	
Information Services Section	567	347	322	(25)	
Barbican and Community Libraries	2,576	2,729	2,752	23	
Artizan Street Library	263	313	320	7	
Culture Heritage & Libraries Directorate^	2,157	2,150	2,112	(38)	
City of London Festival	383	357	357	-	
Museum of London	5,292	5,292	5,292	-	
Guildhall Art Gallery	2,306	2,348	2,555	207	16
London Metropolitan Archives	3,189	3,034	3,359	325	11,12,16
City Records Services	1,017	999	1,019	20	
Visitor Services & City Information Centre	795	836	754	(82)	15
Police Museum	-	-	23	23	
Roman Remains and Guildhall Complex Land (City Surveyor)	33	28	78	50	12
TOTAL CITY FUND	20,257	20,131	20,664	533	
CITY'S CASH					
Keats House	-	-	-	-	12
Heritage Gallery	35	25	25	-	
Artichoke Great Fire	300	-	-	-	
Monument Daguerreotype Monument	(142)	25	-	(25)	
Monument	(142)	(149)	(130)	19	
Mayoralty & Shrievalty (City Surveyor)	106	116	153	37	
TOTAL CITY'S CASH	299	17	48	31	
BRIDGE HOUSE ESTATES					
Tower Bridge Tourism	(1,614)	(545)	(949)	(404)	16
TOTAL BRIDGE HOUSE ESTATES	(1,614)	(545)	(949)	(404)	
TOTAL	18,942	19,603	19,763	160	

^ The Culture, Heritage and Libraries Directorate budget include the costs of the Guildhall Library building and therefore include £0.6m of Capital Recharges for 2016/17 and 2017/18

APPENDIX 2

Recharges from/to Culture, Heritage and Libraries	Actual	Latest Approved Budget	Original Budget
	2015/16 £000	2016/17 £000	2017/18 £000
Support Service and Capital Charges			
Administrative Buildings	2,129	2,223	2,634
City Surveyor's Employee Recharge	187	152	152
Insurance	198	250	254
IS Recharges - Chamberlain	922	829	820
Capital Charges – City Fund	1,764	1,731	1,959
Support Services -			
Chamberlain and CLPS	362	349	351
Comptroller and City Solicitor	35	41	40
Town Clerk	509	533	497
City Surveyor	33	33	33
Support services with Other services*	4	-	-
Total Support Services and Capital Charges	6,143	6,141	6,740
Recharges Within Funds			
Utilities recharge - Barbican Centre	261	229	233
Corporate and Democratic Core – Finance Committee	(146)	(146)	(146)
Recharges Across Funds			
Support Services – CHL Guildhall Administration	(456)	(456)	(456)
TOTAL SUPPORT SERVICE AND CAPITAL CHARGES	5,802	5,768	6,371

* Various services including central training, corporate printing, occupational health and Union costs.

APPENDIX 3

Original to Latest Approved Local Risk Budget	£000
Original Local Risk Budget	7,876
City Fund and City's Cash carry forwards	127
All funds contribution pay, budget uplift	52
City Fund and Bridge House Estates budget virements uplift, mainly due to a transfer of £45,000 to the Barbican & Community Libraries due to being commissioned by the Department of Community and Children's Services to carry out a range of Children's Centre Services. This is partly offset by Corporate transfers of £28,000 relating to Printing (£14,000) and the Graduate Scheme (£14,000) and a transfer of resources from Tower Bridge Tourism to Tower Bridge Operational (£4,000).	13
Bridge House Estates – Income targets increased at Tower Bridge due to excellent performance during the first six months of the year	(300)
City Surveyor local risk changes in the phasing over the 3 year cycle of each of the Additional Works Programmes	(341)
Latest Approved Local Risk Budget	7,427