

Committee	Dated:
Finance Committee	20 July 2021
Subject: Revenue Budget Monitoring to June 2021	Public
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	N/A
Does this proposal require extra revenue and/or capital spending?	N
If so, how much?	N/A
What is the source of Funding?	N/A
Has this Funding Source been agreed with the Chamberlain's Department?	N/A
Report of: Chamberlain	For Information
Report author: Amanda Luk, Senior Accountant, Financial Services Division	

Summary

The overall forecast year-end position at Quarter 1 is £13.3m worse than budget. This comprises adverse variances of £10.3m (4%) on Chief Officer Cash Limited Budgets and £3.0 (6%) on Central Risk Budgets.

The adverse variances on Chief Officer budgets is largely caused by the delay in the implementation of the target operating model, consequently a number of departments are working on savings measures to bring forecasts back within budgets over the coming months.

On central risk the adverse variances are due to reduced rental income. However, this does not increase the Medium-Term Financial Plan risk rating from amber to red.

This report has been prepared based on the new Chief Officer structure. Please note parts of the sub-structure is yet to be finalised and therefore may change in future reports to Committee.

This report covers City Fund, City's Cash and Guildhall Admin only. Revenue budget monitoring on Bridge House Estate (BHE) and their City Bridge Trust grant giving is now reported to the BHE Board.

Chief Officer Cash Limited Budgets

The year-end forecast for Chief Officer Cash Limited Budgets is an overspend of £10.3m against the latest approved budget of £228.9m. This includes significant forecast overspends across a number of Chief Officers.

Central Risk Budgets

At Quarter 1 the year-end Central Risk Budgets are forecast to be £3.0m worse than the latest approved budget of £46.5m. This principally relates to Property Investment Income which is forecasting lower rental income.

Fund Position

The overall (Local and Central Risk) forecast year-end position is £13.3m worse than budget with Guildhall Administration apportioned across the two funds gives adverse positions of £5.9m on City Fund and £7.0m on City's Cash.

Recommendation(s)

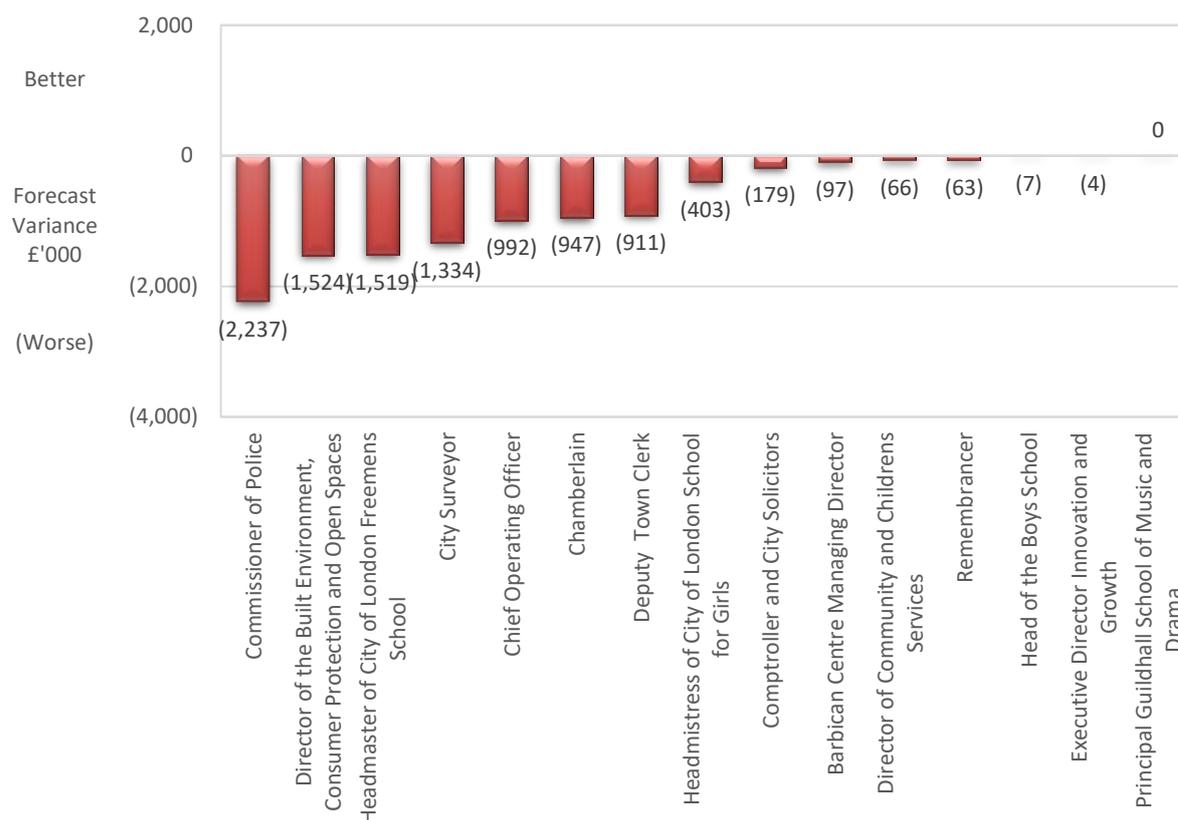
Members are asked:

- i. to note the report.

Main Report

Chief Officer Cash Limited Budgets

1. The year-end forecast is an overspend of £10.3m against the latest approved budget of £228.9m.
2. The forecast position comprises:
 - a. an adverse variance of £5.2m against budgeted expenditure of £511.9m largely attributable to the multiple Chief Officers
 - b. an adverse variance of £5.0m attributable to the City of London Police and the City of London Freeman's School against budgeted income of £283.0m.
3. This report excludes Carry Forward requests which were recently approved on the 28th June and will be included in the next report to Committee.
4. Chief Officer variances against net local risk budgets are shown in the below chart and are addressed in the following paragraphs. Appendix 2 provides income and expenditure budget variances by Chief Officer.



5. The City of London Police are forecasting an overspend of £2.2m by the end of the year. The overspend is primarily due to estate costs of £1.2m following the consolidation of Police Sites and an overspend of £1.0m on IT recharges to City of London Police from the Corporation. This is being carefully monitored and work is being taken to reduce this to budget by year-end.
6. Director of Built Environment, Consumer Protection and Open Spaces is forecasting a overspend of £1.5m. This is primarily due to the 12% Target Operating Model savings still to be identified and allocated to specific budgets. There is also a forecasted overspend due to inflationary price increases in the street cleansing contract. Steps are being taken to seek mitigation of any further overspends for contract changes, however this has yet to reach an agreement.
7. The Headmaster of the City of London Freeman's school is forecasting an adverse variance of £1.5m due to reduced income. This is due to the School offering fee discounts for Spring 2021 and pupil numbers being lower than anticipated, partly due to building works at the School going on for longer than anticipated. To mitigate the loss in income, the school requested to Resource Allocation Sub-Committee in March 2021 to reprofile the repayments of the Freeman's Estate Development Plan loan. This has allowed the school's drawdown on reserves to be lower.
8. The City Surveyor is forecasting an adverse variance of £1.3m at year end. This is primarily due to an overspend on expenditure because of higher employee costs than anticipated due to delayed staff restructuring and unidentified Target Operating Model savings. The City Surveyor is currently going through the

transition process of the TOM and has identified savings with a gap of £0.9m which is being reviewed and reported through the Efficiency and Performance Sub-Committee as part of their bilateral review meeting.

9. The Chief Operating Officer is forecasting an overspend of £1.0m at year end. This is due to delay in TOM implementation. One off savings are being secured largely through holding vacancies and the new management team is working on further savings plans. This comprises an overspend of £0.9m on expenditure which is linked to the IT budgets savings plans which have been identified and yet to be delivered and therefore not included in the Quarter 1 forecast. There is forecasted reduced income at New Spitalfields Market of £0.1m due to anticipated reduction in service charge income as a result of reduced expenditure.

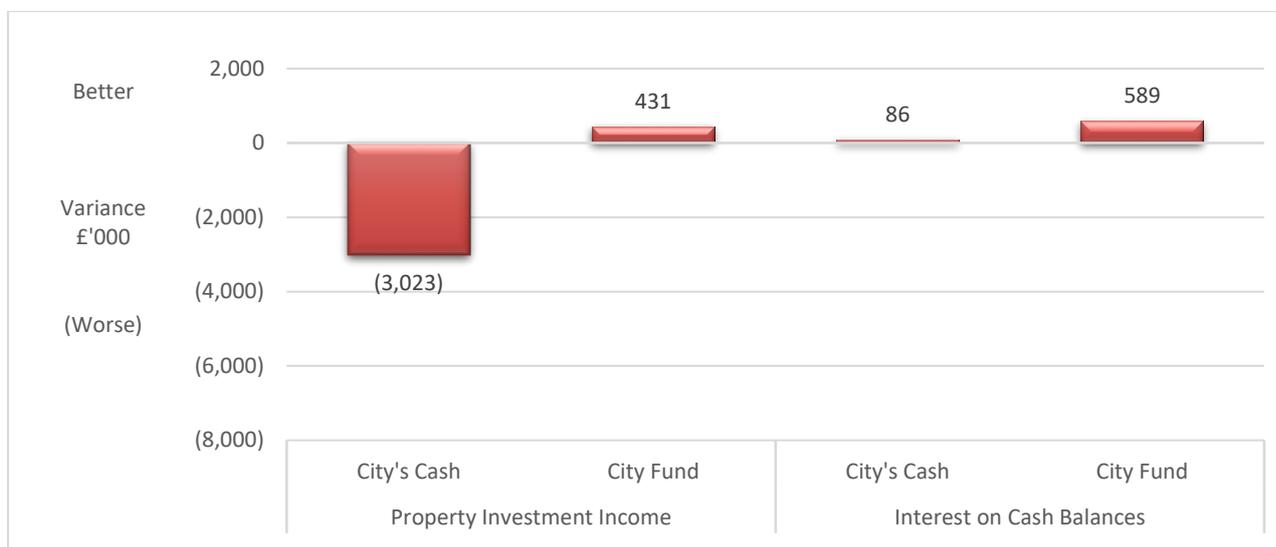
Central Risk Budgets

10. At Quarter 1 the forecast for Central Risk Budgets is an adverse variance of £3.0m against the latest approved budget of £46.5m. This is mainly due to an adverse variance of £3.4m on City Surveyor, partially offset by minor underspends by the Chamberlain and the Deputy Town Clerk.
11. The City Surveyor is forecasting an adverse variance of £3.4m at the end of the year. This is primarily due to property investment income forecasting a £2.6m variance because of lower rental income, this is addressed in the following paragraphs. This forecast does not trigger the Medium-Term Financial Plan risk rating from amber to red. The remaining £0.8m of reduced forecasted income is due to higher rental forecasts and higher rates costs anticipated.

Corporate Income Budgets

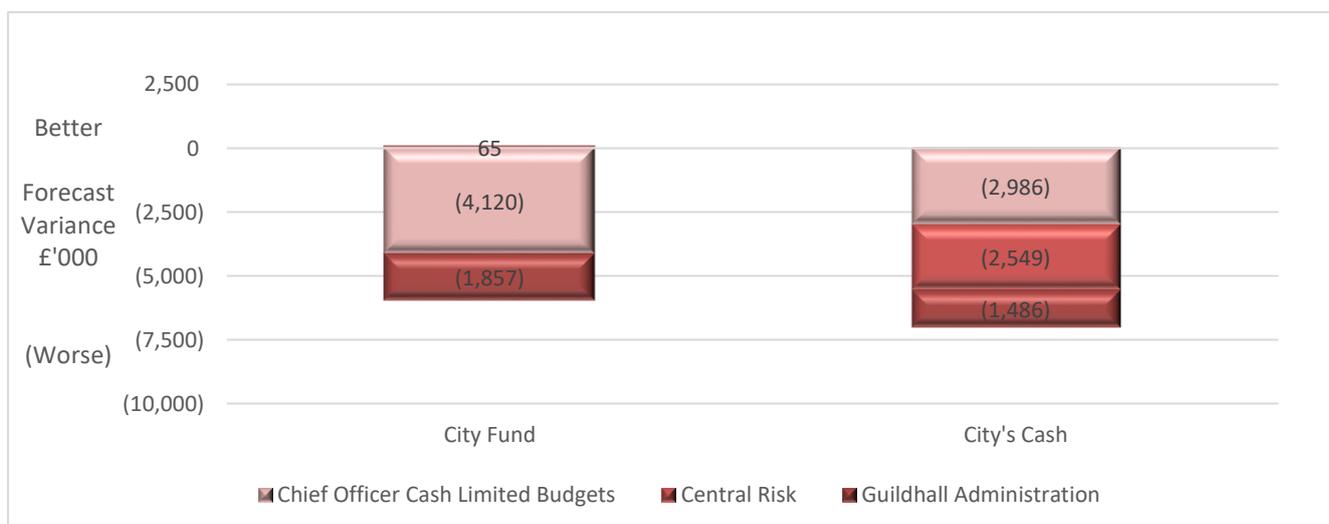
12. Property Investment income at Quarter 1 is forecast to be £97.3m at year-end which is £3.4m worse than budget of £100.8m. This comprises:
 - City Fund £0.4m favourable – This is due to a combination of rent increases, new leases and delay to property disposal at Fleet House, 1 Bishops Square, International House and 80-81 Fleet House.
 - City's Cash £3.0m adverse – Lower rental income has been forecast to reflect the rent-free periods to existing tenants and a number of lease expiries following by rent free periods for new tenants. The 2021/22 budget was based on the City Surveyor's September forecast so there is a timing difference with rent frees and turnover rents granted.

13. Interest on cash balances are anticipated to be £3.6m at year-end which is an overachievement of £0.6m above the budget of £3.0m and is due to the partial pickup in the markets providing a slightly higher interest outturn.



Fund Position

14. The overall (Local and Central Risk) forecast year-end position reported at Quarter 1 is £13.3m worse than budget. With Guildhall Administration apportioned across the two funds this gives adverse positions of £5.9m on City Fund and £7.0m on City's Cash.



Conclusion

15. Members are asked to note the forecast year-end overspend position of £13.3m at the end of June (Quarter 1) and the actions being taken to address the position.

Appendices

- Appendix 1: Chief Officers Cash Limited Budgets by Fund
- Appendix 2: Chief Officers Cash Limited Budgets – Income and Expenditure Budget Variances
- Appendix 3: COVID Contingency Allocations

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