

Committee(s):	Date(s):	Item no.
Licensing	24 October 2011	
Subject: REVENUE BUDGETS - 2011/12 AND 2012/13	Public	
Report of: The Chamberlain Director of Markets and Consumer Protection	For Decision	

Summary

1. This report updates the Committee on its latest approved revenue budget for 2011/12 and seeks approval for a provisional revenue budget for 2012/13, for subsequent submission to the Finance Committee. The budgets have been prepared within the resources allocated to the Director and the table below summarises the position.

	Original Budget 2011/12 £000	Latest Approved Budget 2011/12 £000	Original Budget 2012/13 £000
Local Risk			
<i>Expenditure</i>	323	316	334
<i>Income</i>	<u>(484)</u>	<u>(495)</u>	<u>(495)</u>
Net Local Risk	(161)	(179)	(161)
Support Services and other Recharges	232	213	213
Total Net Expenditure	71	34	52

2. Overall the latest approved budget for 2011/12 is net expenditure of £34,000, a decrease of £37,000 compared to the original budget comprising a net reduction in costs of £26,000 and an increase in income of £11,000. The 2012/13 provisional revenue budget is net expenditure of £52,000.
3. Following departmental reorganisations, the Licensing Committee's budgets are now the responsibility of the Director of Markets and Consumer Protection (formerly the Director of Environmental Services). Assessing the

implications of this change is ongoing, particularly in respect of support services, and further budget adjustments may be required.

Recommendations

4. The Committee is requested to:
 - note its latest approved revenue budget for 2011/12; and
 - examine critically and approve the provisional 2012/13 revenue budget for submission to the Finance Committee;
 - authorise the Chamberlain to revise these budgets to allow for any further implications arising from departmental reorganisations and other reviews.

Main Report

Introduction

5. The main variations between budgets are outlined in the following paragraphs and the detailed revenue budgets for 2011/12 and 2012/13 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.
6. The key features of the City Corporation's revenue budget management arrangements, including the distinction between local risk, central risk and recharge budgets, are set out in Annex C.

Latest Approved Revenue Budget 2011/12

7. Overall there is a decrease of £37,000 between the Committee's original and latest approved revenue budgets for 2011/12. 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 2011/12			
	Local Risk £000	Recharges £000	Total £000
2011/12 Original Budget	(161)	232	71
Approved carry forward from 2010/11	7	-	7
Budget transfers to other services managed by the Director	(25)	-	(25)
Support services and other recharges	-	(19)	(19)
2011/12 Latest Approved Budget	(179)	213	34
Decrease between Original and Latest Approved Budget	(18)	(19)	(37)

8. The detailed budgets in Annex A1 are cross referenced as appropriate to the explanations of significant variations below.
9. The increase in net local risk income of £25,000 (shown under ‘budget transfers’ above) comprises:
 - a budget of £11,000 for consultants fees that is not required;
 - an increase of £11,000 in income as a result of the latest statutory fee levels and anticipated volume of renewals; and
 - other minor variations in expenditure.
10. Following departmental reorganisations, the Licensing Committee’s budgets are now the responsibility of the Director of Markets and Consumer Protection (formerly the Director of Environmental Services). This change, together with the impact of the Strategic Finance Review and other reviews, has resulted in a net reduction of £19,000 in the support service costs recharged to Licensing. However, assessing the implications of the various organisational changes is ongoing and further revisions to these budgets may be necessary.
11. Details of recharges are set out in Annex A2.

Forecast Outturn for 2011/12 in Comparison with Latest Approved Budgets

12. 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 2012/13

13. The main elements of the overall budget policy guidelines for 2012/13 agreed by the Policy and Resources and Finance Committees are as follows:-

- continuing the implementation of the 10% budget reductions across most local risk budgets for City Fund and City's Cash activities (including Guildhall Administration) in addition to the initial 2.5% reduction generally applied from 2011/12;
- application of the 10% reductions to central risk budgets wherever possible;
- the inclusion in 2011/12 and 2012/13 of central risk provisions in City Fund and City's Cash for one-off costs incurred in securing the 10% reductions; use of such provisions being subject to the approval of the Town Clerk and the Chamberlain;
- a cash standstill on local risk budgets for Bridge House Estates activities;
- achievement of the existing targeted/selective budget reductions and savings programme of at least £5m per annum, together with the potential financial benefits arising from PP2P;
- continuation of controls over the transfer of non-staffing budgets to staffing budgets in order to minimise the creation of new long term commitments; and
- a general protection of repairs and maintenance budgets.

14. The provisional 2012/13 budgets under the control of the Director have been prepared in accordance with these guidelines.

15. Overall there is a decrease of £19,000 between the Committee's original revenue budgets for 2011/12 and 2012/13, as indicated in Table 2 overleaf.

Table 2 – 2012/13 Revenue Budget			
	Local Risk £000	Recharges £000	Total £000
2011/12 Original Budget	(161)	232	71
Support services and other recharges	-	(19)	(19)
2012/13 Original Budget	(161)	213	52
Decrease between Original Budgets for 2011/12 and 2012/13	-	(19)	(19)

16. The detailed budgets in Annex A1 are cross referenced as appropriate to the explanations of significant variations below.
17. Whilst the overall net local risk income is unchanged, an increase of £10,000 in employee costs together with other minor increases in expenditure have been fully offset by an increase of £11,000 in income.
18. Support services and other recharges have reduced as a result of the departmental reorganisation outlined in paragraph 10.
19. 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 Markets and Consumer Protection as a whole will not increase, in accordance with the requirement in paragraph 13.

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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	RECHARGES TO LICENSING COMMITTEE	Original Budget	Latest Approved Budget	Original Budget
2010/11 £000		2011/12 £000	2011/12 £000	2012/13 £000
	Central Recharges			
5	IS Recharges – Chamberlain	3	3	3
2	Insurance	2	2	2
2	Capital Charges	3	3	3
	Support Services			
16	Chamberlain	8	8	8
32	Comptroller and City Solicitor	30	30	30
3	Miscellaneous	3	3	3
60	Total Central Recharges	49	49	49
	Recharges from other City Fund committees			
131	Port Health and Environmental Services	132	99	99
51	Planning and Transportation	51	51	51
	Recharges from other Funds			
0	Markets	0	14	14
242	TOTAL	232	213	213

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 2012/13, 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

Central support service 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, , occupational health, union costs, and environmental and sustainability section.

Port Health and Environmental Services Committee / Markets Committee

Departmental support service costs apportioned to the Licensing service.

Planning and Transportation Committee

The Highways Team’s cost in providing the Tables and Chairs licensing service on behalf of Markets and Consumer Protection.

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

	ORIGINAL BUDGET 2011/12		ORIGINAL BUDGET 2012/13	
	Manpower Full-Time Equivalent	Estimated Cost £'000	Manpower Full-Time Equivalent	Estimated Cost £'000
Licensing officers	6.0	255	6.0	265
TOTAL EMPLOYEE COSTS	6.0	255	6.0	265

The costs can be analysed as follows:-

	<u>£'000</u>	<u>£'000</u>
Basic pay	194	203
Provision for pay award	-	-
Overtime	3	3
National Insurance	17	18
Pension Contribution	36	36
Recruitment Advertising	2	2
Training	<u>3</u>	<u>3</u>
TOTAL EMPLOYEE COSTS	<u>255</u>	<u>265</u>

Management of the City of London Corporation's Revenue Budgets

1. The key features of the revenue budget management arrangements are to:-
 - (i) provide a clear distinction between local risk, central risk and recharge budgets;
 - (ii) place responsibility for budgetary control on departmental Chief Officers;
 - (iii) apply a cash limit policy to Chief Officers' budgets; and
 - (iv) simplify establishment arrangements.
2. Local risk budgets are those deemed to be largely 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.
3. 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 may have local risk budgets within more than one Committee and move budgets between such Committees, but are expected to keep within their overall resource allocation.
4. 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 significant 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.

5. 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 should be 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.
6. 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. Overspends on local risk budgets have to be met from the Chief Officer's local risk budget in the following year.