

Committee(s)	Dated:
Finance Committee – For decision Court of Common Council – For decision	20 Feb 2018 8 March 2018
Subject: Revenue and Capital Budgets 2017/18 and 2018/19	Public
Report of: The Chamberlain	For Decision
Report author: Philip Gregory, Chamberlain's Department	

Summary

This report should be read in conjunction with the separate report on your agenda entitled 'City Fund – 2018/19 Budget Report and Medium Term Financial Strategy' which recommends that:

- The Council Tax for 2018/19 remains unchanged from 2017/18, and
- Members agree to recommend no increase in the Business Rates Premium to the Court of Common Council.

The 2017/18 and 2018/19 budgets for each of the City Corporation's three main funds are set out below. They have been prepared within the planning frameworks agreed by the Resource Allocation Sub-Committee.

Budgets by Fund			
	2017/18 Original £m	2017/18 Latest £m	2018/19 Original £m
City Fund			
Gross Expenditure	(388.5)	(418.5)	(405.0)
Gross Income	253.0	278.0	267.6
Net Expenditure before Government Grants and Taxes	(135.5)	(140.5)	(137.4)
Government Grants and Taxes	139.7	142.8	148.6
Surplus/(Deficit) to (from) Reserves	4.2	2.3	11.2
Less one-off items planned to be funded from revenue reserves	6.7	12.9	5.0
Underlying Surplus/(Deficit)	10.9	15.2	16.2
City's Cash			
Gross Expenditure	(197.9)	(203.7)	(213.2)
Gross Income	183.0	200.7	211.2
Operating Surplus/(Deficit)	(14.9)	(3.0)	(2.0)
Profit on sale of assets	2.0	3.0	2.0
Surplus/(Deficit) to (from) Reserves	(12.9)	0.0	0.0
Bridge House Estates			
Gross Expenditure	(52.2)	(55.6)	(53.1)
Gross Income	50.5	55.6	53.1
Operating Surplus/(Deficit)	(1.7)	0.0	0.0
Profit on sale of assets	2.0	0.0	0.0
Surplus/(Deficit) to (from) Reserves	0.3	0.0	0.0

City Fund

- The latest budget for the current year is an underlying surplus of £15.2m which compares to a surplus of £10.9m in the original budget. For 2018/19 a surplus of £16.2m is indicated. In particular, this surplus takes account of the City's share of the growth in retained National Non Domestic Rates (business rates) income, increased income from rents and interest earnings and further savings/increased income as a result of the conclusion of the SBR programme and a 2% efficiency plan commitment. Other reasons for the main variations are set out in paragraphs 12 to 28.
- The Government, GLA and London Councils have negotiated a pilot scheme for business rates income for 2018/19 involving the creation of a business rates pool between the City, the GLA and all 32 London Boroughs. The proposal was approved in December 2017. The scheme has a fiscally neutral starting position but enables any growth in business rates revenue to be retained in London. A strategic investment fund will be created and the remainder shared amongst the pool members with a projected share of £11.3m for the City. If these overall dividends do not materialise the Government has guaranteed that no individual authority will be worse off as a result of participating in the pool. The scheme carries no commitment beyond 2018/19 though the expectation is that the pool will operate for two years. The total business rates growth retained by the City is estimated to be c£67m.
- The subsequent years of the medium term financial forecast (2019/20 to 2021/22) show a surplus for each year before funding major projects. Once anticipated contributions to the Museum of London and Combined Court relocation projects are included the Fund moves into deficit from 2020/21.
- The budget for the **City of London Police** is contained within the overall City Fund budget. The Government Core Grant settlement for 2018/19 was marginally worse than anticipated at £51.4m, some £0.2m lower than anticipated, but overall £0.7m better off when additional grants are included. The 2018/19 budget is balanced by drawing down the remainder of the Police General Reserve and continued City support for the Police capital programme and IT budget in addition to the delivery of a savings programme.
- Further work will take place during 2018/19 to address the underlying deficit in the Police budget following the conclusion of the Deloitte demand and VfM review.

City's Cash

- The City's Cash position in the current year is expected to be balanced compared to a deficit of £12.9m in the original budget. The budget is balanced by a change in equity drawdown policy where we will only drawdown enough funds to balance the budget.
- With regard to future years of the financial forecast City's Cash has an increased drawdown requirement in 2018/19 and 2019/20 and a reduced drawdown requirement in subsequent years. The budget for these two years

includes a £25m payment for Crossrail in each year. Details of other significant variances are set out in paragraphs 34 to 42.

Bridge House Estates

- The Bridge House Estates position in the current year is expected to be balanced compared to a surplus of £0.3m in the original budget. The budget is balanced by a change in equity drawdown policy.
- The primary purpose of the charity is to ensure the bridges are maintained and repaired appropriately. The current budget includes a total commitment of £100m over the next 5 years (from 2018/19) to fund the City Bridge Trust 'Bridging Divides' strategy for charitable giving.
- With regard to future years of the financial forecast Bridge House Estates has an increased drawdown requirement in 2019/20 and a reduced drawdown requirement in subsequent years. Details of significant variances are set out in paragraphs 48 to 58.
- The balance sheet has also experienced significant growth over the past five years, with fixed assets growing by over £500m during that period. Member approval is sought for the principle that maintaining such a high accumulation of undesignated general funds is not consistent with charitable regulations and the consideration be given to a significant drawdown to fund major initiative(s), consistent with CBT's strategic objectives.

Guildhall Administration

- The report also summarises the budgets for central support services within Guildhall Administration (which currently 'holds' such costs before these are wholly recovered) and the capital budgets for the three Funds. Details of significant variances are set out in paragraphs 60 to 61.
- The 2018/19 Summary Budget Book accompanies this report and will be available on the *Members' Committees and Papers* section of the City Corporation's website. Copies will also be available in the Members' Reading Room and copies can be requested from Philip.Gregory@cityoflondon.gov.uk.

Recommendation(s)

Members are asked to:

1. Note the latest revenue budgets for 2017/18.
2. Agree the 2018/19 revenue budgets, subject to any amendments on the City Fund that may be agreed in relation to the report on 'City Fund – 2018/19 Budget Report and Medium Term Financial Strategy'.
3. Agree the Capital budgets.
4. Delegate authority to the Chamberlain to determine financing of the capital budgets.

5. Endorse this report for onward approval to the Court of Common Council.

Main Report

Background

1. The primary purpose of this report is to summarise the latest budgets for 2017/18 and the proposed budgets for 2018/19 respectively together with the capital budgets, which have all been prepared within agreed policy guidelines and allocations, for submission to the Court of Common Council in March.
2. During the autumn/winter cycle of meetings each Committee has received and approved a budget report which, with the exception of the City of London Police, Guildhall School of Music and Drama and Bridge House Estates, has been prepared on the basis of the planning framework for Chief Officers which included:
 - A reduction in resource base of 2% to deliver the previously approved Efficiency and Sustainability plan
 - Cyclical Works Programme budgets were excluded from the 2% reduction
3. For the City of London Police, the annual cash limit continues to be determined by the national settlement plus support from the City's Business Rates Premium, with the force forecast to exhaust its General Reserves in 2018/19. The City Corporation has agreed to fund some specific additional cost pressures including IT, additional employers pension contributions and to underwrite additional capital programme costs.
4. A demand and VfM review was conducted by Deloitte during 2017 which made several recommendations for the force to consider in taking action to mitigate the underlying budget deficit. A transformation team has been formed to take forward these recommendations.
5. For Bridge House Estates the budget strategy remains to maintain a surplus over and above the funding required for the ongoing maintenance and improvement of the bridges to sustain the grant-giving programme through the City Bridge Trust.
6. Accompanying this report is the Summary Budget Book 2018/19 which will be available on the *Members' Committees and Papers* section of the City Corporation's website. Copies will also be available in the Members' Reading Room and copies can be requested from Philip.Gregory@cityoflondon.gov.uk. The Summary Budget Book provides:
 - i. all the budgets at a summary level in a single document;
 - ii. service overviews – a narrative of the services for which each Chief Officer is responsible;

- iii. Chief Officer summaries – the net revenue expenditure by division of service, fund, type of expenditure and income;
- iv. Fund summaries showing the net revenue requirement for each Fund supported by Committee summaries showing the net requirement for each Committee within the Fund; and
- v. the capital and supplementary revenue project budgets by Fund.

Overall Financial Strategy

7. The City of London Corporation's overall financial strategy seeks to:

- maintain and enhance the financial strength of the City Corporation through its investment strategies for financial and property assets;
- pursue budget policies which seek to achieve a sustainable level of revenue spending and create headroom for capital investment and policy initiatives;
- create a stable framework for budgeting through effective financial planning; and
- promote investment in capital projects which bring clear economic, policy or service benefits.

8. The medium term financial strategies and budget policies for each of the Funds are set out in Appendix 1.

CITY FUND

Overall Budget Position

9. The overall budget requirements have been prepared in accordance with the strategy and the requirements for 2017/18 and 2018/19 are summarised by Committee in the table below. Explanations for significant variations were contained the budget reports submitted to service committees.

City Fund Summary by Committee			
	2017/18 Original £m	2017/18 Latest £m	2018/19 Original £m
<i>Net (Expenditure)/Income</i>			
Barbican Centre	(26.6)	(26.8)	(27.1)
Barbican Residential	(2.3)	(2.8)	(2.6)
Community and Children's Services	(12.0)	(12.8)	(13.3)
Culture, Heritage and Libraries	(20.7)	(20.3)	(20.4)
Finance	(15.9)	(11.6)	(13.2)
Licencing	(0.1)	(0.1)	(0.1)
Markets	1.2	1.3	1.2
Open Spaces	(1.7)	(1.7)	(1.7)
Planning and Transportation	(15.4)	(15.3)	(16.0)
Police	(64.0)	(71.0)	(65.7)
Policy and Resources	(4.0)	(4.6)	(4.1)

Port Health and Environmental Services	(13.6)	(14.3)	(14.5)
Property Investment Board	39.6	39.5	40.1
City Fund Requirement	(135.5)	(140.5)	(137.4)

1. Figures in brackets denote expenditure, increases in expenditure, or shortfalls in income.

10. The following table further analyses the budget to indicate:

- the contributions from the City's own assets towards the City Fund requirement (interest on balances [line 7] and investment property rent income [line 8])
- the funding received from Government grants and from taxes [lines 10 to 13]; and
- the estimated surpluses to be transferred to reserves, or deficits to be funded from reserves [lines 15 to 17].

City Fund Revenue Requirements 2017/18 and 2018/19					
		2017/18 Original £m	2017/18 Latest £m	2018/19 Original £m	Para. No.
1	Net expenditure on services	(163.1)	(166.9)	(174.4)	12, 20
2	Capital Expenditure funded from Revenue Reserves	(1.7)	(12.4)	(0.5)	13, 21
3	Culture Mile funded from Revenue Reserves	(5.0)	(0.5)	(4.5)	13, 21
4	Cyclical Works Programme and financed from revenue	(13.7)	(11.9)	(10.3)	15, 21
5	Requirement before investment income from the City's Assets	(183.5)	(191.7)	(189.7)	
6	Interest on balances	3.0	4.5	5.5	16,22
6	Estate rent income	45.0	46.7	46.8	17,23
8	City Fund Requirement	(135.5)	(140.5)	(137.4)	
	Financed by:				
9	Government Grants	111.3	114.4	119.8	24
10	City Offset	11.3	11.3	11.6	
11	Council Tax	6.6	6.6	6.7	
12	Business Rates Premium	10.5	10.5	10.5	
13	Total Government Grants and Tax Revenues	139.7	142.8	148.6	
14	Surplus/(Deficit) transferred to/(from) reserves	4.2	2.3	11.2	
15	Add back one-off items planned to be funded from revenue reserves	6.7	12.9	5.0	
16	Underlying Surplus/(Deficit)	10.9	15.2	16.2	

1. Figures in brackets denote expenditure, increases in expenditure, or shortfalls in income.

11. The latest budget for the current year is an underlying surplus of £15.2m which compares to a surplus of £10.9m in the original budget. For 2018/19 a surplus of £16.2m is indicated. The subsequent years of the medium term financial forecast (2019/20 to 2021/22) show a surplus for each year before funding major projects. Once anticipated contributions to the Museum of London and Combined Court relocation projects are included the Fund moves into deficit from 2020/21.

Revenue Budget 2017/18

Net expenditure on services

12. Net expenditure on City Fund services in 2017/18 was originally budgeted at £135.5m, whereas the latest budget totals £140.5m, an increase of £5.0m. The main reasons for the increase are:

- £3.5m approved budgets brought forward from 2016/17;
- £1.0m to fund increased London Living Wage and Pension contribution costs;
- £0.4m increase in funding for Asylum Seekers and Homelessness;
- £0.2m funding for Barbican Residential roof works;
- £0.2m additional security costs for the Barbican Centre.

Capital Expenditure Funded from Revenue Reserves

13. The £5m allocated for works for the Culture Mile 'Look and Feel' Strategy and £1.5m of works for Exhibition Hall 1 were funded from reserves in 2017/18. £0.5m of the Culture Mile funding is forecast to be spent in 2017/18 with the remainder included in the budget for 2018/19.

City of London Police – Action Fraud

14. The City Fund is providing cash flow assistance in relation to the Action Fraud Service provided by the City of London Police. This service was transferred from the Home Office from the National Fraud Authority to the City of London Police with effect from 1 April 2014. Subsequently the service was subject to a procurement process which was won by IBM (UK) Ltd. The phasing of contract payments reflects IBM's significant mobilisation costs which could not be met from Police reserves. The costs were originally envisaged to all fall in 2016/17 but due to slippage on the project an additional cash flow loan of £5.2m was approved taking the total cash flow support to £11.7m. Repayments will fall between 2018/19 and 2023/24 and are partially reliant on the successful monetisation of the service.

Cyclical Works Programme and Capital Expenditure Financed from Revenue

15. The decrease in expenditure from £13.7m to £11.9m relates mainly to the timing of schemes and the phasing of works on the cyclical works and additional works programmes.

Interest on balances

16. The latest budget for 2017/18 anticipates an increase of £1.5m in interest earnings to £4.5m. This is due to a more beneficial cash flow, particularly from business rates receipts and capital transactions, and following the recent rise in the base rate.

Investment Estate Rent Income

17. The rent income from investment properties is forecast to be £46.7m, an increase of £1.7m compared to the original budget. Significant variances include additional backdated rent from Calcutta House.

Government Grants

18. The increase from £111.3m to £114.4m mainly relates to the City's share of growth in national non domestic rates which feeds through to income in 2017/18 and 2018/19.

Transfers from Reserves

19. The transfer from reserves is to fund the costs of revenue contributions to capital projects and the Culture Mile. (para 13).

Revenue Budget 2018/19

Net expenditure on services

20. Net expenditure on City Fund services in 2018/19 is £174.3m, an increase of £11.2m on the Original Budget for 2017/18. The main reasons for the increases are:

- £4m funding in 2018/19 for the Combined Courts project based on the latest profiled spend.
- £1.4m for Culture Mile running costs.
- £1.4m allocation to fund the Priorities Investment Pot to support the delivery of front line services.
- £1m funding for additional Cyclical Works in 2018/19 by bringing forward funding from the £4m approved last year to be spent in 2021/22.
- £0.8m additional void costs in 2018/19 following the departure of tenants.
- £0.8m allowance for pay and prices
- £0.6m for the restructuring of the Brussels office, approved by Policy and Resources Committee in December 2017.
- £0.3m to fund the additional costs of the London Living Wage.
- £0.3m funding for Adult Social Care to fund increasing costs arising from increasing costs of provision and demographic pressures. This is part of the £0.4m approved provision, the remainder will be drawn down in 2019/20.
- £0.04m additional cost of Head of Security post.

partly offset by:

- £2.1m repayment of Action Fraud cash flow loan from the City of London Police.

Cyclical Works Programme and Capital Expenditure Financed from Revenue

21. The re-phasing of funding of £1m from 2021/22 to 2018/19 is to fund fire safety works at the Barbican and Old Bailey following detailed surveys. The re-phasing of the Culture Mile capital expenditure into 2018/19 increases the budget.

Interest on Balances

22. Income is anticipated to increase from £3.0m in the 2017/18 original budget to £5.5m in the 2018/19 budget. This reflects the continued beneficial cash flow from business rate receipts, capital transactions and higher reserves.

Investment Estate Rental Income

23. The latest rental forecasts for 2018/19 assume an increase of £1.8m to £46.8m compared to the original budget for 2017/18. This increase arises from a number of properties based on the latest forecast from the City Surveyor.

Government Grants

24. Overall, there is an estimated increase of £8.5m in core Government Grants summarised in the table below.

Analysis of Core Government Grants					
		2017/18 Original £m	2018/19 Original £m	Increase (Reduction) on 2017/18	
				£m	%
1	Police	51.4	52.1	0.7	1.4
2	Non-Police	8.8	0.0	(8.8)	(100.0)
3	Sub-total:	60.2	52.1	(8.1)	(13.5)
4	Rates Retention Baseline	15.6	23.6	8.0	51.3
5	Rates Retention Growth	35.5	44.1	8.6	24.2
6	Sub-total:	111.3	119.8	8.5	7.6
7	Grants Rolled In	0.0	0.0	0.0	0.0
8	Total Core Government Grants	111.3	119.8	8.5	7.6

25. Lines 1 to 3 are the basic formula grants. These do not include £7.5m of Revenue Support Grant for 2018/19 which has been included in the Rates Retention baseline as part of the London Business Rates Pilot Pool (reduced from £8.8m in 2017/18).

26. Lines 4 to 7 reflect the impact of the Rates Retention scheme for which the outturn does not feed through until subsequent years. The significant difference in baseline reflects the London Business Rates Pilot Pool where Revenue Support Grant has been included as part of the 100% rates retention pilot.

Council Tax

27. The underlying income base of £6.2m remains unchanged. There is an additional £0.5m in each year due to the recognition of surpluses from previous years. The accumulated surplus is due to an increase over the years in the residential properties in the City combined with a reduction in the number of residential properties assumed to be reclassified as commercial and therefore switch from council tax to non-domestic rates.

Transfer from Reserves

28. The net £5.0m planned transfer from reserves is to fund the property work detailed above (para 21).

CITY'S CASH

Overall Budget Position

29. The budgets have been prepared in accordance with the budget policy set out in Appendix 1 and the net positions for 2017/18 and 2018/19 are summarised by Committee in the table below. Reserves are available to meet the estimated deficit in the current year and in 2018/19.

City's Cash Summary by Committee			
	2017/18 Original £m	2017/18 Latest £m	2018/19 Original £m
<i>Net (Expenditure)/Income</i>			
Culture, Heritage and Libraries	(0.0)	(0.0)	(0.1)
Education Board	(1.3)	(1.3)	(2.3)
Finance	(3.3)	4.6	10.2
G. P. Committee of Aldermen	(3.4)	(3.7)	(3.6)
Guildhall School of Music and Drama	(12.1)	(11.2)	(11.8)
Markets	(1.0)	(0.6)	0.9
Open Spaces:			
Open Spaces Directorate	0.0	0.0	0.0
Epping Forest and Commons	(8.4)	(7.4)	(9.1)
Hampstead, Queen's Park, Highgate Wood	(8.3)	(7.9)	(8.9)
Bunhill Fields	(0.3)	(0.4)	(0.4)
West Ham Park	(1.2)	(1.2)	(1.6)
Policy and Resources	(14.8)	(15.0)	(14.3)
Property Investment Board	45.0	48.2	45.1
Schools:			
City of London School ⁽²⁾	(1.5)	(1.6)	(1.6)
City of London Freeman's School ⁽²⁾	(1.7)	(1.8)	(1.8)
City of London School for Girls ⁽²⁾	(0.6)	(0.6)	(0.7)
Surplus (Deficit) to (from) reserves	(12.9)	0.0	0.0

1. Figures in brackets denote expenditure, increases in expenditure, or shortfalls in income.

2. Shows City Support rather than net expenditure by the schools.

30. The following table further analyses the budget to indicate the income produced from the City's assets (investment property rent income, non-property investment income and interest on balances, at lines 3 to 5 respectively). It also indicates the underlying deficits or surpluses on City's Cash before the anticipated profits on the sale of assets are taken into account (lines 6 to 8).

City's Cash Requirements 2017/18 and 2018/19					
		2017/18 Original £m	2017/18 Latest £m	2018/19 Original £m	Para No
1	Net expenditure on services ⁽²⁾	(73.5)	(75.0)	(100.0)	
2	Cyclical Works Programme	(14.2)	(16.2)	(20.4)	
3	Estate rent income	53.0	56.9	53.1	
4	Non-property investment income (net) ⁽²⁾	19.5	31.1	65.0	
5	Interest on balances	0.3	0.3	0.3	
6	Operating Surplus (Deficit)	(14.9)	(3.0)	(2.0)	
7	Profit on asset sales	2.0	3.0	2.0	
8	Surplus (Deficit) to (from) reserves	(12.9)	0.0	0.0	

1. Figures in brackets denote expenditure, increases in expenditure, or shortfalls in income.

2. Includes £25.0m contribution to Crossrail in 2018/19 funded from reserves.

31. The City's Cash position in the current year is expected to be balanced compared to a deficit of £12.9m in the original budget. The budget is balanced by a change in equity drawdown policy where we will only drawdown enough funds to balance the budget.

32. For 2018/19, the City's Cash budget will be balanced by a drawdown on reserves.

33. With regard to subsequent years the amount of drawdown required to balance the budget is expected to reduce, arising from a decrease in the underlying deficit.

Revenue Budget 2017/18

Net Expenditure on Services

34. Net expenditure on City's Cash services for 2017/18 was originally budgeted at £73.5m. The latest budget of £75.0m is an increase of £1.5m which is primarily due to:

- £2.6m of agreed budget carry forwards from 2016/17.
- £0.4m Cultural Hub funding for 2017/18 with a further £0.4 in 2018/19.

Cyclical Works Programme

35. The increase from £14.2m to £16.2m includes funding for the Museum of London project and the re-phasing of the additional works programme.

Investment Estate Income

36. Rent income from investment properties is forecast to be £56.9m which is an increase on the original budget of £3.9m. The positive variance is mainly due to a number of rent reviews and lease renewals at various properties including 9 and 43 South Molton Street and 213-215 Tottenham Court Road. As well as rent 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.

Non-Property Investment Income

37. As most of the managed funds are held in pooled investment vehicles, income is drawn down from the investments as necessary rather than being received as dividend income. The amounts to be drawn down in 2017/18 and 2018/19 will be drawn down in order to balance City's Cash to zero.

Profit on Asset Sales

38. The profit on the sale of assets is anticipated to increase due to the sale of two surplus operational properties; Ossulton House and Chevening Road.

Revenue Budget 2018/19

Net Expenditure on Services

39. Net expenditure on City's Cash services for 2018/19 is budgeted at £100.0m, an increase of £26.5m compared to the original budget for 2017/18. The main reasons for the increased requirement are:

- £25.0m contribution to Crossrail. This is funded through an increased drawdown on reserves. A further payment of £25.0m is due in 2019/20.
- £1.0m uplift in Academies funding resulting from increasing the grant provided to each school. Secondary schools will receive £250k (increased from £150k) and primary schools will receive £100k (increased from £50k).
- £0.8m allocation to fund the Priorities Investment Pot to support the delivery of front line services.
- £0.8m allowance for pay and prices.
- £0.4m increase in funding for Apprenticeship scheme.
- £0.2m funding for FutureLondon agreed for 2018/19 and four subsequent years.
- £0.04m additional cost of Head of Security post.

partly offset by

- £1.2m increase in service charge recovery in Markets resulting from a change in recovery policy.

Cyclical Works Programme

40. The increase in budget to £20.4m from £14.2m mainly relates to the re-phasing of works.

Investment Estate Rent Income

41. Rent income from investment properties is forecast to be £53.1m which is an increase of £0.1m on the 2017/18 original budget.

Profit on Asset Sales

42. The estimate of £2.0m for profit on the sale of assets relates to the disposal of surplus operational assets, rights of light compensation and investment property overage receipts.

BRIDGE HOUSE ESTATES

Overall Budget Position

43. The budgets have been prepared in accordance with the budget policy set out in Appendix 1 and the requirements for 2017/18 and 2018/19 are summarised in the table below.

Bridge House Estates Summary by Committee			
	2017/18 Original £m	2017/18 Latest £m	2018/19 Original £m
<i>Net (Expenditure)/Income</i>			
The City Bridge Trust	(22.6)	(27.0)	(23.8)
Culture, Heritage and Libraries	0.9	0.8	0.8
Finance	10.3	13.7	11.3
Planning and Transportation	(4.1)	(4.6)	(4.6)
Property Investment Board	15.8	17.1	16.3
Surplus (Deficit) to (from) reserves	0.3	0.0	0.0

1. Figures in brackets denote expenditure, increases in expenditure, or shortfalls in income.

44. The following table further analyses the budget to indicate:

- the income produced from the City's assets (investment property rent income, non-property investment income and interest on balances at lines 4 to 7 respectively); and
- the budget for charitable grants (line 9).

Bridge House Estates Requirements 2017/18 and 2018/19					
		2017/18 Original £m	2017/18 Latest £m	2018/19 Original £m	Para No
1	Net expenditure on services	(10.0)	(10.8)	(12.4)	
2	Cyclical Works Programme & SRP	(2.2)	0.0	0.0	
3	Bridge repairs, maintenance and major works fund contribution	(1.1)	(1.1)	(1.1)	
4	Estate rent income	20.3	22.2	21.2	
5	Non-property investment income (net)	12.2	14.9	13.7	
6	Interest on balances	0.1	0.1	0.1	
7	Profit on asset sales	2.0	0.0	0.0	
8	Revenue Surplus (Deficit)	21.3	25.3	21.5	
9	Charitable Grants	(21.0)	25.3	21.5	

10	Surplus (Deficit) to (from) reserves	0.3	0.0	0.0	
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1. *Figures in brackets denote expenditure, increases in expenditure, or shortfalls in income.*

45. The Bridge House Estates position in the current year is expected to be balanced compared to a deficit of £0.3m in the original budget. The budget is balanced by a change in equity drawdown policy where we will only drawdown enough funds to balance the budget.

46. For 2018/19, the Bridge House Estates budget will be balanced by a drawdown on reserves.

47. With regard to future years of the financial forecast Bridge House Estates has an increased drawdown requirement in 2019/20 and a reduced drawdown requirement in subsequent years.

Revenue Budget 2017/18

Net Expenditure on Services

48. The increase from £10.0m to £10.8m is due to approved budgets brought forward from 2016/17.

Cyclical Works Programme & Supplementary Revenue Projects

49. The reduction in budget from £2.2m to £0m is as a result of the cyclical works being contained within the bridge repairs funds and there being no Supplementary Revenue Projects for Bridge House Estates.

Bridge Repairs, Maintenance and Major Works Funds

50. The objective for the Bridge Repairs, Maintenance and Major Works Funds is to provide sufficient resources to meet the enhanced maintenance costs of the five bridges over a period of at least 50 years.

51. Having compared the costs of the City Surveyor's 50 year maintenance programme with the projections for income to be earned by the Fund, the 2017/18 contributions required has been assessed as £1.1m for 2017/18, no increase on the original budget. The assessed contribution for 2018/19 is £1.1m. The 50 year maintenance programme and the levels of contributions required to smooth the costs over this period will be reviewed annually.

Investment Estate Rent Income

52. Rent income from investment properties is forecast to be £22.2m which is an increase of £1.9m on the original budget arising from additional rental income expected from a number of properties including 1-5 London Wall Buildings, 65 London Wall, Colechurch House and Electra House.

Non-property investment income

53. As most of the managed funds are held in pooled investment vehicles, income is drawn down from the investments as necessary rather than being received as dividend income. The amounts to be drawn down in 2017/18 and 2018/19 will be drawn down in order to balance Bridge House Estates to zero.

Charitable Grants

54. The increase in grant commitments from £21.3m to £25.3m is as a result of a carry forward of grant funding of £4.7m from 2016/17.

Revenue Budget 2018/19

Net Expenditure on Services

55. The budget for 2018/19 of £12.4m is an increase of £2.4m on the original budget for 2017/18. This primarily relates to funding to deliver the new CBT strategy 'Bridging Divides' and an additional £1m to fund a strategic review of Bridge House Estates funding.

Cyclical Works Programme & Supplementary Revenue Projects

56. There are no & Supplementary Revenue Projects approved in 2018/19/

Investment Property Rent Income

57. The increase in rental income from £20.3m to £21.2m arises from a number of properties based on the latest forecast from the City Surveyor.

Charitable Grants

58. Charitable Grant funding has been committed to fund the 'Bridging Divides' strategy grant awards of £100m over 5 years. Grant awards will be recognised in the year of award in total rather than being spread over the period of the grant.

GUILDHALL ADMINISTRATION

Overall Budget Position

59. Guildhall Administration encompasses most of the central support services for the City, with the costs being fully recovered from the three main City Funds, Housing Revenue Account, Museum of London and other external bodies in accordance with the level of support provided. Consequently, after recovery of costs, the net expenditure on Guildhall Administration is nil. The table below summarises the position.

Guildhall Administration Summary by Committee			
	2017/18 Original £m	2017/18 Latest £m	2018/19 Original £m
<i>Net (Expenditure)/Income</i>			
Establishment – Town Clerk & C&CS	(10.9)	(12.0)	(11.7)
Finance – Chamberlain	(34.7)	(36.7)	(35.6)
Finance – City Surveyor, Remembrancer & Town Clerk	(22.3)	(21.6)	(23.0)

Total Net Expenditure	(67.9)	(70.3)	(70.1)
Recovery of Costs	67.9	70.3	70.1
Total Guildhall Administration	-	-	-

1. Figures in brackets denote expenditure, increases in expenditure, or shortfalls in income.

Revenue Budget 2017/18

60. The net budget has increased by £1.1m overall to £12.0m. The main variations are as follows:

- £1.1m approved carry forwards from 2016/17.

Revenue Budget 2018/19

61. The net expenditure for 2018/19 is £11.7m, an increase of £0.8m from 2017/18. The main variations are as follows:

- £0.3m reduction in City Re profits.
- £0.2m increase in insurance premium costs.
- £0.2m for additional PA and speechwriter posts within Town Clerks
- £0.1m for three additional posts within the Comptroller & City Solicitor's Public Law Division

CAPITAL AND SUPPLEMENTARY REVENUE PROJECT BUDGETS

62. The City Fund, City's Cash and Bridge House Estates capital and supplementary revenue project budgets are being submitted to the Court of Common Council in March and are included in the Summary Budget Book. They include only those budgets which are approved to spend in accordance with the corporate project procedures.

63. The "Supplementary Revenue Projects" classification was created to cover project expenditure controlled in the same way as capital projects that does not meet the accounting definition of capital expenditure, e.g. feasibility and option appraisal costs, work of a revenue nature etc. The relevant expenditure and income on such projects is posted to revenue accounts, rather than capitalised at year end.

City Fund Capital and Supplementary Revenue Project Budgets

64. The latest City Fund capital and supplementary revenue projects budgets total £67.7m for 2017/18 and £18.6m for 2018/19. The budgets include schemes relating to affordable housing construction, HRA stock improvements, police accommodation and systems, the Museum of London re-location, the Combined Courts project and highways improvement schemes.

City's Cash Capital and Supplementary Revenue Project Budgets

65. The latest City's Cash capital and supplementary revenue projects budgets total £25.4m for 2017/18 and £22.6m for 2018/19. The budgets include property investments and works at the CoL Freeman's School, CoL Girls School, Guildhall School of Music and Drama, IT transformation and building security.

Bridge House Estates Capital and Supplementary Revenue Project Budgets

66. The latest Bridge House Estates capital and supplementary revenue projects budgets total £17.1m for 2017/18 and £0.08m for 2018/19. The budgets relate mainly to property investments.

Financing Capital Expenditure

67. As in previous years, it is proposed that the Chamberlain should determine the final financing of the capital budgets.

Dr Peter Kane
Chamberlain

Appendices

- Appendix 1 – Medium Term Financial Strategy/Budget Policy

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Medium Term Financial Strategy/Budget Policy

City Fund

The main constituents of the City Fund medium term financial strategy/budget policy are as follows:-

- (i) to aim to achieve as a minimum over the medium term planning period the 'golden rule' of matching on-going revenue expenditures and incomes;
- (ii) to implement budget adjustments and measures that are sustainable, on-going and focused on improving efficiencies;
- (iii) in line with (ii), as far as possible to protect existing repairs and maintenance budgets from any efficiency squeezes or budget adjustments and to ring-fence all other non-staffing budgets (to prevent any amounts from these budgets being transferred into staffing budgets);
- (iv) within the overall context of securing savings and budget reductions, to provide Chief Officers with stable financial frameworks that enable them to plan and budget with some certainty;
- (v) for the Police service, ordinarily to set an annual cash limit determined from the national settlement allocation to the City Police together with the allocation from the Business Rates Premium and to allow the Force to draw from its reserves on a phased basis, subject to a minimum level being retained;
- (vi) to identify and achieve targeted/selective budget reductions and savings programmes;
- (vii) to continue to review critically all financing arrangements, criteria and provisions relating to existing and proposed capital and supplementary revenue project expenditures;
- (viii) to reduce the City Fund's budget exposure to future interest rate changes by adopting a very prudent, constant annual earnings assumption in financial forecasts. If higher earnings are actually achieved, consideration to be given to only making the additional income available for non-recurring items of expenditure;
- (ix) to accept that in some years of the financial planning period it may be necessary to make contributions from revenue balances to balance the revenue budget;
- (x) ordinarily to finance capital projects from disposal proceeds rather than revenue resources and supplementary revenue projects from provisions set aside within the financial forecast; and
- (xi) to minimise the impact of rate/tax increases on City businesses and residents.

City's Cash

The main constituents of the current budget policy for City's Cash services reflect the general elements within the City Fund strategy together with the following specific objectives:

- ensure that ongoing revenue expenditure is contained within revenue income over the medium term and sufficient surpluses are generated to finance capital investment on City's Cash services;

- continue to seek property investment opportunities to enhance income/seek capital appreciation during the year, subject to any financing being met from the City's Estate Designated Sales Pool; and
- sell either property or financial assets, which would need to be in addition to property disposals required to meet the financing requirements of the Designated Sales Pool, to meet City's Cash cash-flow requirements.

Bridge House Estates

Budget policy in relation to Bridge House Estates is as follows:

- adhering to a planning framework which provides cash limit allowances towards inflationary pressures rather than the budget reductions and savings programmes applied to other funds;
- ensuring that ongoing revenue expenditure is contained within revenue income over the medium term and that sufficient surpluses are generated to finance expenditure on the Bridges with surplus funds allocated to charitable grants; and
- continuing to seek property investment opportunities to enhance income/provide capital appreciation during the year subject to any financing being met from the Bridge House Estates Designated Sales Pool.