

<b>Committee:</b>	<b>Date:</b>
Finance Committee	21 February 2017
<b>Subject:</b> Revenue Budget Monitoring to December 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 quarter three is £7.9m better than budget. This comprises an adverse variance of £0.3m on Chief Officer Cash Limited Budgets which has been more than offset by a favourable variance of £8.2m on Central Risk (Corporate) Budgets.

### Chief Officer Cash Limited Budgets

The year end forecast is £0.3m over the latest approved budget of £211.3m, which represents an improvement of £2.5m compared to the forecast position at quarter two. The key cause for the improvement is the additional resources of £2.8m in relation to the IT service provision. Brief commentary on the main variances and actions being taken are outlined in Appendix 1.

### Central Risk Budgets

#### *Corporate Income Budgets*

Forecast property investment income and interest earnings are anticipated to be better than original budget by £6.7m and £1.5m respectively. The latest budgets which take account of the forecast outturns are outlined in a separate report 'Revenue and Capital Budgets 2016/17 and 2017/18', elsewhere on the agenda.

### Risk

The Police forecast excludes any potential overspending on the Police Action Fraud project. The potential overspending in 2016/17, which depends on the timing of milestone payments to IBM as work is completed, could be in the order of £0.5m. The project's overall finances are currently being reviewed in depth by the City Police finance team and a report will be submitted to Projects Sub (Policy and Resources) Committee on a revised funding strategy.

## Recommendation

Members are asked to note the report.

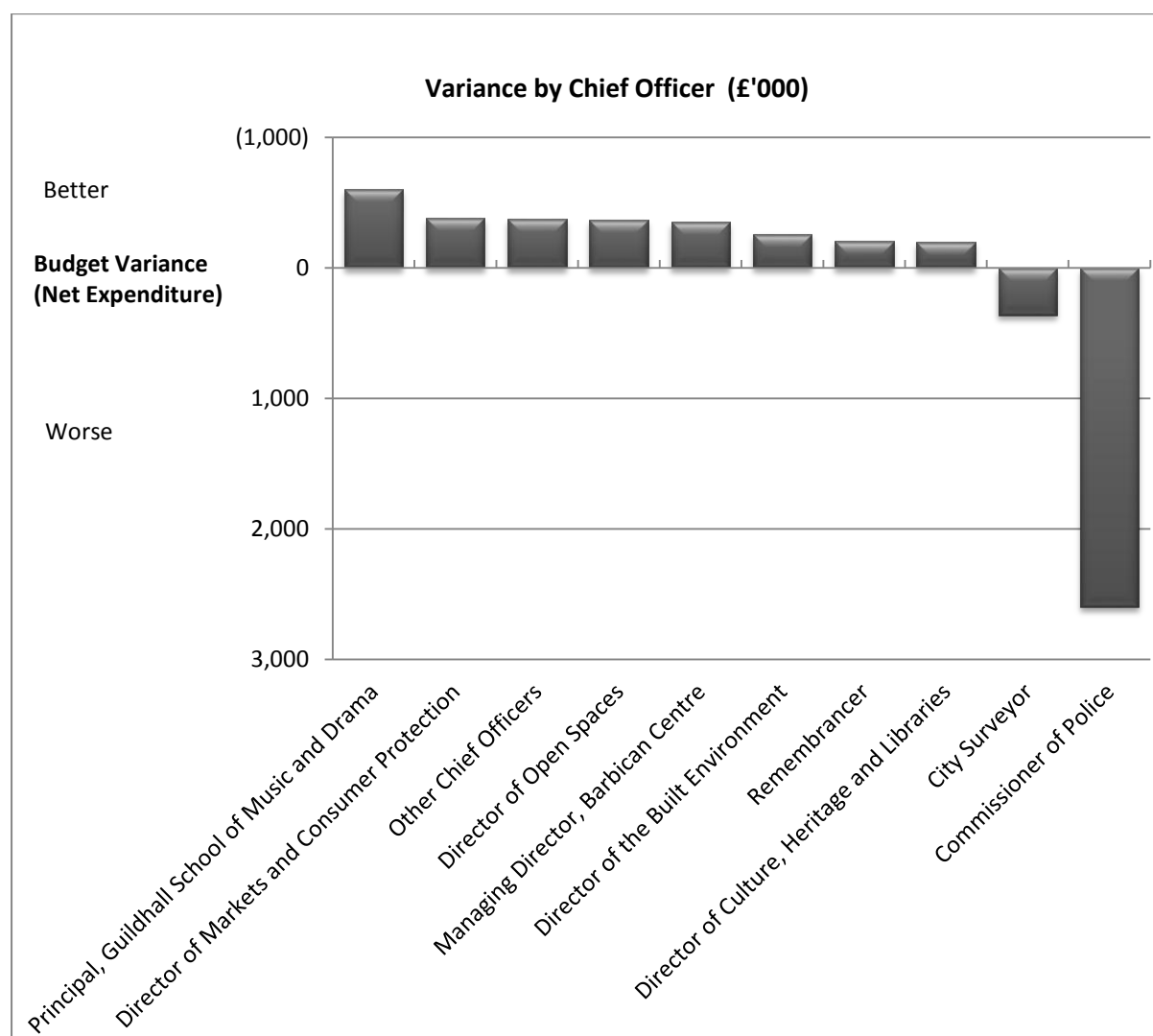
## Main Report

### Chief Officer Cash Limited Budgets

1. The year end forecast is £0.3m over the latest approved budget of £211.3m, which represents an improved position of £2.5m compared to the forecast position at quarter two. The key cause for the improvement is the additional

resources of £2.8m (£1.9m for Chamberlains and £0.9m for Police) in relation to the IT service provision.

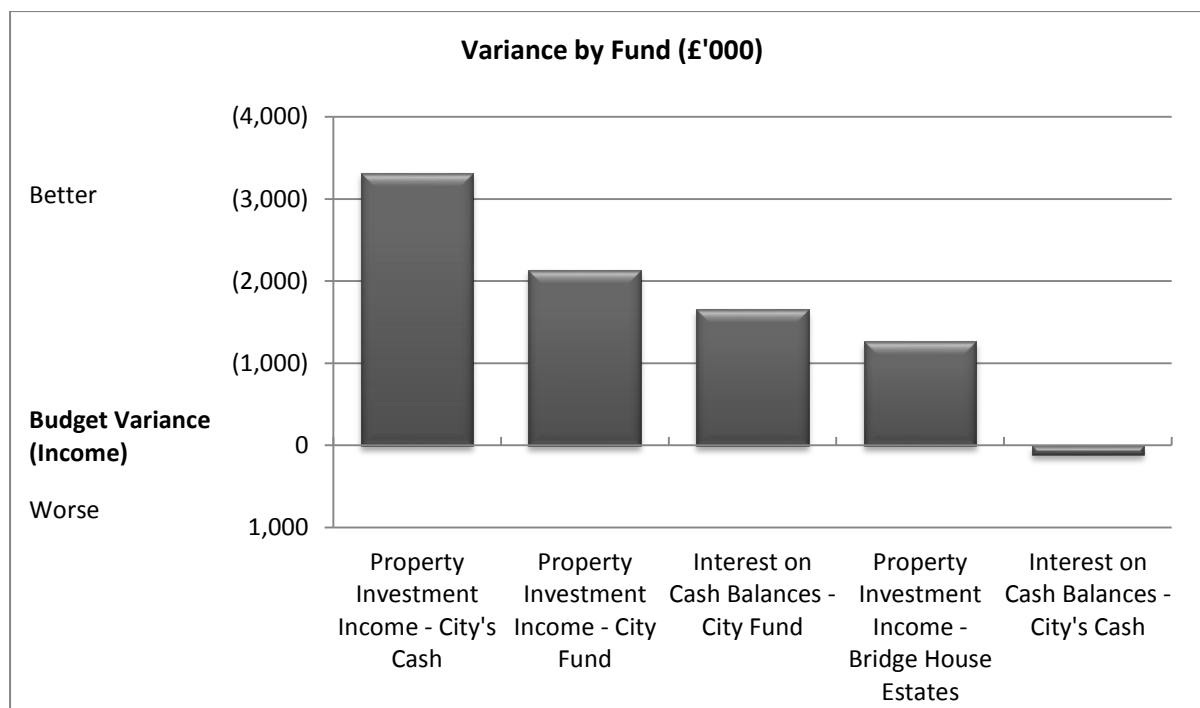
2. The below graph shows Chief Officers with significant variances against budget forecast for the full year. Brief commentary on the main variances and actions being taken are outlined in Appendix 1. The other Chief Officers are broadly in line with the year to date and full year budgeted positions.
3. A summary of changes from Chief Officers original cash limited budgets to latest budgets is provided in Appendix 3.



4.

## Central Risk Budgets

### Corporate Income Budgets



5. The forecast outturn for property investment income is a positive variation of £6.7m against original budget due to a number of rental movements across the investment estates as follows:
  - City's Cash (£3.3m) – is mainly due to new lettings at 53 New Broad St, 220-226 Tottenham Court Road and rent received from a new property acquisition at 37/39 Creechurch Lane.
  - City Fund (£2.1m) – is mainly due to rent received on a new property acquisition at 133-137 Whitechapel High St and rent review at Baynard House.
  - Bridge House Estate (£1.3m) – is principally due to rental income at 24-25 New Bond Street.
6. The forecast outturn for interest earnings is £1.5m better than original budget comprising a favourable variance on City Fund of £1.6m, partially offset by an unfavourable variance on City's Cash of £0.1m.
7. The latest budgets which take account of the forecast outturns are outlined in a separate report 'Revenue and Capital Budgets 2016/17 and 2017/18', elsewhere on the agenda.

## Risks

7. The Police forecast excludes any potential overspending on the Police Action Fraud project. The potential overspending in 2016/17, which depends on the timing of milestone payments to IBM as work is completed, could be in the order of £0.5m. The project's overall finances are currently being reviewed in depth by the City Police finance team and a report will be submitted to Projects Sub (Policy and Resources) Committee on a revised funding strategy.

## **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 31<sup>st</sup> December 2016
- Appendix 4: Central Risk (Corporate Income Budgets) - Full year forecast variances

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## Appendix 1

Chief Officer	Latest Approved Budget £'000	Forecast £'000	Forecast Variance (B)/W £'000	Forecast Variance (B)/W %
Principal, Guildhall School of Music and Drama	5,546	4,946	(600)	(11)
Director of Markets and Consumer Protection	3,702	3,320	(382)	(10)
Other Chief Officers	53,938	53,564	(374)	(1)
Director of Open Spaces	10,815	10,447	(368)	(3)
Managing Director, Barbican Centre	18,178	17,828	(350)	(2)
Director of the Built Environment	16,000	15,741	(259)	(2)
Remembrancer	796	593	(203)	(26)
Director of Culture, Heritage and Libraries	8,277	8,081	(196)	(2)
City Surveyor	29,523	29,884	361	1
<b>Total (excluding Police)</b>	<b>146,775</b>	<b>144,404</b>	<b>(2,371)</b>	<b>(2)</b>
Commissioner of Police	64,570	67,170	2,600	4
<b>Total (including Police)</b>	<b>211,345</b>	<b>211,574</b>	<b>229</b>	<b>0</b>

Chief Officer	Latest Budget £'000	Forecast Variance (B)/W £'000	Cause/Action
Principal, Guildhall School of Music and Drama	5,546	(600)	Student recruitment at the start of the 2017/18 academic year being 71 FTE's higher than planned.
Director of Markets and Consumer Protection	3,702	(382)	Additional 'Passports for Pets' and car park income; savings on salary costs due to vacant posts and energy costs due to a lower unit price.

Chief Officer	Latest Budget £'000	Forecast Variance (B)/W £'000	Cause/Action
Other Chief Officers	53,938	(374)	<p>This comprises other Chief Officers who are broadly in line with the year to date and full year budgeted positions. The forecast variance of £374k comprises favourable variances of £165k for Town Clerk, £120k for Chamberlain and £91k for Private Secretary and Chief of Staff to the Lord Mayor; which are partially offset by an adverse variance of £2k for Director of Community and Childrens Services. The total variance of £374k is principally due to underspends on staff and travel costs.</p> <p>The following Chief Officers are forecasting to be on budget at year end - Comptroller and City Solicitor; Headmistress, City of London School for Girls and Head, City of London School and Headmaster, City of London Freeman's School.</p>
Director of Open Spaces	10,815	(368)	Above target income at the Cemetery and Crematorium.
Managing Director, Barbican Centre	18,178	(350)	Increased activity at the gallery, theatre and business events, as well as income for development expected to be received in Q4.
Director of the Built Environment	16,000	(259)	Additional barrier, car park and 'Drain & Sewers Service' income and savings on electricity and salaries. Also admin fees held on the balance sheet from old closed recoverable jobs has been redistributed to provide highway maintenance in other areas and will result in a lower draw down from the Parking Meter Reserve at year end.
Remembrancer	796	(203)	Increased Guildhall lettings income.
Director of Culture, Heritage and Libraries	8,277	(196)	The forecast comprises a favourable variance of £300k on Tower Bridge partially offset by an adverse variance of £104k on Monument. Tower Bridge income is forecast to be significantly above the uplifted income target, which is due to the impact of the refurbishment works being less disruptive on performance as originally expected. Monument has experienced a shortfall in income following its closure for repair work and limited access due to TfL hoardings at Fish Hill.

Chief Officer	Latest Budget £'000	Forecast Variance (B)/W £'000	Cause/Action
City Surveyor	14,807	361	<p>The total variance of £361k is principally due to projected overspends at Walbrook Wharf of £157k and the Guildhall Complex of £147k.</p> <p>At Warlbroke Wharf, unforeseen reactive repairs to ageing assets have been incurred for health and safety reasons, together with unexpected flood risk mitigation works. All areas of discretionary spend will be reviewed to try and reduce the forecast overspend position by year end.</p> <p>At Guildhall, despite the additional resources agreed in December of £372k to meet higher running costs including repairs and maintenance and energy costs, there are still budget pressures on the cost of providing security services for the complex. An in-depth value for money exercise on security services for Guildhall has been fasttracked as part of a cross-cutting thematic exercise. The findings of the review and options for the future are due to be reported to the Strategic Asset Management Board, however at this time a year end overspend of £147k is anticipated.</p>
Commissioner of Police	64,570	2,600	<p>For the City Police, the latest forecast indicates that a transfer of £2.6m will be required to remain within the cash limit of £64.6m. The budget was based on remaining within the cash limit without any call on reserves, using £2.6m from the general reserve would leave a balance of £1.5m at 31<sup>st</sup> March 2017. The Police forecast excludes any potential overspending on the Police Action Fraud project. The potential 2016/17 overspending, which depends on the timing of milestone payments to IBM as work is completed, could be in the order of £0.5m. The project's overall finances are currently being reviewed in depth by the City Police finance team and a report will be submitted to Projects Sub (Policy and Resources) Committee.</p>

## Appendix 2

Original Budget	Chief Officer Cash Limited Budgets	Full Year Forecast as at 30th September			Full Year Forecast as at 31st December			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
	City Fund							
1,736	Chamberlain	1,819	(50)	(3)	1,819	(50)	(3)	0
5,053	City Surveyor	5,651	14	0	5,607	133	2	119
7,387	Director of Community & Children's Services	7,560	(58)	(1)	7,627	2	0	60
7,831	Director of Culture, Heritage & Libraries	7,906	0	0	7,939	0	0	0
1,955	Director of Markets & Consumer Protection	2,155	(99)	(5)	2,184	(232)	(11)	(133)
(646)	Director of Open Spaces	(520)	(363)	(70)	(516)	(368)	(71)	(5)
15,563	Director of the Built Environment	15,788	(446)	(3)	15,744	(258)	(2)	188
16,909	Managing Director, Barbican Centre	18,108	0	0	18,178	(350)	(2)	(350)
7,552	Town Clerk	7,743	(50)	(1)	7,764	(100)	(1)	(50)
63,340	Total City Fund (excluding Police)	66,210	(1,052)	(2)	66,346	(1,223)	(2)	(171)
	City's Cash							
69	Chamberlain	69	0	0	69	0	0	0
14,225	City Surveyor	14,555	(15)	(0)	14,425	82	1	97
420	Director of Community & Children's Services	445	0	0	445	0	0	0
(42)	Director of Culture, Heritage & Libraries	(17)	104	612	(17)	104	612	0
1,457	Director of Markets & Consumer Protection	1,603	(68)	(4)	1,518	(150)	(10)	(82)
10,993	Director of Open Spaces	11,309	0	0	11,331	0	0	0
799	Head, City of London School	799	0	0	816	0	0	0
60	Headmaster, City of London Freeman's School	(51)	(2)	(4)	(51)	0	0	2
155	Headmistress, City of London School for Girls	155	0	0	171	0	0	0
5,479	Principal, Guildhall School of Music & Drama	5,479	0	0	5,546	(600)	(11)	(600)
2,381	Private Secretary & Chief of Staff to the Lord Mayor	2,471	(66)	(3)	2,615	(91)	(3)	(25)
1,080	Remembrancer	1,105	0	0	1,134	0	0	0
569	Town Clerk	667	0	0	672	(15)	(2)	(15)
37,645	Total City's Cash	38,589	(47)	(2)	38,674	(670)	(2)	(623)
	Bridge House Estates							
2,412	City Surveyor	2,412	4	0	2,420	0	0	(4)
595	Director of Culture, Heritage & Libraries	667	(300)	(45)	355	(300)	(85)	0
256	Director of the Built Environment	256	0	0	256	(1)	(0)	(1)
1,267	Town Clerk	1,309	0	0	1,358	0	0	0
4,530	Total Bridge House Estates	4,644	(296)	(6)	4,389	(301)	(7)	(5)
	Guildhall Administration							
18,532	Chamberlain	18,752	1,770	9	20,648	(70)	(0)	(1,840)
6,696	City Surveyor	6,696	379	6	7,071	146	2	(233)
2,897	Comptroller and City Solicitor	3,119	0	0	3,184	0	0	0
(379)	Remembrancer	(339)	0	0	(338)	(203)	(60)	(203)
6,664	Town Clerk	6,802	0	0	6,801	(50)	(1)	(50)
34,410	Total Guildhall Administration	35,030	2,149	6	37,366	(177)	(0)	(2,326)
139,925	Grand Totals (excluding Police)	144,473	754	1	146,775	(2,371)	(2)	(3,125)
58,347	Commissioner of Police	63,580	2,000	3	64,570	2,600	4	600
198,272	Grand Totals	208,053	2,754	1	211,345	229	0	(2,525)



### 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		4,548
		<b>144,473</b>
Movements since previous report		
Additional resources for IT Department approved by Court of Common Council 8/12/16	1,896	
Contribution pay and London Living wage adjustments	676	
Allocation from contingencies for Guildhall Complex approved by Resource Allocation Sub Committee 15/12/16	372	
Transfer of City Surveyor budget to a SRP for Temple Chambers	(305)	
Base budget uplift to Tower Bridge Tourism income target agreed by Culture, Heritage & Libraries Committee 5/12/16	(300)	
Budget reductions for Graduate Scheme, Printing & Stationery and Pensioners Lunch as part of SBR savings	(219)	
Additional resources for 'Promoting the City' agreed by Resource Allocation Sub 5/7/16	173	
Adjustment for rates revaluations	(168)	
Allocation from contingencies for Investment Property Group approved by Resource Allocation Sub 15/12/16	83	
Adjustment for Barbican Residential loss of rent income from sold flats	53	
Additional resources for City Bridge Trust approved by Resource Allocation Sub 15/12/16	49	
Approved local risk carry forwards, including Barbican Residential 2015/16 overspend	(39)	
Latest estimates for Schools agreed in December 2016 by Board of Governors	33	
Other minor adjustments	(2)	
		2,302
<b>Latest Budget (Excluding Police)</b>		<b>146,775</b>

## Appendix 4

	Original Budget £'000	Forecast Outturn £'000	Variance (B)/W £'000	Variance (B)/W %
Property Investment Income - City's Cash	(50,447)	(53,765)	(3,318)	(7%)
Property Investment Income - City Fund	(42,329)	(44,466)	(2,137)	(5%)
Property Investment Income - Bridge House Estates	(20,153)	(21,414)	(1,261)	(6%)
<b>Total Property Investment Income</b>	<b>(112,929)</b>	<b>(119,645)</b>	<b>(6,716)</b>	<b>(6%)</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>(53%)</b>
<b>Total</b>	<b>(115,829)</b>	<b>(124,084)</b>	<b>(8,255)</b>	<b>(7%)</b>