

Committee:	Dated
Finance Committee	21 November 2017
Subject: Revenue Budget Monitoring to September 2017	Public
Report of: Chamberlain	For Information
Report author: Philip Gregory, Deputy Financial Services Director	

Summary

The overall forecast year end position at the end of quarter two is £4.8m better than budget. This comprises an adverse variance of £1.5m on Chief Officer Cash Limited Budgets which has been more than offset by a favourable variance of £5.3m on Central Risk Corporate Income Budgets.

Chief Officer Cash Limited Budgets

The year-end forecast at quarter two is £1.5m (1%) worse than the latest approved budget of £212.5m. This represents a worsening position of £1.8m compared to the forecast year end position at quarter one. Key causes of the deterioration are budget pressures in relation to the Police service provision and unexpected costs borne by the City Surveyor.

Central Risk Budgets - Corporate Income Budgets

Property investment income and interest earnings are anticipated to be better than budget by £3.9m and £1.4m respectively at year end.

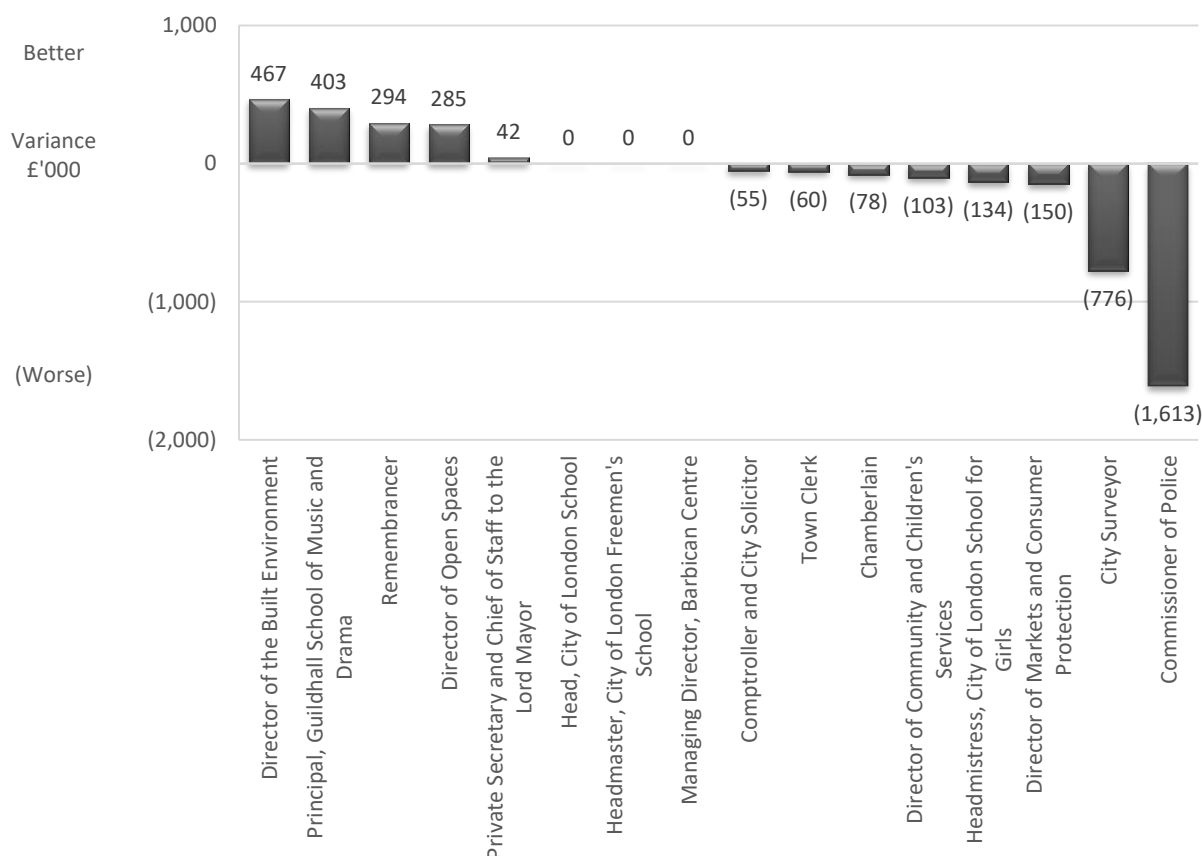
Recommendation

Members are asked to note the report.

Main Report

Chief Officer Cash Limited Budgets

- The year-end forecast is £1.5m (1%) worse than the latest approved budget of £212.5m. Chief Officer variances against net local risk budgets are shown in the graph below.

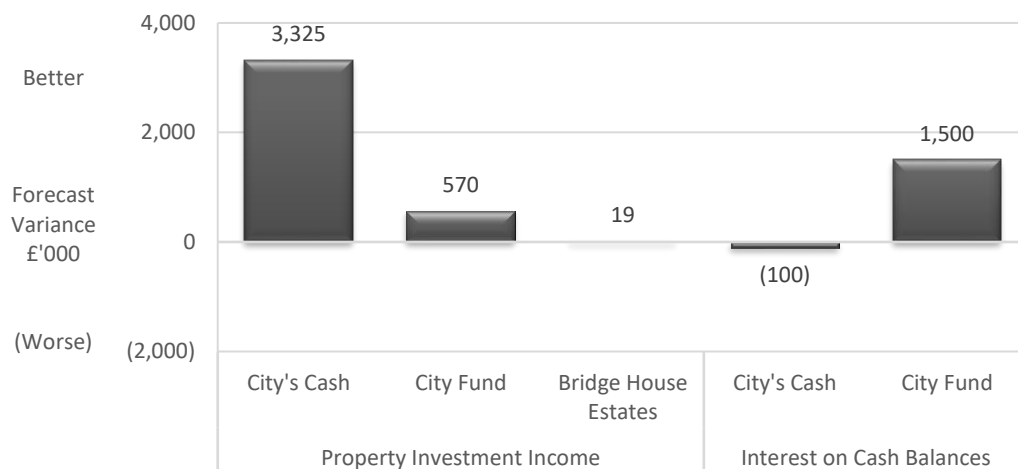


- The forecast comprises a favourable variance of £3.3m (1%) against budgeted income of £239.3m which has been more than offset by an unfavourable variance of £4.8m (1%) against budgeted expenditure of £451.8m. Brief commentary for significant variances and mitigating actions being taken are outlined in Appendix 1.
- The quarter two year-end forecast represents a worsening position of £1.8m compared to the forecast year end position at quarter one. Key causes of the deterioration are budget pressures in relation to the Police service provision and unexpected costs borne by the City Surveyor.
- The achievement of the Police efficiency savings target is at present proving to be extremely challenging in light of the increased terror threat and the impact on both pay and non-pay budgets. The force will continue to seek opportunities to address this issue.

5. The City Surveyor has borne substantially higher than expected void costs at 4-14 Tabernacle and 15 Worship Street, however this is more than compensated for by the increase in rental income from the property portfolio on central risk, see paragraph 7.

Central Risk - Corporate Income Budgets

6. Year-end corporate income is forecast to be £5.3m (4%) better than budget of £123m comprising £3.9m for property investment income and £1.4m for interest on cash balances.



7. Property investment income is forecast to be £3.9m (3%) better than the original budget of £119.6m as follows:

- City's Cash (£3.3m) – following a number of rent reviews, new lettings and lease renewals at various properties including Smithfield Commercial Offices and 213-215 Tottenham Court Road. As well as rent received for a new property acquisition at 21 Worship Street and additional rental income anticipated from Orsman Road.
- City Fund (£0.6m) – due to a tenant at 43 Worship Street continuing in occupation after expiration of lease.

8. The forecast outturn for interest earnings is anticipated to be £1.4m better than original budget of £3.4m (41%) at year end. This comprises a favourable variance of £1.5m on City Fund partially offset by an unfavourable variance of £0.1m on City's Cash. This reflects securing better than expected returns and the expected rate of return will be reviewed during the production of the Medium Term Financial Forecast.

Appendices

- Appendix 1: Brief commentary for the main full year variances for Chief Officer Cash Limited Budgets
- Appendix 2: Detailed full year variances and comparison with the previous quarter for Chief Officers Cash Limited Budgets by Fund
- Appendix 3: Summary of changes from original budget to latest budget at 30th September 2017 for Chief Officer Cash Limited Budgets
- Appendix 4: Detailed full year variances for Central Risk Corporate Income Budgets

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Chief Officer	Latest Gross Income/ (Expenditure) Budgets* £'000	Forecast Variance Better/ (Worse) £'000	Forecast Variance Better/ (Worse) %	Cause/Action
Director of Built Environment	14,429	198	1	Additional income from public conveniences, traffic management road closures, road permitting scheme, Bank Station upgrade TfL funding, off street car parks and recoverable works increased charges for administrative fees and staff time.
	(31,231)	269	1	Reduced expenditure is mainly due to vacant posts, reduced electricity charges at the car parks, lower staff costs in public conveniences (provision made for pension scheme but staff opted out) and reduced rates liability. Penalty deductions have also been imposed on 'Amey' for failure to achieve the required KPI's on street cleansing.
Principal, Guildhall School of Music and Drama	20,983	557	0	Additional income from higher student enrolment.
	(26,677)	(154)	(1)	Increased teaching costs due to additional student numbers.
Remembrancer	1,465	294	20	Increased income from lettings.
Director of Open Spaces	15,071	451	3	The Superintendent of the Cemetery and Crematorium expects last year's income to be attained which will result in a better than budgeted position of £314k; Tower Bridge is expecting to have a year- end surplus of around £100k and Westham Park are predicting an overachievement of income of £117k for a playground project.
	(25,455)	(166)	(1)	Additional staff costs at City Open Spaces and resources required for a playground project at Westham Park for which income has been raised.
Managing Director, Barbican Centre	26,516	1,088	4	Additional income from positive box office performance.
	(43,854)	(1,088)	(2)	There are several risks in buildings areas surrounding health and safety compliance, principally in fire safety. The delivery of SBR savings in the buildings division has also taken longer than anticipated and the majority will be made in 2018/19. The overspend on expenditure has been offset by additional income.
Chamberlain	436	167	38	Additional income largely from supplier rebates, reimbursements from London Councils for secondment costs and funding from Central London Forward for running a 'Competitive Dialogue' on their behalf.
	(23,858)	(245)	(1)	Overspend is mainly due to the lower than expected vacancy allowance partially offset by savings across several areas. Further savings will be identified in the second half of the year but these have so far not been scored.
Director of Community and Children's Services	16,777	235	1	Due to unspent grant income (DSG, Adult and Community Learning) from previous years which was not budgeted.
	(27,384)	(338)	(1)	Pressures on adult social care and older people services. A report is currently being prepared requesting additional resources.
City Surveyor	12,583	322	3	Due to an additional draw down from the balance sheet for 6-8 Bonhill of £608k which is partially offset by a reduced dilapidations drawdown of £101k and a shortfall of income from property deals of £175k.
	(56,106)	(1,098)	(2)	Overspend is mainly due to unexpected void costs at 4-14 Tabernacle and 15 Worship Street of £886k and funding for APFM posts not being carried forward of £290k, partially offset by savings on rates and professional fees due to lower than expected tenant turnover. The unfavourable local risk position is more than compensated for by the increase in rental income from the property portfolio in central risk.
Commissioner of Police	(120,234)	(1,613)	(1)	Overspend is mainly due to the failure to identify budgeted savings and additional fees. The achievement of the efficiency savings target is at present proving to be extremely challenging in light of the increased terror threat and the impact on both pay and non-pay budgets. The force will continue to seek opportunities to address this issue. The unfavourable local risk position is more than compensated for by the increase in rental income from the property portfolio in central risk.

*Brackets have been used to denote expenditure

Original Budget	Chief Officer - Local Risk Budgets	Full Year Forecast as at 30th June				Full Year Forecast as at 30th September			
		Latest Budget	Forecast	Variance Better/ (Worse)		Latest Budget	Forecast	Variance Better/ (Worse)	
		£'000	£'000	£'000	%	£'000	£'000	£'000	%
	City Fund								
(1,753)	Chamberlain	(1,753)	(1,753)	0	0	(1,854)	(1,759)	95	5
(5,068)	City Surveyor	(5,077)	(5,155)	(78)	(1)	(5,375)	(5,653)	(278)	(5)
(9,420)	Director of Community & Children's Services	(9,797)	(9,851)	(54)	(1)	(10,103)	(10,206)	(103)	(1)
(1,966)	Director of Markets & Consumer Protection	(2,152)	(2,054)	98	5	(2,343)	(2,333)	10	0
753	Director of Open Spaces	669	1,019	350	52	594	908	314	(53)
(15,405)	Director of the Built Environment	(16,075)	(15,885)	190	1	(16,545)	(16,079)	466	3
(15,851)	Managing Director, Barbican Centre	(17,053)	(17,053)	0	0	(17,338)	(17,338)	0	0
(13,058)	Town Clerk	(13,302)	(13,302)	0	0	(13,634)	(13,694)	(60)	0
(61,768)	Total City Fund (excluding Police)	(64,540)	(64,034)	506	1	(66,598)	(66,154)	444	1
	City's Cash								
(70)	Chamberlain	(70)	(70)	0	0	(75)	(98)	(23)	(31)
(14,710)	City Surveyor	(14,952)	(15,098)	(146)	(1)	(15,446)	(15,911)	(465)	(3)
(500)	Director of Community & Children's Services	(504)	(495)	9	2	(504)	(504)	0	0
(1,214)	Director of Markets & Consumer Protection	(1,257)	(1,425)	(168)	(13)	(1,338)	(1,498)	(160)	(12)
(10,473)	Director of Open Spaces	(10,781)	(10,781)	0	0	(10,957)	(11,086)	(129)	(1)
(881)	Head, City of London School	(933)	(933)	0	0	(933)	(933)	0	0
45	Headmaster, City of London Freeman's School	(5)	(5)	0	0	(5)	(5)	0	0
(113)	Headmistress, City of London School for Girls	(150)	(150)	0	0	(150)	(284)	(134)	(89)
(5,366)	Principal, Guildhall School of Music & Drama	(5,403)	(5,403)	0	0	(5,694)	(5,291)	403	7
(2,567)	Private Secretary & Chief of Staff to the Lord Mayor	(2,565)	(2,565)	0	0	(2,725)	(2,683)	42	2
(1,166)	Remembrancer	(1,191)	(1,191)	0	0	(1,226)	(1,226)	0	0
(568)	Town Clerk	(571)	(571)	0	0	(637)	(637)	0	0
(37,583)	Total City's Cash	(38,382)	(38,687)	(305)	(1)	(39,690)	(40,156)	(466)	(1)
	Bridge House Estates								
(2,441)	City Surveyor	(2,488)	(2,488)	0	0	(2,563)	(2,563)	0	0
14	Director of Open Spaces	(21)	(21)	0	0	(21)	79	100	476
(257)	Director of the Built Environment	(257)	(257)	0	0	(257)	(256)	1	0
(1,472)	Town Clerk	(1,472)	(1,456)	16	1	(1,485)	(1,485)	0	0
(4,156)	Total Bridge House Estates	(4,238)	(4,222)	16	0	(4,326)	(4,225)	101	2
	Guildhall Administration								
(21,138)	Chamberlain	(21,138)	(21,127)	11	0	(21,493)	(21,643)	(150)	(1)
(6,763)	City Surveyor	(6,855)	(6,857)	(2)	0	(6,875)	(6,908)	(33)	0
(2,981)	Comptroller and City Solicitor	(3,325)	(3,375)	(50)	(2)	(3,435)	(3,490)	(55)	(2)
384	Remembrancer	373	489	116	31	373	667	294	79
(6,298)	Town Clerk	(6,382)	(6,382)	0	0	(6,407)	(6,407)	0	0
(36,796)	Total Guildhall Administration	(37,327)	(37,252)	75	0	(37,837)	(37,781)	56	0
(140,303)	Grand Total (excluding Police)	(144,487)	(144,195)	292	0	(148,451)	(148,316)	135	0
(63,998)	Commissioner of Police (City Fund)	(60,402)	(60,402)	0	0	(64,038)	(65,402)	(1,613)	(2)
204,301	Grand Total	(204,889)	(204,597)	292	0	(212,489)	(213,718)	(1,478)	(1)

Budget changes for Chief Officer - Cash Limited Budgets (Excluding Police)		
	£'000	£'000
Original Local Risk Budget (excluding Police)		(140,303)
Previously reported budget movements at Quarter 1		(4,184)
Approved local risk carry forwards	(2,850)	
Additional resources for London Living Wage and 3.5% increase in employer pension fund contributions	(874)	
Additional resources for homelessness services	(196)	
Reclassifications of budgets to central risk	83	
Additional resources for Apprenticeship scheme	(77)	
Adjustment for the Central Grants Unit operational costs incurred within City Bridge Trust	60	
Additional funding for Barbican Centre Exhibition Halls Feasibility Study	(50)	
Additional resources for Artizan St following rates review	(33)	
Additional funding for STEM and Policy Education Programme Legacy	(24)	
Additional funding towards float at Lord Mayor's Show	(3)	
		(3,964)
Latest Local Risk Budget (excluding Police)		(148,451)

Central Risk - Corporate Income Budgets				
	Original Budget	Forecast Outturn	Variance Better/(Worse)	
	£'000	£'000	£'000	%
Property Investment Income				
City's Cash	53,014	56,339	3,325	6
City Fund	44,978	45,548	570	1
Bridge House Estates	21,577	21,596	19	1
Total Property Investment Income	119,569	123,483	3,914	3
Interest on Cash Balances				
City Fund	3,000	4,500	1,500	50
City's Cash	300	200	(100)	(33)
Bridge House Estates	100	100	0	0
Total Interest on Cash Balances	3,400	4,800	1,400	41
Grand Total	122,969	128,283	5,314	4