

<b>Committee(s)</b>	<b>Dated:</b>
Culture, Heritage and Libraries	18/12/2017
<b>Subject:</b> REVENUE AND CAPITAL BUDGETS – 2018/19	<b>Public</b>
<b>Report of:</b> The Chamberlain Assistant Town Clerk and Culture Mile Director Director of Open Spaces Director of Children's and Community Services  <b>Report author:</b> Mark Jarvis, Head of Finance, Chamberlains Department	<b>For Decision</b>

### 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 2018/19, 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 three Chief Officers.

<b>Summary Of Table 1</b>	<b>Original Budget 2017/18 £'000</b>	<b>Latest Approved Budget 2017/18 £'000</b>	<b>Original Budget 2018/19 £'000</b>	<b>Movement 2017/18 LAB to Original Budget 2018/19 £'000</b>
Expenditure	(21,436)	(22,054)	(21,817)	237
Income	8,044	8,689	8,639	(50)
Recharges (including capital charges)	(6,371)	(6,208)	(6,553)	(345)
Total Net Expenditure	(19,763)	(19,573)	(19,731)	(158)

Overall, the 2018/19 provisional revenue budget totals £19.731m, an increase of £158,000 compared with the latest approved budget for 2017/18. Main reasons for the movement are :-

- Increase in the budget for City Surveyor's Cyclical Works Programme of £310,000.
- Increase in the budget for recharges of £345,000 at the Guildhall Complex and a rise in capital costs due to a share of investment in new corporate IT costs.
- Latest Approved budget for 2017/18 included expenditure of £100,000 funded from the previous year's underspend.
- £162,000 savings as a result of the requirement for 2% efficiencies as set out in the Efficiency and Sustainability Plan and the pay and price freeze on budget resources.
- Increase in City's Cash contribution to Keats House of £276,000 in 2018/19 as a result of the increase to the Cyclical Works Programme.

### **Recommendations**

Members are asked to:

- review the provisional 2018/19 revenue budget to ensure that it reflects the Committee's objectives and, if so, approve the budget for submission to the Finance Committee;
- Authorise the Chamberlain, in consultation with the Directors of Community and Children's Services, Open Spaces and the Assistant Town Clerk (Culture Mile Director) to revise these budgets to allow for any further implications arising from Corporate Projects, other reviews and changes to the Cyclical Works Programme;
- review and approve the draft capital budget;
- note the Building Repairs and Maintenance asset verification exercise being undertaken by the City Surveyor and agree that any minor changes for 2017/18 latest and 2018/19 original budgets arising from this exercise be delegated to the Chamberlain;

### **Main Report**

#### **Introduction**

1. In December 2016 it was jointly agreed by Culture, Heritage and Libraries Committee, Establishment Committee and Policy and Resources Committee to dissolve the Culture, Heritage and Libraries Department and move the services into other City of London Corporation Departments from 1 February 2017. As a result, Tower Bridge, Monument and Keats House became part of the Open Spaces Department. Barbican and Community Libraries, along with the Information Services Section (which transferred responsibility from Guildhall Library) became part of the Community and Children's Services Department.

Guildhall Library, City Business Library, City Police Museum, London Metropolitan Archives and all assets and services under Cultural and Visitor Development became part of the Town Clerk's Department. This report sets out the proposed revenue budget and capital budgets for 2018/19. 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 the service expenditure and compared with the latest approved budget for the current year.
  3. The report also compares the current year's budget with the forecast outturn.

#### **Business Planning Priorities**

4. The draft business plan priorities for 2018/19 for the services areas covered by this Committee are contained within a separate report on the draft high-level business plans.

#### **Proposed Revenue Budget for 2018/19**

5. The proposed Revenue Budget for 2018/19 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.

The provisional 2018/19 budgets, under the control of the Directors of Children's and Community Services, Open Spaces and the Assistant Town Clerk and Culture Mile Director, are presented to your Committee and have been prepared in accordance with guidelines agreed by the Policy & Resources and Finance Committees. A 2% reduction in the resource base has been made in accordance with the agreed Corporation Efficiency and Sustainability Plan. The budget has been prepared within the resources allocated to the three Chief Officers, which has not been inflated for any pay and price variance.

The savings made as a result of the requirement for the 2% efficiencies, totals £162,000, made up as follows:-

- £30,000 net savings through staffing, with the change in security arrangements at the entrance to Guildhall and City Business Library, which saw responsibility for the staffing of this move to the City Surveyor.
- £34,000 net savings on salaries through staffing reductions within the Guildhall Art Gallery.
- £25,000 net savings on salaries through staffing reductions within the London Metropolitan Archives.
- £21,000 reduction on overtime costs through increasing the number of evening closures.
- £43,000 net savings on salaries through staffing reductions within the Information Services section.
- £9,000 from various small savings through minor budget reductions.

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

Analysis of Service Expenditure	Local or Central Risk	Actual  2016-17 £'000	Original Budget  2017-18 £'000	Latest Approved Budget  2017-18 £'000	Original Budget  2018-19 £'000	Movement 2017-18 LAB To Original Budget 2018-19 £'000	Para. Ref.
<b>EXPENDITURE</b>							
Employees	L	(10,331)	(9,956)	(10,358)	(10,063)	295	8
Employees (redundancy costs)	C	(161)	-	(22)	-	22	
Premises Related Expenses	L	(1,252)	(1,421)	(1,395)	(1,390)	5	
Premises Related Expenses *	C	(1,131)	(1,035)	(1,039)	(1,053)	(14)	
City Surveyor – Repairs & Maintenance	L	(689)	(1,020)	(653)	(963)	(310)	9
Transport Related Expenses	L	(71)	(81)	(83)	(81)	2	
Supplies & Services	L	(3,159)	(2,145)	(2,704)	(2,468)	236	10
Grants to Museum of London	C	(5,292)	(5,292)	(5,292)	(5,292)	-	
Former City of London Festival	C	(361)	(357)	(383)	(385)	(2)	
Capital Charges – City's Cash & BHE	C	(87)	(129)	(125)	(122)	3	
Transfer to Reserves	L	(59)	-	-	-	-	
<b>Total Expenditure</b>		<b>(22,593)</b>	<b>(21,436)</b>	<b>(22,054)</b>	<b>(21,817)</b>	<b>237</b>	
<b>INCOME</b>							
Other Grants, Reimbursements & Contributions	L	374	143	447	253	(194)	10
City's Cash contribution to Keats House	C	323	426	307	583	276	11
Customer, Client Receipts	L	8,009	7,397	7,727	7,701	(26)	
LMA Rental, City of London Festival income and multiyear rates refund	C	57	78	208	102	(106)	12
Transfer from Reserves	L	287	-	-	-	-	
<b>Total Income</b>		<b>9,050</b>	<b>8,044</b>	<b>8,689</b>	<b>8,639</b>	<b>(50)</b>	
<b>TOTAL (EXPENDITURE)/ INCOME BEFORE RECHARGES</b>		<b>(13,543)</b>	<b>(13,392)</b>	<b>(13,365)</b>	<b>(13,178)</b>	<b>187</b>	
<b>RECHARGES</b>							
Central Support Services and Capital Charges – City Fund		(6,293)	(6,740)	(6,565)	(6,911)	(346)	13
Recharges within Fund		(139)	(87)	(8)	(8)	-	
Recharges Across Funds		456	456	365	366	1	
<b>Total Recharges</b>		<b>(5,976)</b>	<b>(6,371)</b>	<b>(6,208)</b>	<b>(6,553)</b>	<b>(345)</b>	
<b>TOTAL NET EXPENDITURE</b>		<b>(19,519)</b>	<b>(19,763)</b>	<b>(19,573)</b>	<b>(19,731)</b>	<b>(158)</b>	

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

6. Income, increases in income and reductions in expenditure are now shown as positive balances, whereas brackets are used to denote expenditure, increases in expenditure, or shortfalls in income. 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.

Table 2 - Manpower statement	Original Budget 2017/18		Latest Approved Budget 2017/18		Original Budget 2018/19	
	Manpower Full-time equivalent	Estimated cost £000	Manpower Full-time equivalent	Estimated cost £000	Manpower Full-time equivalent	Estimated cost £000
Guildhall and City Business Libraries & Library Services Team	24.70	(1,134)	25.34	(1,199)	22.42	(1,075)
Information Services Section	6.00	(255)	4.25	(207)	4.00	(202)
Barbican and Community Libraries	36.71	(1,460)	37.58	(1,540)	37.55	(1,506)
Artizan Street Library & Portsoken Health & Community Health Centre	7.50	(263)	6.71	(263)	7.00	(263)
Culture, Heritage & Libraries Directorate	4.68	(309)	-	-	-	-
Guildhall Art Gallery	7.46	(317)	7.54	(333)	6.45	(299)
London Metropolitan Archives	45.90	(2,047)	49.24	(2,283)	46.49	(2,163)
City Records Services	22.32	(1,004)	22.23	(1,029)	21.58	(1,021)
Keats House	4.01	(208)	4.62	(237)	4.79	(240)
Visitor Services & City Information Centre	10.69	(488)	10.37	(515)	10.48	(509)
Monument	7.21	(282)	6.80	(282)	6.63	(297)
Tower Bridge Tourism	50.35	(2,189)	53.44	(2,470)	54.30	(2,488)
<b>TOTAL CULTURE, HERITAGE AND LIBRARIES</b>	<b>227.53</b>	<b>(9,956)</b>	<b>228.12</b>	<b>(10,358)</b>	<b>221.69</b>	<b>(10,063)</b>

7. Overall there is an increase of £158,000 in the overall budget between the 2017/18 latest approved budget and the 2018/19 original budget. This movement is explained in the following paragraphs.
8. Analysis of the movement in staff related costs are shown in Table 2 below. Despite funding for apprentices, a provision of 1.5% for potential pay awards and incremental progression, the decrease to the local risk Employees budget is largely due to a number of LMA Project posts coming to an end in 2017/18, the change in security arrangements at the entrance to Guildhall and City Business

Library, which saw responsibility for the staffing of this move to the City Surveyor and other divisional restructures as a result of the 2% efficiencies.

9. The 2017/18 Latest Approved Budget reflects the re-allocation of the full 2017/18 Cyclical Works Programme to reflect the expenditure that is anticipated will be incurred in the year. Please see the detailed breakdown in Table 3 below.

<b>TABLE 3 - CITY SURVEYOR LOCAL RISK</b>			
<b>Repairs &amp; Maintenance</b>	<b>Original 2017/18 £'000</b>	<b>Latest Approved Budget 2017/18 £'000</b>	<b>Original Budget 2018/19 £'000</b>
<b>Cyclical Works Programme</b>			
Barbican and Community Libraries	(36)	(41)	(38)
Guildhall Art Gallery	(18)	(15)	(41)
London Metropolitan Archives	(298)	(113)	(40)
Visitor Services & City Information Centre	-	-	(33)
Keats House	(143)	(6)	(283)
Monument	(32)	(20)	(75)
Roman Bath House	(55)	(28)	(27)
Mayoralty and Shrievalty	(36)	(23)	(33)
<b>Planned &amp; Reactive Works (Breakdown &amp; Servicing)</b>			
Guildhall Library	(6)	(6)	(6)
Barbican and Community Libraries	(18)	(18)	(18)
Guildhall Art Gallery	(8)	(5)	(8)
London Metropolitan Archives	(117)	(91)	(71)
Keats House	(20)	(15)	(8)
Visitor Services & City Information Centre	(13)	(13)	(13)
Monument	(11)	(8)	(8)
<b>Cleaning</b>	(209)	(251)	(261)
<b>Total City Surveyor</b>	<b>(1,020)</b>	<b>(653)</b>	<b>(963)</b>

The increase at Keats House reflects 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 2018/19 as part of the 3-year delivery programme.

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.

Members should note the basis on which repairs and maintenance budgets have been prepared for the latest estimates for 2017/18 include a part year charge from the former repairs and maintenance contractor (MITIE) and 9 months from the new contractor (Skanska), whereas the original 2018/19 budgets are based on the tendered return of the new contractor.

Under the terms of the Building Repairs and Maintenance contract, Skanska are undertaking an asset verification exercise which is expected to be completed in February 2018, the outcome of the review is likely to result in variations to the figures that have been submitted for 2017/18 latest and 2018/19 original budgets.

Committees are requested to acknowledge this potential change and allow the Chamberlain (in consultation with the City Surveyor) to make the necessary budget adjustments within overall approval, following the asset verification.

10. This decrease of £236,000 to Supplies and Services budgets, mainly attributable to the fallout of various grants and contributions, which total £130,000 and carry forward requests totalling £61,000 included in the 2017/18 budgets as a result of the 2016/17 underspend. In addition, there are various smaller reductions in order to meet the 2% efficiencies.
11. The increase in the City's Cash contribution to Keats House of £276,000 in 2018/19 is largely a result of the increase to the Cyclical Works Programme. Keats House is deficit funded by City's Cash.
12. The decrease of £106,000 to this central risk budget is due to a one-off rates refund received in 2017/18 of £106,000. The refund dates back over a number of years.
13. Appendix 2 provides a full analysis of Support Services and Capital costs. The increase of £346,000 in the budget for Support Services and Capital Charges (City Fund) is mainly due to an increase in Guildhall Admin charges of £235,000. In addition, there was a rise in capital charges of £156,000. These are partly offset by a fall in support services costs of £28,000.

#### **Potential Further Budget Developments**

14. The provisional nature of the 2017/18 and 2018/19 revenue budgets recognises that further revisions may be required, including in relation to:
  - decisions on funding of the Cyclical Works Programme by the Resource Allocation Sub Committee.



### **Revenue Budget 2017/18**

15. The forecast outturn for the current year is £19.554m compared to the latest approved budget of £19.573m showing a potential underspend of £19,000. This potential underspend relates to a likely underspend of £60,000 on the City of London Festival programme due to no activity taking place in spring 2018. It is hoped that this may be carried over to the 2018/19 budget year. Offsetting this in part, is an estimated overspend of £41,000 at the Guildhall Art Gallery, owing to a combination of maternity cover costs for a Frames Conservator (£15,000), Amphitheatre bookings cancelled by the Remembrancer because of other events (£8,000) and lower sales figures from the Nature Morte Exhibition than anticipated (£18,000), despite the Exhibition being a critical success and receiving good press coverage.
16. The movement between 2017/18 Original and Latest Approved Budget is detailed in Appendix 3.

### **Draft Capital and Supplementary Revenue Budgets**

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

Service Managed	Project	Exp. Pre 01/04/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	Later Years £'000	Total £'000
<b>CITY FUND</b> <u>Pre-implementation</u>							
London Metropolitan Archives	Future accommodation planning	(9)	(29)	(5)			(43)
<b>TOTAL CITY FUND</b>		(9)	(29)	(5)	0	0	(43)
<b>CITY'S CASH</b> <u>Pre-implementation</u>							
The Monument	Heritage & Retail		(15)				(15)
Keats House	Access & WC improvements		(15)				(15)
<u>Authority to start work granted</u>							
Mayoralty & Shrievalty	Lord Mayor's Coach refurbishment	(96)	(319)	(212)			(627)
The Monument	Deferred works	(7)		(30)	(50)	(18)	(105)
<b>TOTAL CITY'S CASH</b>		(103)	(349)	(242)	(50)	(18)	(762)
<b>BRIDGE HOUSE ESTATES</b> <u>Pre-implementation</u>							
	Education & Community engagement		(48)				(48)
Tower Bridge Tourism	High level walkway roof replacement	(31)	(9)				(40)
<b>TOTAL BRIDGE HOUSE ESTATES</b>		(31)	(57)	0	0	0	(88)
<b>TOTAL</b>		<b>(143)</b>	<b>(435)</b>	<b>(247)</b>	<b>(50)</b>	<b>(18)</b>	<b>(893)</b>

18. 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.
19. The project to improve the access to Keats House and to refurbish the existing outside toilet block is due to commence this year, subject to further approvals and the receipt of funding.
20. The latest Capital and Supplementary Revenue Project budgets will be presented to the Court of Common Council for formal approval in March 2018.

## **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

Contact Officer: Mark Jarvis, Head of Finance, Chamberlains Department

T: 020 7332 1221

E: [mark.jarvis@cityoflondon.gov.uk](mailto:mark.jarvis@cityoflondon.gov.uk)

## APPENDIX 1

Analysis by Service Managed	Fund	Actual  2016-17 £'000	Original Budget  2017-18 £'000	Latest Approved Budget  2017-18 £'000	Original Budget  2018-19 £'000	Movement 2017-18 LAB To Original Budget 2018-19 £'000	Para Ref.
<b>Assistant Town Clerk &amp; Culture Mile Director</b>							
Guildhall & City Business Libraries	CF	(1,431)	(1,721)	(1,794)	(1,708)	86	8
Culture, Heritage & Libraries Directorate^	CF	(2,545)	(2,112)	(1,810)	(1,923)	(113)	13
Museum of London	CF	(5,292)	(5,292)	(5,292)	(5,292)	-	
Guildhall Art Gallery	CF	(2,363)	(2,555)	(2,399)	(2,534)	(135)	13
London Metropolitan Archives	CF	(3,146)	(3,359)	(3,232)	(3,114)	118	8,9
City Records Services	CF	(995)	(1,019)	(1,062)	(1,064)	(2)	
Visitor & City Information Services	CF	(824)	(754)	(797)	(822)	(25)	
City of London Festival	CF	(353)	(357)	(359)	(361)	(2)	
Police Museum	CF	(19)	(23)	(17)	(17)	-	
Roman Remains & Guildhall Complex Land (City Surveyor)	CF	(28)	(78)	(49)	(48)	1	
Heritage Gallery	CC	(25)	(25)	(25)	(25)	-	
Monument Daguerreotype	CC	(23)	-	-	-	-	
Mayoralty & Shrievalty (City Surveyor)	CC	(201)	(153)	(138)	(146)	(8)	
<b>Total Assistant Town Clerk &amp; Culture Mile Director</b>		(17,245)	(17,448)	(16,974)	(17,054)	(80)	
<b>Director of Open Spaces</b>							
Keats House	CC	-	-	-	-	-	
Monument	CC	(74)	130	86	40	(46)	9
Tower Bridge Tourism	BHE	1,195	949	822	785	(37)	
<b>Total Director of Open Spaces</b>		1,121	1,079	908	825	(83)	
<b>Director of Community &amp; Children's Services</b>							
Barbican & Community Libraries	CF	(2,727)	(2,752)	(2,819)	(2,803)	16	
Artizan Street Library & Portsoken	CF	(319)	(320)	(366)	(400)	(34)	
Health & Community Centre							
Information Services Section	CF	(349)	(322)	(322)	(299)	23	
<b>Total Director of Community &amp; Children's Services</b>		(3,395)	(3,394)	(3,507)	(3,502)	5	
<b>Total City Fund</b>	CF	(20,391)	(20,664)	(20,318)	(20,385)	(67)	
<b>Total City's Cash</b>	CC	(323)	(48)	(77)	(131)	(54)	
<b>Total Bridge House Estates</b>	BHE	1,195	949	822	785	(37)	
<b>Total</b>		(19,519)	(19,763)	(19,573)	(19,731)	(158)	

^ The Culture, Heritage and Libraries Directorate budget include the costs of the Guildhall Library building and therefore include £0.6m of Capital Recharges for 2017/18 and 2018/19

## APPENDIX 2

Recharges from/to Culture, Heritage and Libraries	Actual 2016-17 £'000	Original Budget 2017-18 £'000	Latest Approved Budget 2017-18 £'000	Original Budget 2018-19 £'000
<b>Support Service and Capital Charges</b>				
Administrative Buildings	(2,216)	(2,634)	(2,331)	(2,566)
City Surveyor's Employee Recharge	(143)	(152)	(158)	(158)
Insurance	(255)	(254)	(249)	(249)
IS Recharges - Chamberlain	(1,002)	(820)	(1,036)	(1,019)
Capital Charges – City Fund	(1,731)	(1,959)	(1,847)	(2,003)
Support Services - Chamberlain and CLPS	(384)	(351)	(397)	(379)
Comptroller and City Solicitor	(3)	(40)	(3)	(3)
Town Clerk	(530)	(497)	(522)	(512)
City Surveyor	(21)	(33)	(22)	(22)
Support services with Other services*	(8)	-	-	-
<b>Total Support Services and Capital Charges</b>	<b>(6,293)</b>	<b>(6,740)</b>	<b>(6,565)</b>	<b>(6,911)</b>
<b>Recharges Within Funds</b>	(281)	(233)	(233)	(233)
Utilities recharge - Barbican Centre	-	-	(15)	(15)
Open Spaces Directorate Recharge & Corporate and Democratic Core – Finance Committee	142	146	240	240
<b>Recharges Across Funds</b>				
Support Services – CHL Guildhall Administration and Open Spaces Directorate Recharge	456	456	365	366
<b>TOTAL SUPPORT SERVICE AND CAPITAL CHARGES</b>	<b>(5,976)</b>	<b>(6,371)</b>	<b>(6,208)</b>	<b>(6,553)</b>

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

## APPENDIX 3

<b>Original to Latest Approved Local Risk Budget</b>	<b>£000</b>
<b>Original Local Risk Budget</b>	<b>(7,083)</b>
City Fund and City's Cash carry forwards	(100)
All funds contribution pay, budget uplift	(60)
Increase to Superannuation budgets following 3.5% increase in April 2017	(233)
City of London Apprenticeship Scheme	(144)
Net City Fund and Bridge House Estates budget virements following reorganisation.	91
Bridge House Estates – Income targets increased at Tower Bridge due to excellent performance by £305,000, partly offset by lost Walkway income and discounted admission prices during February 2018 due to the Heating Replacement Project of (£162,000) and a shift of resources of £112,000 to Tower bridge Operational in respect of additional security cover at the Bridge in light of the increased Terror threat.	31
City Surveyor local risk changes in the phasing over the 3-year cycle of each of the Cyclical Works Programmes, planned and reactive works and Facilities Management.	367
<b>Latest Approved Local Risk Budget</b>	<b>(7,131)</b>