

MANAGEMENT OF THE CITY OF LONDON'S REVENUE BUDGETS

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.

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.

Chief Officers can generally 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's three main funds.

Additionally, the framework/guidance for the consideration of virements includes the requirements agreed by your Committee and the Finance Committee in January 2009 that as far as possible:

- 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.

Chief Officers can request the carry forward of local risk underspends 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 Chamberlain in consultation with the Chairman and Deputy Chairman of the Resource Allocation Sub-Committee. Ordinarily, overspends on local risk budgets have to be met from the Chief Officer's local risk budget in the following year. Underspends on central risk budgets can also be considered for carry forward in certain circumstances.

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.