Committee:	**Dated**
Finance Committee	20 February 2018
Subject: Revenue Budget Monitoring to December 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 three is £12.8m better than budget. This comprises a favourable variance of £2.5m on Chief Officer Cash Limited Budgets and £10.3m on Central Risk Corporate Income Budgets.

Chief Officer Cash Limited

The year-end forecast at quarter three is £2.5m (1%) better than the latest approved budget of £221.8m which represents an improvement of £4m compared to the forecast position at quarter two. Key causes are in relation to Police deficit moving into balance, City Surveyor budget pressures and additional income at the Barbican Centre and Guildhall School of Music and Drama.

Central Risk Budgets - Corporate Income Budgets

Forecast property investment income and interest earnings are anticipated to be better than budget by £8.6m and £1.7m respectively.

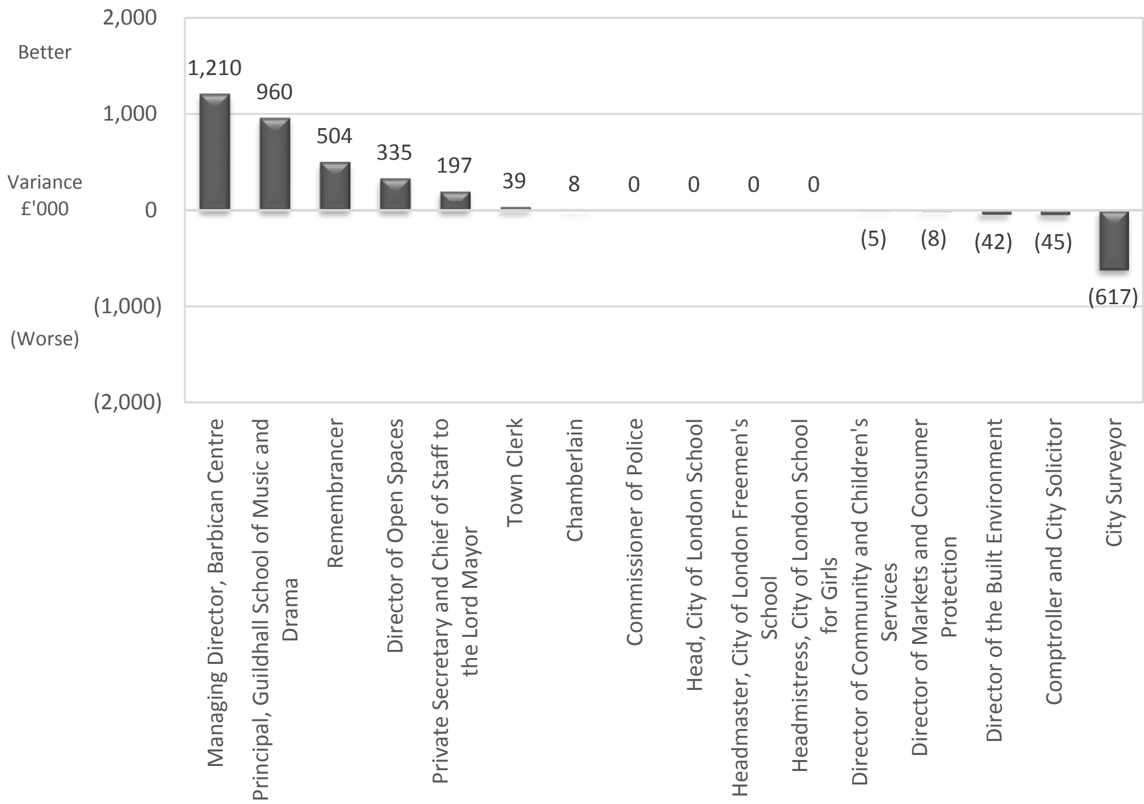
Recommendation

Members are asked to note the report.

Main Report

Chief Officer Cash Limited Budgets

1. The year-end forecast is £2.5m (1%) better than the latest approved budget of £221.8m and represents an improvement of £4m compared to the forecast position at quarter two. Chief Officer variances against net local risk budgets are shown in the chart below.



2. The forecast comprises a favourable variance of £5.0m (2%) against budgeted income of £244.3m which has been partially offset by an unfavourable variance of £2.5m (1%) against budgeted expenditure of £466.1m. A brief commentary for significant variances and mitigating actions being taken is outlined in Appendix 1.

3. Key causes are in relation to Policebudget deficit moving into balance, City Surveyor budget pressures and additional income at the Barbican Centre and Guildhall School of Music and Drama.

4. The Police forecast an adverse variance of £1.6m at quarter two due to the non achievement of efficiency savings. At quarter three the Police forecast to be on budget at year end, this favourable movement is due to the continued and widespread vacancies across the Force and eleven deleted Police Staff posts in December 2017 which has resulted in significant underspending within pay budgets.

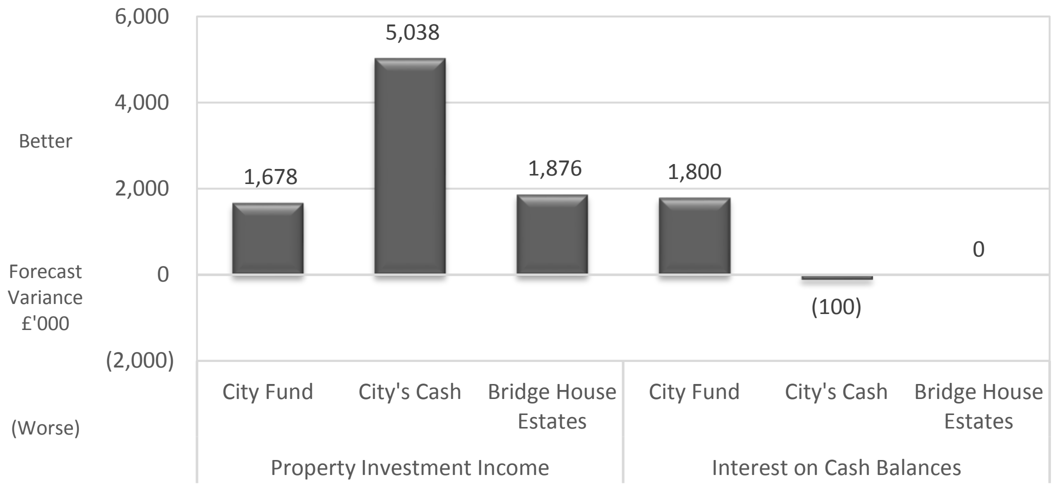
5. At quarter three the City Surveyor forecast an adverse variance of £0.6m at year end which is principally due to unfunded Assistant Property Facility Manager posts, additional reactive repairs and maintenance spend at the Central Criminal Court and reduced fee income. A bid to fund the posts from SBR FM savings will be considered by the Court in February.

6. Positive performance of the Barbican Centre box office is forecast to generate additional income of £2.9m by year end which is an increase of £1.8m from the forecast position at quarter two. This additional income is partially offset by an overspend relating to health and safety risks and the non achievement of SBR savings of £1.7m.

7. The Guildhall School of Music and Drama forecasts additional income of £1.3m due to higher student enrolement which is an increase of £0.7m from quarter two. This additional income is partially offset by the associated teaching costs.

Central Risk - Corporate Income Budgets

8. Year-end corporate income is forecast to be £10.3m (8%) better than budget of £123m comprising £8.6m for property investment income and £1.7m for interest on cash balances.



9. Property investment income is forecast to be £8.6m (7%) better than the original budget of £119.6m as follows:

- City Fund (£1.7m) – due to backdated rent at Calcutta House.

- City's Cash (£5m) – following a number of rent reviews and lease renewals at various properties including 9 and 43 South Molton Street and 213-215 Tottenham Court Road. Rent also received for a new property acquisition at 21 Worship Street. The rent figure also includes an accounting adjustment for a barter transaction of £1.19m at 209/212 Tottenham Court Road, this is offset by matching expenditure on landlords cyclical works which are to be undertaken by the tenant.

- Bridge House Estates (£1.9m) – additional rental income expected from a number of properties including 1-5 London Wall Buildings, 65 London Wall, Colechurch House and Electra House.

10. The forecast outturn for interest earnings is anticipated to be £1.7m better than original budget of £3.4m (50%) at year end. This comprises a favourable variance of £1.8m on City Fund partially offset by an unfavourable variance of £0.1m on City's Cash. The overall surplus interest earnings is derived from greater retention of net business rate income and increase in the base rate creating an enhanced environment for yield potential and prudent budgets allocated for 2017/18.

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 31st December 2017 for Chief Officer Cash Limited Budgets

- Appendix 4: Detailed full year variances for Central Risk Corporate Income Budgets

Caroline Al-Beyerty
Deputy Chamberlain
T: 020 7332 1113
E: caroline.al-beyerty@cityoflondon.gov.uk

Philip Gregory
Deputy Financial Services Director
T: 020 7332 1284
E: philip.gregory@cityoflondon.gov.uk