

Committee(s):	Date(s):	Item no.
Residents' Consultation Barbican Residential	28 November 2011 12 December 2011	7
Subject: REVENUE AND CAPITAL BUDGETS - 2011/12 AND 2012/13		Public
Report of: The Chamberlain, The Director of Community and Children's Services		For Decision

Summary

1. This report updates the Committee on its latest approved revenue budget for 2011/12 and seeks approval for the proposed 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.

Actual 2010/11 £000		Original Budget 2011/12 £000	Latest Budget 2011/12 £000	Original Budget 2012/13 £000
	Services Managed			
0	Supervision and Management	0	0	0
12	Service Charge Account	23	14	16
358	Landlord Services	245	243	149
166	Car Parking	373	223	172
(102)	Stores	(151)	(164)	(179)
(441)	Trade Centre	(498)	(434)	(464)
95	Other Non-Housing	96	145	145
88	Total	88	27	(161)
	Expenditure/(Income)			
11,653	Expenditure	12,251	12,435	12,447
(11,565)	(Income)	(12,163)	(12,408)	(12,608)
88	Net Expenditure/(Income)	88	27	(161)

2. Overall, the latest approved revenue budget for 2011/12 totals net expenditure of £27,000 a reduction of £61,000 compared with the original budget. The main reason for the net reduction is the result of the car parking review partly offset by budgets brought forward from 2010/11.
3. The 2012/13 provisional revenue budget is net income of £161,000 a reduction of £249,000 compared with the original budget. The main reason for this net reduction is the result of the car parking review.
4. The 2012/13 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 2012/13 on account charges. However, as the service charge demands are produced to a later timetable with the first invoice not raised until June 2012, adjustments will be made to reflect the most recent circumstances.

Recommendations

5. 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;
 - review and approve the draft capital and supplementary revenue budgets; and
 - authorise the Chamberlain to revise these budgets to allow for any further implications arising from departmental reorganisations and other reviews.

Main Report

Introduction

6. 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 B3-10. In the various tables, figures in brackets indicate income or in hand balances, increases in income or decreases in expenditure.
7. 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 H.

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

8. 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 2012/13 payment due in June 2012, 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.

Latest Approved Revenue Budget for 2011/12

9. Annexes B1 and B2 contain a summary of the services overseen by the Committee and Annex B3 summarises the revenue budgets within this report.
10. Overall there is a decrease of £61,000 between the Committee's original and latest approved revenue budgets for 2011/12. Table 1 summarises the movements between the original and latest approved budgets for local risk, central risk and recharges comprising this reduction.
11. As part of the Car Parking review it was agreed that £100,000 savings were to be found in 2011/12 and a further £100,000 in 2012/13. A working party was set up to investigate how this could be achieved. The 2011/12 and 2012/13 budgets incorporate the results of this investigation.
12. The introduction of Agency Working Time Directive may have an adverse effect on the salary budget, which if measures cannot be found to mitigate its effect, will necessitate a further review of the car parking budget.

Table 1 – Original and Latest Approved Revenue Budget 2011/12				
	Local Risk £000	Central Risk £000	Recharges £000	Total £000
2011/12 Original Budget	(2,128)	(1,059)	3,275	88
2010/11 budgets brought forward	55	0	0	55
Car Parking Review	(100)	0	0	(100)
Transfer re Strategic Finance Review	(59)	0	0	(59)
Contribution Pay	9	0	0	9
Increase in income	0	(46)	0	(46)
Changes in recharges	0	0	80	80
2011/12 Latest Approved Budget	(2,223)	(1,105)	3,355	27
Increase/(Decrease) between Original and Latest Approved Budget	(95)	(46)	80	(61)

13. 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.

Table 2 – Significant Variations between the Original and Latest Approved Revenue Budgets 2011/12	Increase/ (Decrease) £000
<p>(i) Supervision and Management – General</p> <ul style="list-style-type: none"> • Expenditure - £82,000 decrease This variation is due to an overall net reduction in employees, both directly allocated staff and support services reflecting the general downward pressure on budgets. • Income - £82,000 decrease The expenditure in this account is apportioned to other sections of the account. This decrease reflects the reduction in expenditure. 	0
<p>(ii) 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 8.</p> <ul style="list-style-type: none"> • Expenditure - £231,000 increase The main variations are an increase in expenditure on energy costs due to higher tariffs, a reduction in employee costs due to the use of agency staff, and an increase in the technical services recharge based on the latest time apportionments. • Income - £240,000 increase 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 increase in income reflects the higher expenditure. <p>The £9,000 net decrease in expenditure is due to a small reduction in voids.</p>	(9)

(iii) Landlord Services	(2)
The main elements of this reduction are:-	
<ul style="list-style-type: none">• The Director has allocated £55,000 of her carry forward to Barbican Residential landlord’s expenditure on the following activities.<ul style="list-style-type: none">• £7,000 on drainage cleaning and descaling to the east Barbican podium.• £48,000 on prevention works in respect of podium area leaks• Due to the increase in expenditure in the service charge account a larger proportion of the landlord rent is deemed to be service charges, therefore reducing the rent element - £50,000• Reduction in supervision and management based on the latest apportionments (£48,000).• Reduction in recharge from Technical Services based on the latest time apportionments (£47,000).	
Car Parking	£’000
Based on previous years experience and spend to date a reduction in the requirement for employee overtime and agency staff has been assumed.	(60)
Delay in the office refurbishment due to budget constraints	(40)
An increase in service charges resulting from Heron purchasing 40 places.	(25)
Reduction in cleaning and lighting recharge.	(27)
Minor variations.	2
Total	(150)

(iv) Trade Centre Mainly due to urgent repair works on the podium.	64
(v) Other Non Housing An increase in capital charges reflects the enhanced value of the hostel arising from the end of the subsidised lease arrangement with the YMCA.	49
(vi) Other Variations	(13)
Total Decrease	(61)

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

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

Proposed Revenue Budget for 2012/13

15. 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);
 - Application of the 10% reductions to central risk budgets wherever possible;
 - 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 (Procurement and Procure to Pay);
 - 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.

16. The provisional 2012/13 budgets under the control of the Director have been prepared in accordance with these guidelines.
17. Overall there is a decrease of £249,000 between the Committee's original revenue budgets for 2011/12 and 2012/13, as indicated in Table 3 below.

Table 3 – 2012/13 Revenue Budget				
	Local Risk £000	Central Risk £000	Recharges £000	Total £000
2011/12 Original Budget	(2,128)	(1,059)	3,275	88
Contribution to Director's 10% budget reductions	(5)	0	0	(5)
Pay and grading review	(1)	0	0	(1)
Transfer re Strategic Finance Review	(59)	0	0	(59)
Car Parking Review	(200)	0	0	(200)
Increase in income	0	16	0	16
Changes in recharges	0	0	0	0
2012/13 Original Budget	(2,393)	(1,043)	3,275	(161)
Increase / (decrease) between Original Budgets for 2011/12 and 2012/13	(265)	16	0	(249)

18. The detailed budgets in Annex B4 – B10 are cross referenced as appropriate to the explanations of significant variations below.

Table 4 - Significant Variations between the Original Revenue Budgets for 2011/12 and 2012/13	Increase/ (Decrease) £000
<p>(i) Supervision and Management – General</p> <ul style="list-style-type: none"> Expenditure - £139,000 decrease. This variation is due to an overall net reduction in employee costs in both directly allocated staff and support services, reflecting the general downward pressure on budgets. Income - £139,000 decrease The expenditure in this account is apportioned to other sections of the account. This decrease reflects the reduction in expenditure. 	0
<p>(ii) 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"> Expenditure - £292,000 increase The main variations are an increase in expenditure on energy costs due to higher tariffs and on the technical services recharge based on the latest time apportionments. Income - £299,000 increase 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 increase in income reflects the higher expenditure. <p>The decrease of £7,000 in net expenditure is due to a small reduction in voids.</p>	7
<p>(iii) Landlord</p> <p style="text-align: right;">£000</p> <p>Increase in repairs and maintenance see annex D for the detail.</p> <p style="text-align: right;">43</p>	(96)

<p>Reduction in supervision and management based on the latest apportionments (73)</p> <p>Reduction in recharge from Technical Services based on the latest time apportionments. (48)</p> <p>Other net variations <u>(18)</u> <u>(96)</u></p>	
<p>(iv) 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. (29)</p> <p>Repairs and maintenance. See Annex D for the detail (64)</p> <p>The budget assumes a rent increase in line with R.P.I. plus service charges in respect to car spaces purchased by Heron. (76)</p> <p>Reduction in supervision and management, cleaning and lighting. (27)</p> <p>Other net variations <u>(5)</u> <u>(201)</u></p>	(201)
<p>(v) Other Non-Housing</p> <p>The increase in capital charges reflects the enhanced value of the hostel arising from the end of the subsidised lease arrangement with the YMCA.</p>	49
<p>(vi) Other Variations.</p>	(8)
<p>Total Decrease</p>	(249)

Potential Further Budget Developments

19. The provisional nature of the 2012/13 revenue budget particularly recognises that further realignment of budgets may be required as a result of corporate reviews.

Draft Capital and Supplementary Revenue Project Budgets

20. No new bids were submitted recently by the Committee to the Policy and Resources Committee for resources to evaluate new capital or supplementary projects.
21. The Committee's draft supplementary revenue project budgets are attached at Annex F and summarised in Tables 5 below. There are no capital schemes for this committee.
22. Estimated expenditure is analysed as follows:
- Committed – Projects which are contractually committed.
 - Uncommitted – Projects which have been the subject of an evaluation report but are not yet contractually committed.
 - Pre-evaluation costs – The costs of evaluating all other schemes approved to proceed to that stage.

Table 5 - Draft Supplementary Revenue Project Budget					
	Exp. Pre 01/04/11 £'000	2011/12 £'000	2012/13 £'000	Later Years £'000	Total £'000
<u>Evaluated schemes</u>					
- Committed					0
- Uncommitted		200			200
<u>Unevaluated schemes</u>					
Pre-evaluation costs	23	8	5		36
Total	23	208	5	0	236

23. 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.

24. 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 13 December 2011. 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 2012.

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