

<b>Committees:</b>	<b>Dates:</b>	<b>Item No.</b>
Residents' Consultation Barbican Residential	29 November 2010 13 December 2010	
<b>Subject:</b> REVENUE AND CAPITAL BUDGETS - 2010/11 AND 2011/12	<b>Public</b>	
<b>Report of:</b> The Chamberlain, The Director of Community and Children's Services	<b>For Decision</b>	
<p style="text-align: center;"><b><u>Summary</u></b></p> <p>1. This report is the annual submission of the revenue and capital budgets overseen by your Committee. In particular, it updates the Committee on the latest approved revenue budget for 2010/11 and seeks approval for the proposed revenue budget for 2011/12, for subsequent submission to the Finance Committee. Details of the Committee’s draft capital and supplementary revenue budgets are also provided.</p> <p>2. Overall, the latest approved revenue budget for 2010/11 totals net expenditure of £305,000 an increase of £82,000 compared with the original budget. The main reason for this is the approved carry forward of budgets of £88,000 from 2009/10. 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. The 2011/12 revenue budget presented in this report has been prepared within the resources allocated. Chief Officers have also been asked to prepare for future potential budget reductions of 10% for 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>4. Overall, the 2011/12 provisional revenue budget for services overseen by this Committee totals a net expenditure of £103,000, a decrease of £120,000, compared to the 2010/11 original budget. The main reason is the general 2.5% reduction being applied to most of the City’s budgets. The implications of the 2.5% reduction were reported to the Committee in September.</p>		

5. The 2011/12 revenue and capital budgets set out in this report relating to expenses included within the service charge account form the basis of the calculation of the 2011/12 on account charges. However, as the service charge demands are produced to a later timetable with the first invoice not raised until June 2011, adjustments will be made to reflect the most recent circumstances.

### **Recommendations**

6. The Committee is requested to:
- note its latest approved revenue budget for 2010/11;
  - examine critically the provisional 2011/12 revenue budget to ensure that it reflects the Committee's objectives and, if so, approve the budget for submission to the Finance Committee;
  - note that the Director (in common with other Chief Officers) has prepared proposals for how a further reduction of 10% would be achieved in 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; and
  - review and approve the draft capital and supplementary revenue budgets.

## **Main Report**

### **Relationship of the Barbican Residential Committee Budget Report to Service Charges Schedules**

7. As a local authority the City is required to determine its overall budget requirement for the following financial year by early March and this report forms part of this overall budget setting process. However, as on account service charge invoices are raised quarterly in arrears with the first 2011/12 payment due in June 2011, adjustments will be made to reflect the most recent circumstances. For example, by the time the service charge schedules are prepared there may be variations within the programme of works which will be adjusted for in the service charge calculations.

### **Format of the Report**

8. This report is divided into four main sections as follows:
- management of the City of London Corporation's revenue budgets;
  - the Committee's latest approved revenue budget for 2010/11;
  - provisional revenue budget 2011/12; and
  - draft capital and supplementary revenue budgets.

9. Annex A provides a list of the Annexes attached in support of the budgets. With the exception of Annex G, in the various tables, figures in brackets indicate income or in hand balances, increases in income or decreases in expenditure. Annex G is in the format requested by the Residents' Consultation Committee.

### **Management of the City of London Corporation's Revenue Budgets**

10. The key features of the revenue budget management arrangements are to:-
- (i) provide a clear distinction between local and central 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.
11. 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 the budgets are of a corporate nature. 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.
12. 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.
13. 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.

14. 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 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 situation will be considered on its merits.
15. Chief Officers can request the carry forward of local risk under spends to the following year for a specific purpose. 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. Ordinarily over spends on local risk budgets have to be met from the Chief Officer's local risk budget in the following year.
16. Whilst the main focus of budgetary control is on local risk budgets, the management of central risk budgets is also important. Consequently, the Finance Committee need to be advised of any significant variations in central risk budgets, in particular increased resource requirements arising from additional expenditures or income shortfalls.

### **Latest Approved Revenue Budget for 2010/11**

17. Annexes B1 and B2 contain a summary of the services overseen by the Committee and Annex B3 summarises the revenue budgets within this report.
18. Overall there is a increase of £82,000 between the Committee's original and latest approved revenue budgets for 2010/11. Table 1 summarises this increase, analysed between local risk, central risk and recharge budgets.

<b>Table 1 – Original and Latest Approved Revenue Budget 2010/11</b>				
	Local Risk £000	Central Risk £000	Recharges £000	Total £000
2010/11 Original Budget	(2,019)	(1,187)	3,429	223
2009/10 budgets brought forward	88	0	0	88
Decrease in income	0	61	0	61
Changes in recharges	0	0	(67)	(67)
2010/11 Latest Approved Budget	(1,931)	(1,126)	3,362	305
Increase between Original and Latest Approved Budgets	88	61	(67)	82

19. Table 2 outlines, in more detail, significant variations between the original and latest approved budgets as they affect the services and activities overseen by the Committee. The detailed budgets in Annex B are cross referenced as appropriate to the explanations in Table 2.

<b>Table 2 – Significant Variations between the Original and Latest Approved Revenue Budgets 2010/11</b>	<b>Increase/ (Decrease) £000</b>
<p>(i) Service Charges</p> <p>The relationship of the costs included in this division of service to the calculation of individual service charges is set out at paragraph 7.</p> <ul style="list-style-type: none"> <li>Expenditure - £94,000 decrease The main variations are a reduction in expenditure on repairs and maintenance (see annex D), a reduction in supervision and management mainly due to lower central support service costs, and a reduced technical services recharge based on the latest time apportionments.</li> <li>Income - £94,000 decrease The majority of expenditure in this division of service is recoverable either from long lessees through service charges or from the proportion of rent income for short term tenancies which is deemed to be the service charges element of inclusive rentals. The decrease in income reflects the lower expenditure.</li> </ul>	0
<p>(ii) Landlord Services</p> <p style="text-align: right;">£'000</p> <p>Four repairs and maintenance projects funded from 2009/10 budget carry forward</p> <p>Cromwell Tower Lobby Refurbishment – Landlord's share 20</p> <p>Improvement to flower beds – Ben Jonson 7</p> <p>Redecoration of hand rails 6</p> <p>Survey of drainage and tiling at St Giles Terrace 5</p> <p>Increase to capital charges based on the latest valuation as at 31/03/2010. 41</p> <p>Total <u>79</u></p>	79

<p>(iii) Car Parking</p> <p style="text-align: right;">£'000</p> <p>Based on previous years experience and spend to date a reduction in the requirement for employee overtime and agency staff has been assumed. (19)</p> <p>Slippage of Office refurbishment to 2011/12 Roller Shutters project funded from 2009/10 budget carry forward. (30)</p> <p>Decrease to capital charges based on the latest valuation as at 31/03/2010 9</p> <p>Minor variations (37)</p> <p>Total (17)</p> <p style="text-align: right;">(94)</p>	(94)
<p>(iv) Trade Centre</p> <p>Mainly due to a increase to capital charges based on the latest valuation as at 31/03/2010.</p>	84
<p>(v) Other Variations</p>	13
<p>Total Increase</p>	82

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

20. Forecasts of expenditure and income suggest that the outturn for the year should broadly be in line with the latest approved budgets.

### **Provisional Revenue Budget for 2011/12**

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

- 2.5% reduction to be generally applied to local risk budgets for 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 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 to prepare for further potential budget reductions of up to 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.

22. Proposals relating to the final point are currently being reviewed. Aside from such implications, the 2011/12 budget now being presented to the Committee has been prepared in accordance with these guidelines and is summarised in Table 3 below. Overall there is a decrease of £120,000 between the 2010/11 and 2011/12 original budgets as summarised in Table 3.

<b>Table 3 – 2011/12 Revenue Budget</b>				
	Local Risk £000	Central Risk £000	Recharges £000	Total £000
2010/11 Original Budget	(2,019)	(1,187)	3,429	223
2.5% savings	(102)	0	0	(102)
Pay and grading review	(2)	0	0	(2)
Decrease in income	0	100	0	100
Changes in recharges	0	0	(116)	(116)
2011/12 Original Budget	(2,123)	(1,087)	3,313	103
Increase / (decrease) between Original Budgets for 2010/11 and 2011/12	(104)	100	(116)	(120)



23. The impact of the 2.5% reduction (£102,000) was reported to the Committee's September meeting.
24. The pay and grading review decrease reflects the budget adjustments being made to ensure that, in general, departments neither suffer adverse financial implications nor enjoy windfall gains from the review.
25. Table 4 outlines, in more detail, significant variations at service level between the original revenue budgets for 2010/11 and 2011/12. Again, the detailed budgets in Annex B are cross referenced as appropriate to the explanations in Table 4.

Table 4 - Significant Variations between the Original Revenue Budgets for 2010/11 and 2011/12	Increase/ (Decrease) £000																
<p>(i) Service Charge Account</p> <p>The relationship of the costs included in this division of service to the calculation of individual service charges is set out at paragraph 7.</p> <ul style="list-style-type: none"> <li>• Expenditure - £121,000 decrease The main variations are a reduction in expenditure on repairs and maintenance (see annex D), a reduction in supervision and management mainly due to lower central support services, and a reduced technical services recharge based on the latest time apportionments.</li> <li>• Income - £121,000 decrease The majority of expenditure in this division of service is recoverable either from long lessees through service charges or from the proportion of rent income for short term tenancies which is deemed to be the service charge element of inclusive rentals. The decrease in income reflects the lower expenditure.</li> </ul>	0																
<table> <tr> <td data-bbox="225 1014 925 1059">(ii) Landlords Services</td><td data-bbox="925 1014 1217 1059">£000</td></tr> <tr> <td data-bbox="225 1104 925 1149">Repairs and maintenance (annex D)</td><td data-bbox="925 1104 1217 1149">20</td></tr> <tr> <td data-bbox="225 1193 925 1317">Rent income (new lettings, rent reviews and reduced proportion of rent allocated to service charges)</td><td data-bbox="925 1193 1217 1317">(76)</td></tr> <tr> <td data-bbox="225 1361 925 1406">Lower premiums on premises insurances</td><td data-bbox="925 1361 1217 1406">(24)</td></tr> <tr> <td data-bbox="225 1451 925 1574">Reduction in supervision and management mainly due to lower central support services costs.</td><td data-bbox="925 1451 1217 1574">(44)</td></tr> <tr> <td data-bbox="225 1619 925 1697">Increase in Capital Charges based on the latest valuation as at 31/03/2010.</td><td data-bbox="925 1619 1217 1697">41</td></tr> <tr> <td data-bbox="225 1742 925 1787">Other net variations</td><td data-bbox="925 1742 1217 1787">(15)</td></tr> <tr> <td></td><td data-bbox="925 1787 1217 1832"><u>(98)</u></td></tr> </table>	(ii) Landlords Services	£000	Repairs and maintenance (annex D)	20	Rent income (new lettings, rent reviews and reduced proportion of rent allocated to service charges)	(76)	Lower premiums on premises insurances	(24)	Reduction in supervision and management mainly due to lower central support services costs.	(44)	Increase in Capital Charges based on the latest valuation as at 31/03/2010.	41	Other net variations	(15)		<u>(98)</u>	(98)
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<p>(iii) Car Parking</p> <p style="text-align: right;">£000</p> <p>Based on previous years experience and spend to date a reduction in the requirement for overtime and agency staff has been assumed. (19)</p> <p>The budget assumes a small increase in rent income in line with R.P.I. (20)</p> <p>Reduction in supervision and management, mainly due to lower central support service costs. (15)</p> <p>Decrease in Capital Charges based on the latest valuation as at 31/03/2010. (37)</p> <p>Other net variations <u>(5)</u></p> <p style="text-align: right;"><u>(96)</u></p>	(96)
<p>(iv) Trade Centre</p> <p>An increase in capital charges based on the latest valuation as at 31/03/2010.</p>	78
<p>(v) Other Variations.</p>	(4)
<p>Total Decrease</p>	(120)

### **Potential Further Budget Developments**

26. The provisional nature of the 2011/12 revenue budget particularly recognises that further revisions may arise from the current exercise to prepare for further budget reductions of 10% and the necessary realignment of budgets that may result from the HR, IS and Strategic Finance Corporate reviews.

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

27. No new bids were submitted recently by the Committee to the Policy and Resources Committee for resources to evaluate new capital or supplementary projects.
28. The Committee's draft capital and supplementary revenue project budgets are attached at Annex F and summarised in Tables 5 and 6 below.
29. Estimated expenditure is analysed as follows:
- Committed – Projects which are contractually committed.
  - Uncommitted – Projects which have been the subject of an approved evaluation report but are not yet contractually committed.
  - Pre-evaluation costs – The costs of evaluating most schemes are met from within existing revenue provisions. Consequently, the Table would only include budgets for those schemes where additional provisions from central resources have been approved.

<b>Table 5 – Draft Capital Budget</b>					
	Exp. Pre 01/04/10 £'000	2010/11 £'000	2011/12 £'000	Later Years £'000	Total £'000
<u>Evaluated schemes</u>					
- Committed	95	12	0	0	107

<b>Table 6 – Draft Supplementary Revenue Project Budget</b>					
	Exp. Pre 01/04/10 £'000	2010/11 £'000	2011/12 £'000	Later Years £'000	Total £'000
<u>Evaluated schemes</u>					
- Uncommitted	23	26	0	0	49

30. The “Supplementary Revenue Projects” classification has been created as certain projects do not comply with definitions of capital expenditure in the Local Government Act 2003. This is an accounting treatment and does not change the projects themselves, which will be controlled in the same way as capital projects, but at the year end all expenditure and income on the project will be posted to the revenue budgets of the relevant services together with a temporary increase in local risk resources. The additional local risk resources can only be used for the project, and cannot be used for other purposes. Should the project overspend, then the Chief Officer should seek to meet the overspend from existing local risk resources.

31. The latest updated information on the capital and supplementary revenue project budgets is being submitted in a progress monitoring report to the Finance Committee on 14 December 2010. Summaries of these budgets will subsequently be used to determine overall financing, with the full capital and supplementary revenue project budgets being presented to the Court of Common Council for approval in March 2011.

**Contact:**

Chamberlain's Department – Pam Raphael, Group Accountant, Budget Division  
020 7332 1381

[pam.raaphael@cityoflondon.gov.uk](mailto:pam.raaphael@cityoflondon.gov.uk)

Barbican Estate Office – Anne Mason, Service Charges and Revenue Manager  
020 7029 3912 [anne.mason@cityoflondon.gov.uk](mailto:anne.mason@cityoflondon.gov.uk)