

<b>Committee:</b>	<b>Dated</b>
Finance Committee	21 January 2020
<b>Subject:</b> Revenue Budget Monitoring to December 2019	<b>Public</b>
<b>Report of:</b> Chamberlain	<b>For Information</b>
<b>Report author:</b> Laura Yeo, Senior Accountant, Financial Services Division	

### Summary

The overall forecast year-end position at Quarter 3 is £2.7m worse than budget. This comprises an adverse variance of £1.2m (0%) on Chief Officer Cash Limited Budgets mainly on City Fund, and an adverse variance of £1.5m (2%) on Central Risk Budgets linked to The City Bridge Trust (CBT) grant giving. This represents an adverse movement of £10.9m compared to the position reported at Quarter 2 and is largely due to the realignment of the Property Investment Income budgets to reflect more realistic income projections and CBT grant giving advance commitments on Central Risk Budgets.

### Chief Officer Cash Limited Budgets

The year-end forecast for Chief Officer Cash Limited Budgets is an overspend of £1.2m against the latest approved budget of £238.2m. This includes significant forecast overspends for the Barbican Centre (£1.4m) and the City of London Police (£0.7m).

### Central Risk Budgets

At Quarter 3 the year-end Central Risk Budgets are forecast to be £1.5m worse than the latest approved budget of £59.5m mainly due to CBT grant giving advance commitments, where the allocated £100m budget over 5 years under the Bridging Divides funding policy has been utilised in advance. This advance commitment and the realignment of the Property Investment Income budgets to reflect more realistic income projections are the cause of the significant movement from the favourable position of £10.1m reported at Quarter 2.

### Fund Position

The overall (Local and Central Risk) forecast year-end position is £2.7m worse than budget, with Guildhall Administration apportioned across the three funds gives favourable positions of £1.1m on City Fund, £0.7m on City's Cash and an adverse position of £4.5m on Bridge House Estates. Excluding CBT Grant Giving advance commitments of £5.2m would give a favourable position of £0.7m on Bridge House Estates.

## Recommendation

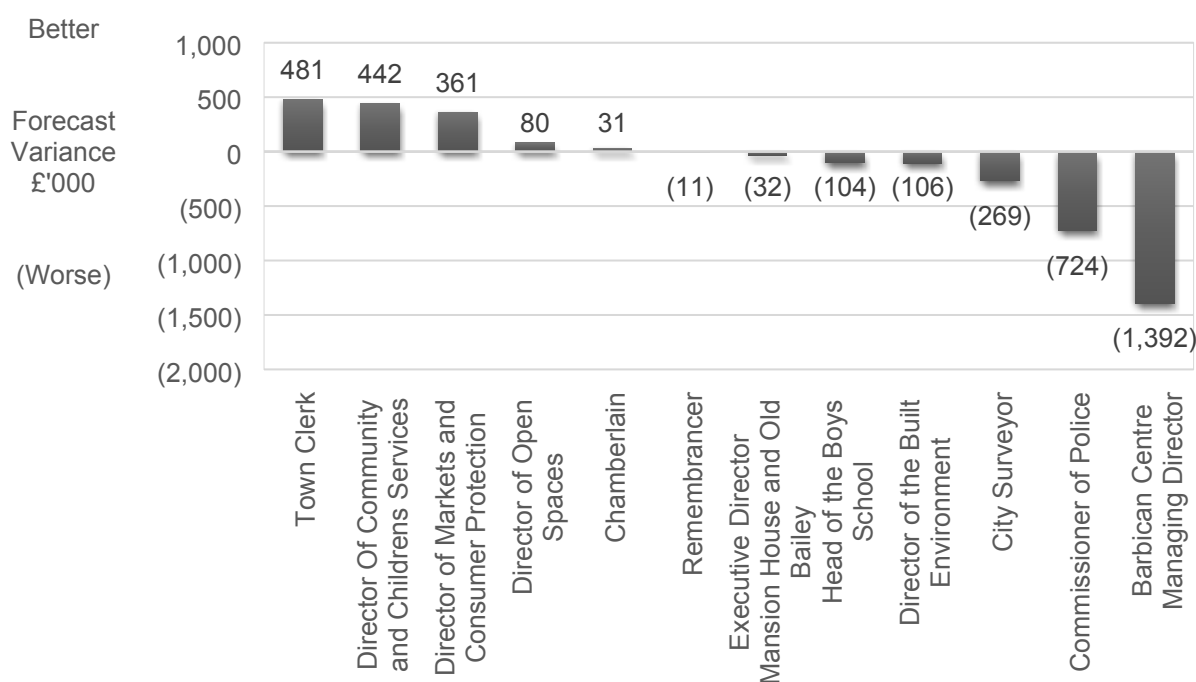
Members are asked:

- i. to note the report.

## Main Report

### Chief Officer Cash Limited Budgets

1. The year-end forecast is an overspend of £1.2m against the latest approved budget of £238.2m and represents an improved position from an overspend of £1.9m reported at Quarter 2. Appendix 1 provides a comparison with the previous quarter by Committee and Chief Officer.
2. The forecast position comprises:
  - (i) an adverse variance of £2.2m against budgeted expenditure of £527.2m largely attributable to the Barbican Centre (£1.1m) and the City of London Police (£1.9m), partially offset by
  - (ii) a favourable variance of £1.0m attributable to the City of London Police (£1.2m) against budgeted income of £289.0m.
3. Chief Officer variances against net local risk budgets are shown in the below chart and are addressed in the following paragraphs. Appendix 2 provides detailed explanation of income and expenditure budget variances by Chief Officer.



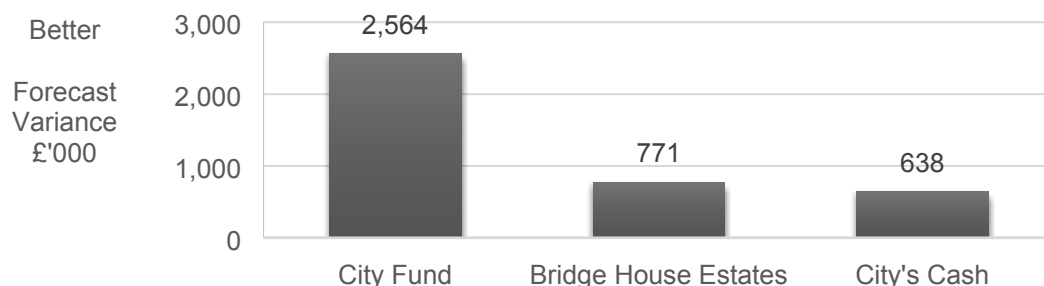
4. The Barbican Centre are forecasting an adverse variance of £1.4m at year end which is a worsening position from £1.2m forecast at Quarter 2. This comprises an overspend of £1.1m on expenditure linked to additional programming costs, increased contract inflation costs and management fees and a delay in restructuring teams to deliver agreed savings. A shortfall on income of £0.3m is expected due to the slow start of 'Into the Night' programme and rescheduled touring dates to 20/21. All non-statutory or uncommitted spend has been put on hold and changes to the programme in the final quarter have been put in place to try and manage the projected overspend. Under Financial Regulations, any overspending on a Chief Officer's local risk budget is automatically recovered by deduction from his local risk budget for the next financial year.
5. The City of London Police are forecasting an overspend of £0.7m by the end of the year which is an improved position from £2.2m overspend reported at Quarter 2. The overspend is primarily due to an unfunded increase in Police Officer pension contributions of £2.2m plus a part-year (£1m) effect of recruiting towards 67 growth roles, offset by full use of the POCA reserve of £2.5m. Restrictions on staff recruitment have been in place to manage the forecast position and these will continue with the aim of bringing this back into balance. This forecast represents the latest available position, but a further updated Quarter 3 position will be presented to Police Authority Board later this month.

### **Central Risk Budgets**

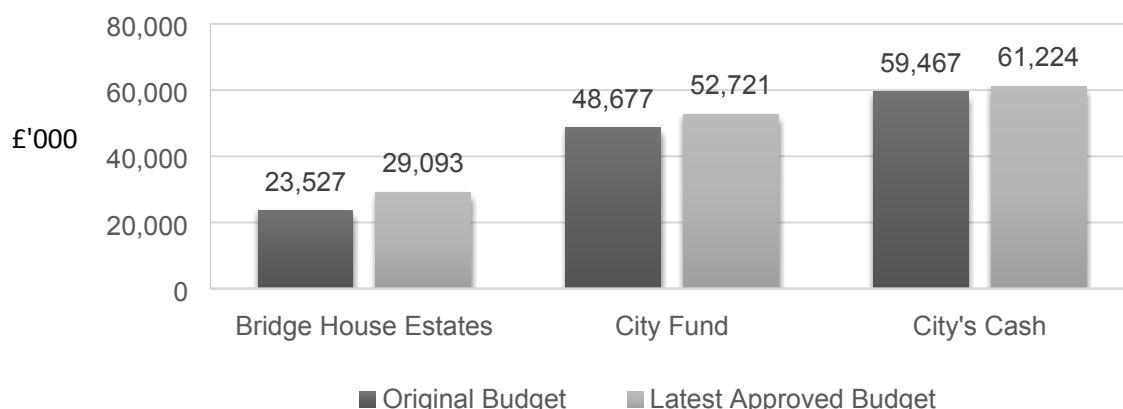
6. At Quarter 3 the forecast for Central Risk Budgets is an adverse variance of £1.5m against the latest approved budget of £238.2m and represents a significant movement from the favourable position of £10.1m reported at Quarter 2. This movement is due to CBT grant giving advance commitments (£5.2m) and the realignment of the Property Investment Income budgets (£7.3m) to reflect more realistic income projections.
7. The adverse variance of £1.5m reported at Quarter 3 is mainly due to CBT advance commitments of £5.2m partially offset by an overachievement on Corporate Income Budgets for Interest on Cash Balances of £4.0m. The key budget areas are addressed in the following paragraphs.
8. The process of the Fundamental review has shown that these budgets are misaligned and should be reassessed to ensure that the income budgets are set in realistic manner. The budget for Property Investment Income will be adjusted from 2020/21 based on a trend analysis over the five years of continued over achievement, it is recognised that there may be a risk of a dip post Brexit but this will be managed by the annual review of the budget.

## Corporate Income Budgets

9. Interest on cash balances are anticipated to be £12.3m at year-end which is an overachievement of £4.0m above the budget of £8.3m and is due to better interest rates, the chart below shows this overachievement by Fund.



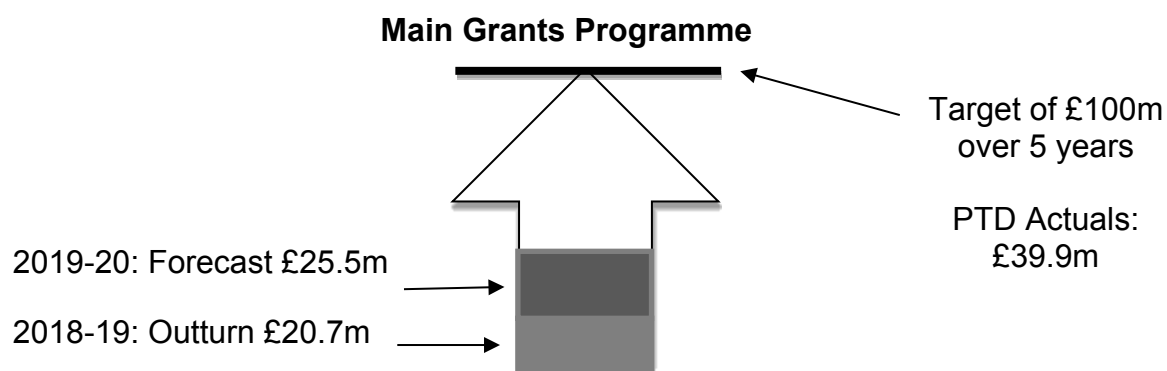
10. Property Investment Income at Quarter 2 was forecast to be £7.3m better than the original budget of £131.7m. At Quarter 3 the budget has been realigned to £143.0m which reflects the September 2019 rental forecast and stretch targets. This results in no variance against budget at Quarter 3 and a movement of £7.3m from the Quarter 2 position. The chart below shows the budgets by Fund.



## The City Bridge Trust Grants Budget

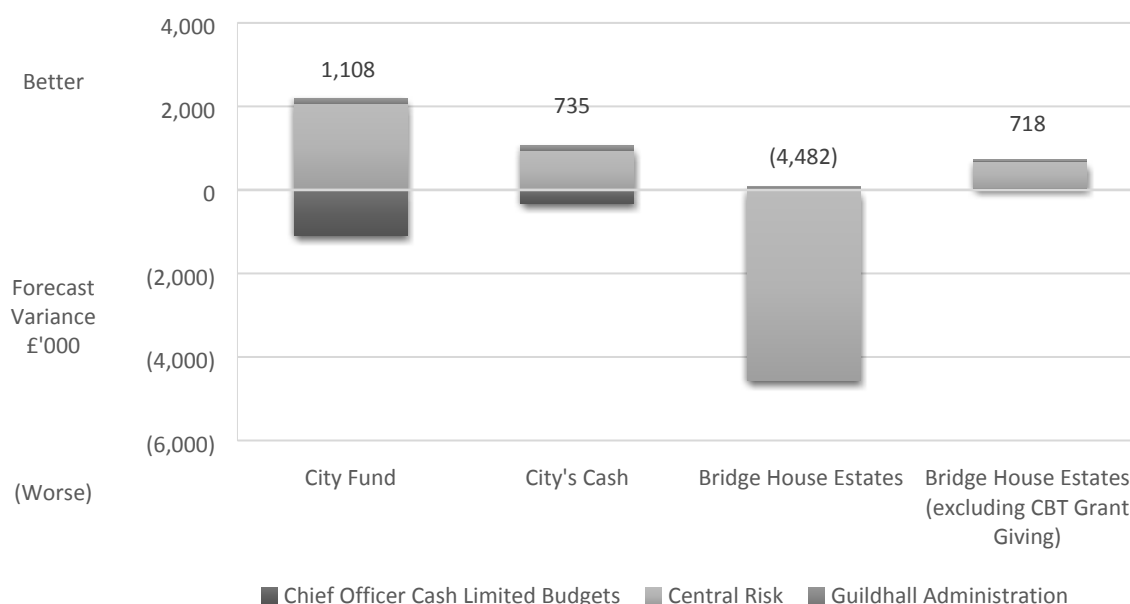
11. For the period to December 2019, £20.1m of grant commitments approved by CBT Committee are recorded against a full year CBT grant commitment budget of £21.3m (94%). The forecast outturn is £26.5m and comprises £25.5m for the Main Grants programme (Bridging Divides) and amounts set aside in the designated reserve for the continuation of the 20<sup>th</sup> anniversary programmes (Employability and Infrastructure Support of £1.0m).

12. The forecast outturn for the main grants programme is £25.5m and reflects the growing needs within London's charitable sector. The over-delivery includes advance commitments made in 2019-20 from the £100m budget approved for the 5-year funding period of Bridging Divides. An additional £25m allocation to this funding programme has been approved for recommendation by the CBT Committee and the request will be considered by this Committee in February as part of the budget setting and medium-term financial planning.



## Fund Position

13. The overall (Local and Central Risk) forecast year-end position is £2.7m worse than budget, with Guildhall Administration apportioned across the three funds gives favourable positions of £1.1m on City Fund, £0.7m on City's Cash and an adverse position of £4.5m on Bridge House Estates. Excluding CBT Grant Giving advance commitments of £5.2m would give a favourable position of £0.7m on Bridge House Estates.



## **Conclusion**

14. Members are asked to note the Quarter 3 forecast year-end position of £2.7m worse than budget position comprising adverse variances of £1.2m on Chief Officer Cash Limited Budgets and £1.5m on Central Risk Budgets.

## **Appendices**

- Appendix 1: Chief Officers Cash Limited Budgets by Fund
- Appendix 2: Chief Officers Cash Limited Budgets – Income and Expenditure Budget Variances
- Appendix 3: Chief Officer Cash Limited Budgets – Budget changes

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