

Committee(s):	Date(s):	Item no.
Licensing	15 November 2010	
Subject: REVENUE BUDGETS - 2010/11 AND 2011/12	Public	
Report of: The Chamberlain Director of Environmental Services	For Decision	
<p style="text-align: center;"><u>Summary</u></p> <p>1. This report updates the Committee on its latest approved revenue budget for 2010/11 and seeks approval for a provisional revenue budget for 2011/12, for subsequent submission to the Finance Committee.</p> <p>2. Overall the latest approved budget for 2010/11 is net expenditure of £39,000, an increase of £35,000 compared to the original budget. Forecasts of local risk expenditure and income suggest that the outturn for the current year should be broadly in line with the latest approved local risk budget.</p> <p>3. Overall, the 2011/12 provisional revenue budget is net expenditure of £98,000, and has been prepared within the resources allocated to the Committee. However, Chief Officers are required to prepare for further budget reductions of 10% to the City Fund and City’s Cash activities (including Guildhall Administration). Their proposals are currently being reviewed and Members are due to give consideration to the timing and extent of such reductions in the context of the City Corporation’s overall financial position early in the new calendar year.</p>		
<p><u>Recommendations</u></p> <p>4. The Committee is requested to:</p> <ul style="list-style-type: none">• note its latest approved revenue budget for 2010/11;• examine critically and approve the provisional 2011/12 revenue budget for submission to the Finance Committee; and• note that the Director (in common with other Chief Officers) is assessing how a further reduction of 10% would be achieved from 2011/12 and that the timing and extent of such further reductions will be considered by Members in the context of the City Corporation’s overall financial position early in the new calendar year.		

Main Report

Format of the Report

5. This report is divided into three main sections as follows:
 - management of the City of London Corporation's revenue budgets;
 - the Committee's latest approved revenue budget for 2010/11; and
 - provisional revenue budget 2011/12.
6. Your Committee's detailed revenue budgets for 2010/11 and 2011/12 are attached at Annex A1. In the various tables, figures in brackets indicate income or in hand balances, increases in income or decreases in expenditure.

Management of the City of London Corporation's Revenue Budgets

7. The key features of the revenue budget management arrangements are to:-
 - (i) provide a clear distinction between central and local risk budgets and recharges;
 - (ii) maintain responsibility for budgetary control with departmental Chief Officers; and
 - (iii) apply a cash limit policy to Chief Officers' budgets.
8. Local risk budgets are those deemed to be within the Chief Officer's control. Central risk budgets comprise specific items where a Chief Officer manages the underlying service, but where the eventual financial outturn can be strongly influenced by external factors outside his/her control or are budgets of a corporate nature (e.g. interest on balances and rent incomes from investment properties). There are no central risk items within the Licensing Committee's budgets. Recharges cover budgets for services provided by one activity to another. The control of recharges is exercised at the point where the expenditure or income first arises as local or central risk.
9. Local risk budgets are cash limited within each year. This means that once set, such budgets are not generally repriced in-year for the varying effects of inflation and pay awards. Chief Officers are expected to keep within their overall local risk budgets.
10. Chief Officers can transfer (vire) savings or additional income from one local risk budget to cover additional spending or lower income on another,

subject to no objections being raised by the Chamberlain. However, they are required to advise service committees if they propose to vire budgets between different services within a committee, or between committees. In general, virements are limited to no more than 10% or £500,000 (whichever is the lesser) of the total local risk budget. Virements are not usually permitted between the City of London Corporation's three main funds.

11. Additionally, the framework/guidance for the consideration of virements includes the requirements agreed by the Policy and Resources and Finance Committees in January 2009 that:
 - repairs and maintenance budgets must be fully protected; and
 - non-staffing budgets should not be transferred into staffing budgets. In this respect there may be limited exceptions such as where contracted services are brought in house but each exception will be considered on its merits.
12. Subject to certain guidelines, Chief Officers can request the carry forward of local risk under spends to the following year. Generally such carry forward requests can be up to 10% or £500,000 (whichever is the lesser) of the final agreed local risk budget. Such requests are subject to the approval of the Chairman and Deputy Chairman of the Resource Allocation Sub Committee in consultation with the Chamberlain. Over spends on local risk budgets have to be met from the Chief Officer's local risk budget in the following year.

Latest Approved Revenue Budget for 2010/11

13. Overall there is an increase of £35,000 between the Committee's original and latest approved revenue budgets for 2010/11. Table 1 overleaf summarises the movements between the original and latest approved budgets for local risk and recharges comprising this reduction.

Table 1 – Original and Latest Approved Revenue Budget 2009/10			
	Local Risk £000	Recharges £000	Total £000
2010/11 Original Budget	(203)	207	4
Virements	(5)	-	(5)
Changes in recharges	-	40	40
2010/11 Latest Approved Budget	(208)	247	39
Increase (decrease) between Original and Latest Approved Budget	(5)	40	35

14. The detailed budgets in Annex A1 are cross referenced as appropriate to the explanations of significant variations below.
15. The increase in net local risk income of £5,000 (shown under ‘virements’ above) comprises:
- a transfer of £44,000 for the cleaning costs of Middlesex Street from the Port Health and Environmental Services Committee as they relate more properly to the functions of this Committee;
 - a reduction of £41,000 in employee costs due mainly vacancies; and
 - other minor reductions in expenditure.
16. Recharges from the Port Health and Environmental Services Committee have increased by £65,000 due mainly to a review of the bases for attributing DES Support Services and Walbrook Wharf accommodation costs following the recent changes to the Departmental structure, partly offset by a reduced level of support required from the Comptroller and City Solicitor. Details of recharges are set out in Annex A2.

Forecast Outturn for 2010/11 in Comparison with Latest Approved Budgets

17. Forecasts of local risk expenditure and income suggest that the outturn for the year should broadly be in line with the latest approved budget.

Proposed Revenue Budget for 2011/12

18. The main elements of the overall budget policy guidelines for 2011/12 agreed by the Policy and Resources and Finance Committees are as follows:-

- a 2.5% reduction to be generally applied to local risk budgets for the City Fund and City's Cash activities (including Guildhall Administration);
- a general cash freeze across most other budget headings;
- implementation of the budget savings agreed by individual Chief Officers and the Chamberlain arising from the reviews undertaken in 2009;
- continuation of controls over the transfer of non-staffing budgets to staffing budgets in order to minimise the creation of new long term commitments;
- all posts when they become vacant to be reviewed with any recruitment being considered and agreed by the Town Clerk's HR Director on its merits;
- a general protection of repairs and maintenance budgets; and
- each Chief Officer is required to prepare for further budget reductions of 10% to City Fund and City's Cash activities (including Guildhall Administration) with Members giving consideration to the timing and extent of such reductions in the context of the City Corporation's overall financial position early in the new calendar year.

19. Proposals relating to the final point are currently being reviewed. Aside from such implications, the provisional 2011/12 budgets under the control of the Director have been prepared in accordance with these guidelines.

20. For the Licensing Committee there is an increase of £94,000 between the 2010/11 and 2011/12 original budgets as summarised overleaf.

Table 2 – 2011/12 Revenue Budget			
	Local Risk £000	Recharges £000	Total £000
2010/11 Original Budget	(203)	207	4
Virements	50	-	50
Changes in recharges	-	44	44
2011/12 Original Budget	(153)	251	98
Increase (decrease) between Original Budgets for 2010/11 and 2011/12	50	44	94

21. The detailed budgets in Annex A1 are cross referenced as appropriate to the explanations of significant variations below.
22. The decrease in net local risk income of £50,000 (shown under ‘virements’ above) reflects the transfer of £44,000 for the cleaning costs of Middlesex Street from the Port Health and Environmental Services Committee as they relate more properly to the functions of this Committee, together with other minor increases in expenditure.
23. Recharges from the Port Health and Environmental Services Committee have increased by £73,000 due mainly to a review of the bases for attributing DES Support Services and Walbrook Wharf accommodation costs following the recent changes to the Departmental structure, partly offset by a reduced level of support required from the Comptroller and City Solicitor and the Chamberlain.
24. A manpower statement is attached at Annex B. Whilst there is an increase in employee costs for this Committee, staffing budgets for the Department of Environmental Services as a whole will not increase, in accordance with the requirement set out at paragraph 11.

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ANNEX A2

RECHARGES TO LICENSING COMMITTEE

Central costs are recharged to service committees on the basis of the level of service provided. Recharges to the Licensing Committee are set out in the table below.

Actual 2009/10 £000	RECHARGES TO LICENSING COMMITTEE	Original Budget 2010/11 £000	Latest Approved Budget 2010/11 £000	Original Budget 2011/12 £000
	Central Recharges			
4	IS Recharges – Chamberlain	5	4	4
1	Insurance	0	1	2
3	Capital Charges	4	2	3
	Support Services			
11	Chamberlain	12	10	9
36	Comptroller and City Solicitor	59	40	35
3	Miscellaneous	5	3	3
57	Total Central Recharges	85	60	56
	Recharges from other City Fund committees			
66	Port Health and Environmental Services	71	136	144
49	Planning and Transportation	51	51	51
172	TOTAL	207	247	251

IS Recharges

The Information Services budget falls into three categories. First, a “core” element is retained by the IS Division for activities such as the support and operation of central and corporate systems. This part of the budget is recharged to individual committees on the basis of their usage of the systems and is shown as an IS recharge within Central Recharges.

The second element relates primarily to “desktop” and network support services. This traded budget has been devolved to departments who may choose to purchase these services from the IS Division or from alternative suppliers, or who may choose to use these resources for other purposes. The charge for such services is shown within the local risk expenditure of services and is not treated as a “recharge”.

Finally, provisions relating to small IS development projects are currently held within Finance Committee. This resource is the subject of bids from individual services.

Insurance

Primarily public and employers' liability and professional indemnity cover.

Capital Charges

The capital charges within this Committee, totalling £3,000 in 2011/12, are the Committee's share of charges relating to capital expenditure on the Guildhall complex and corporate IT projects. All capital charges have a corresponding contra entry in the Finance Committee's Accounts. Consequently, the charges have no overall impact on City Fund net expenditure.

Support Services

The support costs have been attributed in accordance with the Best Value Accounting Code of Practice produced by the Chartered Institute of Public Finance and Accountancy. The main support services provided by the central departments are:

Chamberlain (Finance)	Accounting services, insurance, revenue collection, payments, financial systems and internal audit.
Comptroller and City Solicitor	Property, litigation, contracts, public law and administration of commercial rents.
Miscellaneous	Various services including central training, corporate printing, net contribution to the dental service, occupational health, union costs, and environmental and sustainability section.

Port Health and Environmental Services Committee

Port Health and Environmental Services' costs relating to the provision of support services including Finance, Departmental IT, Personnel, Performance & Support and Walbrook Wharf accommodation are recharged to the Licensing Committee.

Planning and Transportation Committee

The Highways Team provide the Tables and Chairs licensing service on behalf of Environmental Services.

ANNEX B**MANPOWER STATEMENT****LICENSING COMMITTEE**

	ORIGINAL BUDGET 2010/11		ORIGINAL BUDGET 2011/12	
	Manpower Full-Time Equivalent	Estimated Cost £'000	Manpower Full-Time Equivalent	Estimated Cost £'000
Licensing officers	5.4	241	6.0	255
TOTAL EMPLOYEE COSTS	5.4	241	6.0	255

The costs can be analysed as follows:-

	<u>£</u>	<u>£</u>
Basic pay	180	194
Provision for pay award	3	-
Overtime	3	3
National Insurance	16	17
Pension Contribution	34	36
Recruitment Advertising	2	2
Training	<u>3</u>	<u>3</u>
TOTAL EMPLOYEE COSTS	<u>241</u>	<u>255</u>