

Committee(s):	Date(s):
Planning & Transportation Committee	13 December 2016
Subject: Revenue and Capital Budgets - 2017/18	Public
Report of: The Chamberlain Director of the Built Environment Director of Culture, Heritage & Libraries	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 latest revenue budget for 2016/17 and 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 each Director.

Strategic priorities for the forthcoming year include:

Director of the Built Environment

- Support the City's primary role as the world's leading international financial and business centre;
- Implement the City's commitment to smart enablement and innovation.

Director of Culture Heritage & Libraries

- Educate, entertain & inform, by discovery of our amazing range of resources.

Table 1 Summary Revenue Budgets 2016/17 and 2017/18	Original Budget 2016/17 £'000	Latest Budget 2016/17 £'000	Original Budget 2017/18 £'000
Expenditure	29,763	30,892	31,708
Income	(22,990)	(24,209)	(24,589)
Support Services & Capital Charges	11,647	11,129	12,341
Total Net Expenditure	18,420	17,812	19,460

Overall, the 2016/17 latest budget is £17.812m, a decrease of (£608,000) compared with the original budget for 2016/17. The main reasons for this decrease are:

- Change to phasing of City Surveyor's Additional Works Programme (£736,000).
- Additional income for PCN's (£552,000), parking suspension/dispensation income (£175,000) and parking meter income (£75,000).
- Car Parks rates re-valuation refund back dated from 2010/11 (£513,000).

- A decrease in support services and capital charges (£518,000) relating mostly to a reduction in highway infrastructure asset depreciation costs.
- Additional income for Service Level Agreement relating to Thames Tideway Tunnel Project (£282,000).
- Increased transfer to reserve £890,000 due to additional On-Street parking income.
- Reduced transfer from reserves of £728,000 required due mainly to car parks rates re-valuation refund £513,000 and a further reduction in net operating costs of the car parks £215,000, largely due to reduced AWP works.
- Departmental underspends which have been re-allocated to various priority works required elsewhere within the Department £471,000.
- Approved carry forwards from 2015/16 £81,000.

The 2017/18 provisional budget is £19.460m, an increase of £1,040,000 compared with the original budget for 2016/17. Main reasons for this increase are:

- Increase in support services and capital charges £694,000 mainly attributable to an increase in highway infrastructure asset depreciation costs.
- Increased transfer to reserves £594,000 due to additional On-Street parking income.
- Net increase of £541,000 in pay costs due to provisions for pay award, incremental and career progression, maternity cover and increased agency staff costs.
- Change to phasing of City Surveyor's Additional Works Programme £416,000.
- Inflationary increases on Indigo contract costs for On-Street and Off-Street Parking include London Living Wage allowance increases £114,000.
- Additional income for PCN's (£552,000), Service Level Agreement relating to Thames Tideway Tunnel Project (£282,000) and parking meter income (£73,000).
- Service based review savings relating to Street Lighting Review (£275,000).
- Increased recharge to capital projects reflects additional staff costs which are fully recovered from TFL/S106/S278 (£155,000).

Recommendations

The Committee is requested to:

- Note the latest 2016/17 revenue budget.
- 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.
- Review and approve the draft 50 year Bridges' Repairs, Maintenance and Major Works Fund budgets and the consequent required contributions.
- Authorise the Chamberlain to revise these budgets for changes to the Additional Works Programme and in respect of recharges.

Main Report

Background

1. This report sets out the latest budget for 2016/17 and the proposed revenue budgets for 2017/18. The revenue budget management arrangements are to:
 - Provide a clear distinction between local, central and recharge risk 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 original budget for 2016/17. The budget is further 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.
3. The report also compares the current year's budget with the forecast outturn.
4. In the various tables, income and favourable variances are presented in brackets. Only significant variances (generally those greater than £50,000) have been commented on.

Business Planning Priorities

Director of the Built Environment

5. This budget enables the Department of the Built Environment to support the Corporate Plan, the ambitions of the Place, People and Prosperity Steering Groups and deliver the Department's business plan. This includes:
 - Support the City's primary role as the world's leading international financial and business centre.
 - Implement the City's commitment to smart enablement and innovation.
 - Provide an excellent integrated service to City developers and occupiers from pre-construction to demolition.
 - Promote high quality, sustainable development which provides flexible workspaces and a mix of uses in a secure and resilient City.
 - Deliver quality public realm with room for all to enjoy as part of agile lifestyles.

- Promote reduced emissions from vehicles and buildings creating a healthier environment for residents, workers and visitors.
- Manage all activities and services on the City's streets to ensure that moving around the City is easy, safe, accessible and enjoyable.
- Reduce road danger and increase active travel through intelligent flexible design and that encourages behaviour change.
- Support and facilitate opportunities that enhance the City's cultural offer.

Director of Culture, Heritage and Libraries

6. The department's vision 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.

Latest Revenue Budget 2016/17

7. Overall there is a decrease of (£608,000) between the Committees original and latest budget for 2016/17. Table 2 below summarises the movements between the original and latest budgets comprising this decrease. A further analysis of the local and central revenue budgets by service is provided in Appendix 1.

Table 2 Latest Revenue Budget 2016/17	Local or Central Risk	Original Budget 2016-17 £'000	Latest Budget 2016-17 £'000	Movement Increase/ (Decrease) £'000	Para Ref
Expenditure					
Employees	L	12,221	12,131	(90)	9
Employees	C	0	24	24	
Premises Related Expenses	L	5,511	5,929	418	10
Premises Related Expenses	C	1,123	698	(425)	11
City Surveyor – Repairs & Maintenance	L	1,447	711	(736)	12
Transport Related Expenses	L	28	28	0	
Supplies & Services	L	1,188	1,896	708	13
Supplies & Services	C	55	58	3	
Third Party Payments	L	3,375	3,712	337	14
Transfer to Reserve	C	4,598	5,488	890	15
Contingencies	C	15	15	0	
Capital Charges	C	202	202	0	
Total Expenditure		29,763	30,892	1,129	
Income					
Grants, Reimbursements & Contributions	L	(188)	(1,067)	(879)	10/13
Grants, Reimbursements & Contributions	C	(184)	(184)	0	
Customer, Client Receipts	L	(8,029)	(8,287)	(258)	16
Customer, Client Receipts	C	(8,421)	(9,174)	(753)	17
Transfer from Reserves	L	0	(30)	(30)	
Transfer from Reserves	C	(2,577)	(1,849)	728	18
Recharges to Capital Projects	L	(3,461)	(3,488)	(27)	
Recharges to Capital Projects	C	(130)	(130)	0	
Total Income		(22,990)	(24,209)	(1,219)	
Total Local & Central Risk Exp		6,773	6,683	(90)	
Support Services & Capital Charges					
Central Support & Capital Charges		11,078	10,395	(683)	
Recharges within Fund		610	755	145	
Recharges Across Funds		(41)	(21)	20	
Total Support Services & Capital		11,647	11,129	(518)	19
TOTAL NET EXPENDITURE		18,420	17,812	(608)	

8. The significant movements in the local and central budgets are explained in the paragraphs below.
9. Employee cost decrease (£90,000) mainly relates to staff vacancies in Building Control.

10. Increase of £418,000 in local risk premises costs mainly relates to:
 - Local Implementation Plan Programme £156,000 and street scene works £164,000, all of which are offset by matching income contributions.
 - Additional highway resurfacing maintenance works £100,000 and upgrade cost of pay and display machines £88,000.
 - Car parks rates revaluation refund of (£88,000) for 2016/17 only.
11. Decrease in central risk premises costs relates to London Wall and Baynard House Car parks rates revaluation refund back dated from 2010/11 (£425,000).
12. Decrease of (£736,000) reflecting changes in composition and phasing of works to the Additional Works Programme.
13. Increase due to agreed virements from departmental underspends which have been allocated to various priority works required elsewhere within the Department £181,000, carry forward monies from 2015/16 £35,000, and Local Implementation Plan Programme costs £281,000 and Street Scene works £211,000 which are offset by matching income contributions.
14. Increase of £290,000 due to agreed virements from departmental underspends which have been allocated to various priority works required elsewhere within the Department, £46,000 carry forward monies from 2015/16 for safety improvements to West Smithfield/Poultry Junction.
15. Increase of £890,000 in transfer to reserves from the reduced net operating costs for On-Street parking activities due to additional income from PCN's, parking suspension/dispensations and parking meters.
16. Increase due to additional income for Service Level Agreement relating to Thames Tideway Tunnel Project (£282,000).
17. Increase in income from PCN's (£552,000), parking suspension/dispensation income (£175,000), and parking meter income (£75,000) which is off-set by reduced income from pre-planning application advice £60,000.
18. Reduced transfer from reserves required of £728,000 to Off-Street Parking due to car parks rates re-valuation refund £513,000 and a further reduction in net operating costs of the car parks £215,000, largely due to reduced AWP works.
19. Reduced support services and capital charges due to a decrease in highway infrastructure asset depreciation costs.

Proposed Revenue Budget for 2017/18

20. The provisional 2017/18 budgets being presented to your Committee, and under the control of the Directors of the Built Environment and Culture, Heritage & Libraries, have been prepared within the resources allocated to each Director and in accordance with guidelines agreed by the Policy & Resources and Finance Committees. These include 1% uplift for inflation, as well as the previously approved Service Based Review saving of £275,000 for Street Lighting Review.

21. Overall there is an increase of £1,040,000 between the Committees 2016/17 and 2017/18 original budgets. Table 3 below summarises the movements comprising this increase. A further analysis of the local and central revenue budgets by service is provided in Appendix 2.

Table 3 Provisional Revenue Budget 2017/18	Local or Central Risk	Original Budget 2016-17 £'000	Original Budget 2017-18 £'000	Movement Increase/ (Decrease) £'000	Para Ref
Expenditure					
Employees	L	12,221	12,762	541	23
Premises Related Expenses	L	5,511	5,749	238	24
Premises Related Expenses	C	1,123	1,134	11	
City Surveyor – Repairs & Maintenance	L	1,447	1,863	416	25
Transport Related Expenses	L	28	28	0	
Supplies & Services	L	1,188	1,175	(13)	
Supplies & Services	C	55	90	35	
Third Party Payments	L	3,375	3,489	114	26
Transfer to Reserve	C	4,598	5,192	594	27
Contingencies	C	15	15	0	
Capital Charges	C	202	211	9	
Total Expenditure		29,763	31,708	1,945	
Income					
Grants, Reimbursements & Contributions	L	(188)	(200)	(12)	
Grants, Reimbursements & Contributions	C	(184)	(184)	0	
Customer, Client Receipts	L	(8,029)	(8,804)	(775)	28
Customer, Client Receipts	C	(8,421)	(9,057)	(636)	29
Transfer from Reserves	C	(2,577)	(2,598)	(21)	
Recharges to Capital Projects	L	(3,461)	(3,616)	(155)	30
Recharges to Capital Projects	C	(130)	(130)	0	
Total Income		(22,990)	(24,589)	(1,599)	
Total Local & Central Risk Exp		6,773	7,119	346	
Support Services & Capital Charges					
Central Support & Capital Charges		11,078	11,688	610	
Recharges within Fund		610	675	65	
Recharges Across Funds		(41)	(22)	19	
Total Support Services & Capital		11,647	12,341	694	31
TOTAL NET EXPENDITURE		18,420	19,460	1,040	

22. The significant movements in local and central budgets are explained in the paragraphs below.

23. Increase in employee costs is due to departmental provision for pay award, incremental increases, career grade progression and additional agency staff costs.

24. Increase mainly in highway related recoverable works £300,000, which are offset by matching income contributions from Developers and decrease in electricity costs (£41,000).
25. Increase of £416,000 reflecting changes in composition and phasing of works to the City Surveyors Additional Works Programme.
26. Uplift in contract costs including London Living Wage increases for On-Street and Off Street parking contracts with Indigo.
27. Increase in the transfer to reserve £594,000 reflects the reduced net operating costs for On-Street parking activities mainly due to additional PCN and parking meter income.
28. Increase in income mainly relates to additional highway related recoverable works (£300,000) to cover increased work costs, additional income for Service Level Agreement relating to Thames Tideway Tunnel Project (£282,000) and additional Off-Street car park income (£236,000) which has been identified to meet the proposed SBR saving.
29. Increase relates mainly to additional PCN and parking meter income.
30. Increased recharge to capital projects reflects additional employee costs for staff working on projects which are fully recovered from TFL/S106/S278 monies.
31. Increase in central support services and capital charges reflects the net impact of changes in the budgets of central departments and their apportionment between committees, as shown in Appendix 3. The movement in support services is primarily attributable to increases in capital charges due to additional highway infrastructure asset depreciation costs, as a result of anticipated capital expenditure in respect of the Aldgate project and other capital works including Riverside Walkway, Bank Area Strategy, various street scene and security enhancement schemes.
32. Budgets have provisionally been included for the 2017/18 Additional Works Programme based on bids considered by the Corporate Asset Sub Committee in September 2016. However, a decision on the funding of the programme is not due to be made by the Resource Allocation Sub Committee until January 2017. It may therefore be necessary to adjust budgets to reflect the Resource Allocation Sub Committee's decision. It should be noted that the corporate Building Repairs and Maintenance contract is currently being re-tendered and the new contract will commence on 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.

33. The increase of £416,000 in the budget for the City Surveyor's Additional Works Programme reflects changes in the composition and phasing of the works. See Table 4 below.

Table 4 City Surveyor Local Risk Repairs and Maintenance	Original Budget 2016/17 £'000	Original Budget 2017/18 £'000	Movement 2016/17 to 2017/18 £'000
Additional Works Programme	1,154	1,508	354
Planned, Re-active and Cyclical Works			
Highways	158	165	7
Off Street Parking	97	152	55
Town Planning	38	38	0
	293	355	62
Total City Surveyor	1,447	1,863	416

34. A summary of the movement in manpower and related staff costs are shown in Table 5 below.

Table 5 Manpower statement	Original Budget 2016/17		Original Budget 2017/18	
	Manpower Full-time Equivalent	Estimated Cost £000	Manpower Full-time Equivalent	Estimated Cost £000
Director of Built Environment				
Town Planning	51.4	2,788	52.8	2,906
Planning Obligations	2.2	126	2.2	131
Transportation Planning	47.0	2,713	47.0	2,860
Road Safety	5.0	273	5.0	285
Building Control	26.2	1,543	26.2	1,598
Structural Maintenance/Inspections	5.0	316	5	324
Highways	24.8	1,412	24.8	1,518
Traffic Management	17.3	768	17.3	787
Off-Street Parking	2.0	90	2	92
On-Street Parking	13.4	597	13.4	597
Drains & Sewers	8.4	419	8.4	414
	202.7	11,045	204.1	11,512
Director Culture, Heritage & Libraries				
Tower Bridge Operational	27.2	1,176	28.5	1,250
	27.2	1,176	28.5	1,250
Total P&T Committee	229.9	12,221	232.6	12,762

Potential Further Budget Developments

35. The provisional nature of the 2017/18 revenue budget recognises that further revisions may be required, particularly in relation to:
- Decisions on funding of the Additional Work Programme by the Resource Allocation Sub Committee in January 2017;
 - Budget reductions to capture savings arising from the on-going Service Based Reviews; and
 - Central and departmental recharges.

Bridges Repairs, Maintenance and Major Works

36. The functions relating to the control, maintenance and repair of the 5 City river bridges (delegated to Planning and Transportation Committee) is exercised in the City's capacity as trustee of Bridge House Estates (BHE). The main purpose of the BHE charity is the maintenance and support of the bridges. In considering whether or not to expend funds of the BHE, the City Corporation as sole trustee of the charity must ensure expenditure is in furtherance of the charitable purposes and BHE is compliant with the duties on the City as trustee (including to act in the best interests of the charity). See Appendix 4 for a summary of the principal duties and responsibilities of charity trustees.
37. The City as trustee has established a designated fund to meet expenditure on repair, maintenance and works on the bridges, known as the BHE Bridges, Repairs, Maintenance and Major Works Fund. It is operated to provide sufficient resources to meet maintenance costs of the five bridges over a period on 50 years. In accordance with the management of the fund, the schemes have been reviewed and updated in the 50 year projections to 2066/67. These are shown in Appendix 5.
38. The balance of the Fund stood at £142.8m as at 1 April 2016, which comprised of property investments of £30.7m, managed investments of £89.3m and cash of £22.8m. In accordance with the management of the fund, the Director of Built Environment has reviewed and updated the schemes included in the 50 year projections to 2066/67. A summary of the works projection and consequent contributions from Bridge House Estates is shown below in Table 6. The proposed works are considered to be within the purposes of BHE and the planned expenditure appropriate. A supplementary report in respect of the River Camera Project expenditure was considered by your committee earlier during the year.

Table 6: Thames Bridges Repairs, Maintenance and Major Works Fund 50 Year Works and Required Contributions Projection to 2066/67		
	£'000	£'000
Balance brought forward 1st April 2016		(142,802)
Planned expenditure (inflated at 1% pa):		
• Blackfriars Bridge	39,840	
• Southwark Bridge	36,907	
• London Bridge	17,548	
• Millennium Bridge	20,079	
• Tower Bridge	82,354	196,728
Forecast income:		
• Managed Investments	(118,693)	
• Interest Accruing	(4,701)	
• Rental Income from Bridge House Estates	(63,134)	(186,528)
Net balance before planned contributions		(132,602)
Planned contributions to Fund		(72,256)
Forecast balance as at 31st March 2067		(204,858)

39. Within the budgets provided for you as part of the overall Bridges Repairs Fund, there are a number of supplementary revenue projects which will be required to proceed through the gateway approval procedure. The forthcoming projects that will be required to proceed through the gateway approval procedure are summarised in Table 7 below.

Table 7	Project	Budget	Starting Date
Blackfriars Bridge	Parapet repairs/strengthening	£631,000	2017/18-2018/19
Southwark Bridge	Joint replacement & footway strengthening	£1,250,000	2018/19
London Bridge	Floodlighting replacement	£532,400	2017/18
	Bearing replacement/Waterproofing	£2,351,000	2017/18-2019-20
Millennium Bridge	Cable re-tensioning (if required)		2018/19
Tower Bridge	Bascule Deck Replacement	£6,728,000	2016/17
	Window Repair/Replacement	£321,600	2016/17-2017/18
	Walkway and Tower Roofs	£658,800	2016-17-2017/18
	High Voltage System replacement	£505,000	2017/18
All Bridges	River Camera Project	£458,600	2016/17-2019/20

Draft Capital and Supplementary Revenue Budgets

40. The latest estimated costs for the Committee's draft capital and supplementary revenue projects are summarised in Appendix 6. These will be presented to the Court of Common Council for formal approval in March 2017.
41. 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.
42. It should be noted that the figures in Appendix 6 exclude the indicative costs of schemes which have not yet received authority to start work, such as the capital costs of implementing the street lighting strategy or the Bank Junction improvements.

Appendices

- **Appendix 1** - 2016/17 Latest Local and Central Risk Revenue Budget:
Analysis by Service Managed
- **Appendix 2** - 2017/18 Original Local and Central Risk Revenue Budget:
Analysis by Service Managed
- **Appendix 3** - Support Services and Capital Charges from/to P&T Committee
- **Appendix 4** – Summary of Charity Trustee's role
- **Appendix 5** – Bridges Repairs, Maintenance and Major Fund 50 Year Programme
- **Appendix 6** – Draft Capital and Supplementary Revenue Projects

Contact Chamberlain's Department:

Simon Owen – simon.owen@cityoflondon.gov.uk

Dipti Patel - dipti.patel@cityoflondon.gov.uk