

Committee(s)	Dated:
Residents Consultation	03 December 2018
Barbican Residential	10 December 2018
Subject: Revenue and Capital Budgets - Latest Approved Budget 2018/19 and Original 2019/20 Excluding dwellings service charge income and expenditure	Public
Report of: The Chamberlain Director of Community & Children's Services	For Decision

Summary

This report is the annual submission of the revenue and capital budgets overseen by your Committee. In particular it seeks approval to the provisional revenue budget for 2019/20, for subsequent submission to the Finance Committee. Details of the Committee's draft capital budget are also provided. The budgets have been prepared within the resources allocated to the Director.

These accounts do not include income and expenditure in relation to dwellings service charges, which is the subject to a separate report before you today, but does include the following:-

- Landlord Services

This includes income and expenditure relating to short term lessee flats, void flats and commercial properties as well as grounds maintenance for public areas.

- Car Parking

The running expenses, capital charges, rent income and service charges relating to 1,273 car spaces of which some 958 (75%) are currently occupied.

- Baggage Stores

The running expenses, capital charges, rent income and service charges relating to 1,625 baggage stores. There will be 313 new Baggage Stores currently being installed and due to be completed in Dec/Jan 2019.

- Trade Centre

This is a commercial area of some 117,000 square feet bounded broadly by Beech Street, Aldersgate Street, Fann Street and Bridgewater Square. Capital charges are the main item of expense, although some premises and supervision and management costs are incurred. Income comprises rent and charges for services in respect of Virgin Active, GSMD practice room, Laundrette, Vinci Parking and Creche.

The provisional nature of the revenue budgets particularly recognises that further revisions may arise from the necessary realignment of funds resulting from corporate projects.

Summary of Table 1	Original Budget 2018/19	Original Budget 2019/20	Movement
	£'000	£'000	£'000
Expenditure	(3,224)	(3,613)	(389)
Income	5,123	5,205	82
Net Income (Local and Central Risk)	1,899	1,592	(307)
Capital Charges and Support services	(4,458)	(4,537)	(79)
Total Net Expenditure	(2,559)	(2,945)	(386)

Overall, the 2019/20 provisional revenue budget totals a deficit of £2,945,000 a variance of £386,000 compared with the Original Budget for 2018/19. The main reason for this variance is increase in breakdown maintenance and staffing costs.

Recommendations

The Committee is requested to:

- review the provisional 2019/20 revenue budget to ensure that it reflects the Committee's objectives and, if so, approve the budget for submission to the Finance Committee;
- review and approve the draft capital budget;
- authorise the Chamberlain to revise these budgets to allow for further implications arising from departmental reorganisations and other reviews including corporate projects.

Main Report

Introduction

1. This report sets out the proposed revenue budget and capital budgets for 2019/20. The revenue budget management arrangements are to:
 - Provide a clear distinction between local risk, central risk and recharge budgets
 - Place responsibility for budgetary control on departmental Chief Officers
 - Apply a cash limit policy to Chief Officers' budgets
2. The budget has been analysed by service expenditure and compared with the original approved budget for the current year.

The report also compares the current year's budget with the forecast outturn.

Proposed Revenue Budget for 2019/20

3. The proposed Revenue Budget for 2019/20 is shown in Table 1 overleaf analysed between:
 - Local Risk budgets – these are budgets deemed to be largely within the Chief Officer's control.
 - Central Risk budgets – these are budgets comprising specific items where a Chief Officer manages the underlying service, but where the eventual financial outturn can be strongly influenced by external factors outside of his/her control or are budgets of a corporate nature (e.g. interest on balances and rent incomes from investment properties).
 - Support Services and Capital Charges – these cover budgets for services provided by one activity to another. The control of these costs is exercised at the point where the expenditure or income first arises as local or central risk.
4. The provisional 2019/20 budgets, under the control of the Director of Community & Children's Services being presented to your Committee, have been prepared in accordance with guidelines agreed by the Policy and Resources and Finance Committees. This includes a 2% efficiency saving and 2.45% pay and prices inflating uplift. The budget has been prepared within the resources allocated to the Chief Officer.

Table 1 - Analysis of Service Expenditure	Local or Central Risk	Actual 2017-18 £'000	Original Budget 2018-19 £'000	Latest Budget 2018-19 £'000	Original Budget 2019-20 £'000	Movement OB 2018-19 to OB 2019-20 £'000	Paragraph Reference
EXPENDITURE							
Employees	L	(1,782)	(1,806)	(1,835)	(1,920)	(114)	7
Repairs and Maintenance	L	(723)	(1,040)	(983)	(1,282)	(242)	10
Other Premises Related Expenditure	L	(241)	(271)	(255)	(289)	(18)	
Supplies & Services	L	(162)	(106)	(104)	(121)	(15)	
Transport	L	(1)	(1)	(1)	(1)	0	
Supplementary Revenue Projects	C	(15)	-	0	0	0	
Total Expenditure		(2,924)	(3,224)	(3,178)	(3,613)	(389)	
INCOME							
Customer, Client Receipts (mainly rents and non-dwelling service charges)	L	4,707	4,898	4,688	4,980	82	8
Charge for insurance	C	150	225	225	225	0	
Transfer from Reserves	C	0	0	0	0	0	
Total Income		4,857	5,123	4,913	5,205	82	
NET INCOME BEFORE SUPPORT SERVICES AND CAPITAL CHARGES		1,933	1,899	1,735	1,592	(307)	
SUPPORT SERVICES AND CAPITAL CHARGES							
Central Support Services and Capital Charges		(5,488)	(5,272)	(5,354)	(5,173)	99	
Recharges within Fund & Committee		(29)	133	(37)	(19)	(152)	
Recharges to Service Charge Account		723	681	532	655	(26)	
Total Support Services and Capital charges		(4,794)	(4,458)	(4,859)	(4,537)	(79)	9
TOTAL NET EXPENDITURE		(2,861)	(2,559)	(3,124)	(2,945)	(386)	

Notes - Examples of types of service expenditure: -

- (i) Other Premises Related Expenses – includes energy costs, rates, water services, cleaning and domestic supplies

5. Expenditure and adverse variances are presented in brackets. An analysis of this Revenue Expenditure by Service Managed is provided in Appendix 1. Only significant variances (generally those greater than £100,000) have been commented on in the following paragraphs.
6. Overall there is an increase in net expenditure of £386,000 in the overall budget between the 2018/19 original approved budget and the 2019/20 original budget. The main movements are explained by the variances in the following paragraphs.
7. There has been an increase in employee budgets of £114,000. This reflects the agreed increases in pay including provision for a 2.45% inflation increase and incremental staff progression and higher expected use of agency staff. Analysis of the movement in manpower and related staff costs are shown in Table 2 below.

Table 2 - Manpower statement	Original Budget		Original Budget	
	2018/19		2019/20	
	Manpower Full-time equivalent	Estimated cost £000	Manpower Full-time equivalent	Estimated cost £000
Supervision and Management	14	(798)	14	(880)
Car Parking - Estate Concierge (2/3)	19	(1,008)	18	(1,040)
Total	33	(1,806)	32	(1,920)

8. Income has increased by £82,000 mainly relating to additional income expected from the new baggage stores. Note that much of the increased income from the baggage stores was already included in the 2018/19 original budget figure.
9. A detailed breakdown of the movement on Central Support Services and Capital Charges is presented in Appendix 2.
10. Repairs and maintenance costs are expected to be £242,000 higher in 2019/20 than in 2018/19 as a result of higher breakdown maintenance. A detailed breakdown of Repairs and Maintenance costs is provided in Appendix 3.
11. The current forecast outturn for 2018/19 is on budget.

Potential Further Budget Developments

12. The provisional nature of the 2019/20 revenue budget recognises that further revisions may be required.

Draft Capital and Supplementary Revenue Budgets

13. The latest estimated costs of the Committee's draft capital and supplementary revenue projects are summarised in the Table below.

Service	Project	Exp. Pre 01/04/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	Later Years £'000	Total £'000
<u>Pre-implementation</u>							
Landlord Costs	Podium Highwalk Waterproofing options, phase 2	14	40				54
Landlord Costs	Barbican Turret John Wesley Highwalk	94	45				139
<u>Authority to start work</u>							
Landlord Costs	Residential baggage stores	16	434	2			452
Landlord Costs	Contractor's Office	52	237				289
TOTAL BARBICAN RESIDENTIAL		176	756	2	0	0	934

14. Pre-implementation costs comprise feasibility and option appraisal expenditure which has been approved in accordance with the project procedure, prior to authority to start work. It should be noted that the above figures exclude the implementation costs of those schemes which have yet to receive authority to start work.
15. Subject to further approvals are the schemes to fit out and market the 2 bedroom flat at the Barbican Turret, John Wesley Highwalk and Phase 2 of the Podium Waterproofing, Drainage and Landscaping Works.
16. The latest Capital and Supplementary Revenue Project forecast expenditure on approved schemes will be presented to the Court of Common Council for formal approval in March 2019.

Appendices

Appendix 1: Revenue Expenditure by Service Managed

Appendix 2: Support Service and Capital Charges from/to Barbican Residential Committee

Appendix 3: Analysis of Repairs, Maintenance and Minor Improvements

Dr Peter Kane
Chamberlain

Andrew Carter
Director of Community & Children's Services

Contact: Goshe Munir (1571) or Mark Jarvis (1221)
Chamberlain's Department

APPENDIX 1

Analysis by Service Managed	Actual 2017-18	Original Budget	Latest Budget	Original Budget	Movement 2018-18 to
	£'000	2018-19 £'000	2018-19 £'000	2019-20 £'000	2018-19 £'000
CITY FUND					
Supervision & Management (fully recharged)	0	0	0	0	0
Landlord Services	(2,772)	(2,952)	(3,223)	(3,223)	(271)
Car Parking (inc new baggage stores)	(630)	(158)	(397)	(238)	(80)
Baggage Stores (outside car park)*	(6)	28	(91)	(75)	(103)
Trade Centre	575	544	592	597	53
Other Non-Housing	(28)	(21)	(5)	(6)	15
TOTAL Net Expenditure	(2,861)	(2,559)	(3,124)	(2,945)	(386)

*Note that the new Baggage Stores were included within baggage stores in 2018/19 and the net income is now profiled within Car Parking in 2019/20.

Supervision and Management – General

This section relates to the requirements of the Barbican Estate Office including staffing, premises, information technology and support from Guildhall. The Estate Office is responsible for the management of the flats, commercial units, car parks and baggage stores. Management includes repairs and maintenance, security, cleanliness of common parts, calculation of service charges and the initial stages of arrears recovery. Total expenditure on this section is fully recharged to other sections of these accounts plus a relevant proportion to the Service Charge account, which is the subject to a separate report before you today. The IT costs are recharged on number of transactions while the other costs are allocated broadly on time sheet information.

Landlord Services

Expenditure includes repairs to the interior of short term lessees' flats and void flats. Grounds maintenance of public areas, insurance (other than that included in the Service Charge Account for lifts and the garchey system), capital charges relating to properties not sold on a long lease, and supervision and management. Income includes rent income from short term tenancies (apart from the service charge element), rent from ten commercial properties, licence fees for various aerial sites, and reimbursements for insurance, dilapidations and other services. Long lessees have the option to arrange alternative insurance to that provided through the City and, consequently, insurance is accounted for in the Landlord Account rather than as part of the Service Charge Account.

Car Parking

The running expenses, capital charges, rent income and service charges relating to 1,273 car spaces of which some 958 (75%) are currently occupied. The budget position for 2018/19 has been helped from the continued commercial car parking and Heron paying service charges for residential car bays. However, although we have retained 15 commercial bays with Deutsche Bank which are based on market value rates, they have surrendered 43 bays over the last two years. The budget has been revised to include the Baggage Stores located in the car parks including the 313 new stores that are currently been installed.

Baggage Stores

The running expenses, capital charges, rent income and service charges relating to 1,029 baggage stores located in the residential blocks.

Trade Centre

This is a commercial area of some 117,000 square feet bounded broadly by Beech Street, Aldersgate Street, Fann Street and Bridgewater Square. Capital charges are the main item of expense, although some premises and supervision and management costs are incurred. Income comprises rent and charges for services in respect of Virgin Active, GSMD practice room, Laundrette, Vinci Parking and Creche.

APPENDIX 2

Support Service and Capital Charges from/to Barbican Residential Committee	Actual 2017/18 £'000	Original Budget 2018/19 £'000	Latest Budget 2018/19 £'000	Original Budget 2019/20 £'000
Support Service and Capital Charges				
Insurance	(266)	(263)	(276)	(295)
IS Recharges	(212)	(244)	(185)	(172)
Capital Charges	(4,387)	(4,196)	(4,287)	(4,095)
Chamberlain	(411)	(317)	(391)	(395)
Comptroller and City Solicitor	(63)	(106)	(62)	(61)
Town Clerk	(135)	(132)	(138)	(141)
City Surveyor	(1)	(2)	(1)	(1)
Other Services	(13)	(12)	(14)	(13)
Total Support Services and Capital Charges	(5,488)	(5,272)	(5,354)	(5,173)
Recharges Within Funds				
Corporate and Democratic Core - Finance Committee	50	50	32	50
HRA	8	160	11	11
Community and Children's Services Committee	(87)	(77)	(80)	(80)
Service Charge Account	723	681	532	655
TOTAL SUPPORT SERVICE AND CAPITAL Charges	(4,794)	(4,458)	(4,859)	(4,537)

* Various services including central training, corporate printing, occupational health, union costs and environmental and sustainability section.

**ANALYSIS OF REPAIRS, MAINTENANCE AND MINOR IMPROVEMENTS
ALL LOCAL RISK**

	Original Budget 2018/19	Latest Budget 2018/19	Original Budget 2019/20	
	£'000	£'000	£'000	
<u>Supervision & Management Holding</u>				
<u>Account</u>				
Estate Office - Breakdown Maintenance	(9)	(25)	(9)	E
Total Supervision & Management Holding Account	(9)	(25)	(9)	
<u>Services and Repairs - Landlords</u>				
Breakdown Maintenance	(669)	(525)	(841)	E
Drains	(97)	(97)	(97)	
Insurance Works	(35)	(35)	(35)	
Dilapidations	(15)	(15)	(15)	
Lift contract servicing	(7)	(7)	(7)	
Asbestos data	(5)	(5)	(5)	
Redecorations Works	(35)	(35)	(35)	A
Total Services and Repairs - Landlords	(863)	(719)	(1035)	
<u>Car Parking</u>				
Breakdown Maintenance - Building	(143)	(194)	(193)	E
Safety Security	(1)	(1)	(1)	
Total Car Parking	(144)	(195)	(194)	
<u>Stores</u>				
Breakdown Maintenance	(7)	(17)	(7)	E
Total Stores	(7)	(17)	(7)	
<u>Trade Centre</u>				
Breakdown Maintenance	(15)	(27)	(37)	E
Total Trade Centre	(15)	(27)	(37)	
<u>Other Non-Housing</u>				
Breakdown Maintenance	(2)	(0)	(0)	E
Total Other Non-Housing	(2)	(0)	(0)	
TOTAL	(1,040)	(983)	(1,282)	

E = ESSENTIAL

A = ADVISABLE

D = DESIRABLE

Appendix 4

Original Budget 2018/19 to Latest Approved Budget	£'000
Original Budget Net Income	(2,559)
Compensating resource allocated as a result of sales in prior years.	(210)
Increase in Breakdown Maintenance	57
Correction of recharge and change in capital charges	(401)
Other movements	(11)
Latest Approved Budget	(3,124)