

<b>Committee</b>	<b>Dated:</b>
Finance Committee	15 November 2022
<b>Subject:</b> Revenue Budget Monitoring to September 2022	<b>Public</b>
<b>Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?</b>	<b>N/A</b>
<b>Does this proposal require extra revenue and/or capital spending?</b>	<b>N</b>
<b>If so, how much?</b>	<b>N/A</b>
<b>What is the source of Funding?</b>	<b>N/A</b>
<b>Has this Funding Source been agreed with the Chamberlain's Department?</b>	<b>N/A</b>
<b>Report of:</b> Chamberlain	<b>For Information</b>
<b>Report author:</b> Laura Yeo, Financial Services Division	

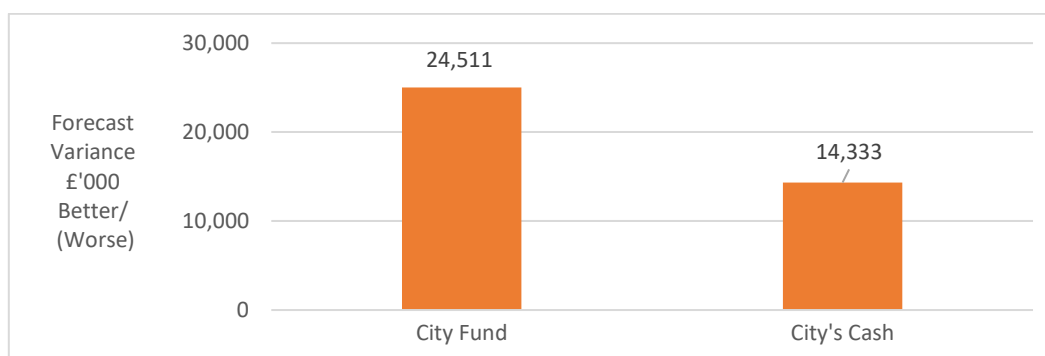
### Summary

This report has been produced to provide Members with an update on the Revenue Budget Monitoring at Quarter Two. The overall forecast year end position is £38.8m better than budget comprising:

- a favourable variance of £40.2m on Central Risk Budgets, largely due to holding £18m contingencies for inflation and a £21m better than budget position for interest on cash balances following the recent increases in interest rates; partially offset by
- an adverse variance of £1.4m on Chief Officer Cash Limited Budgets.

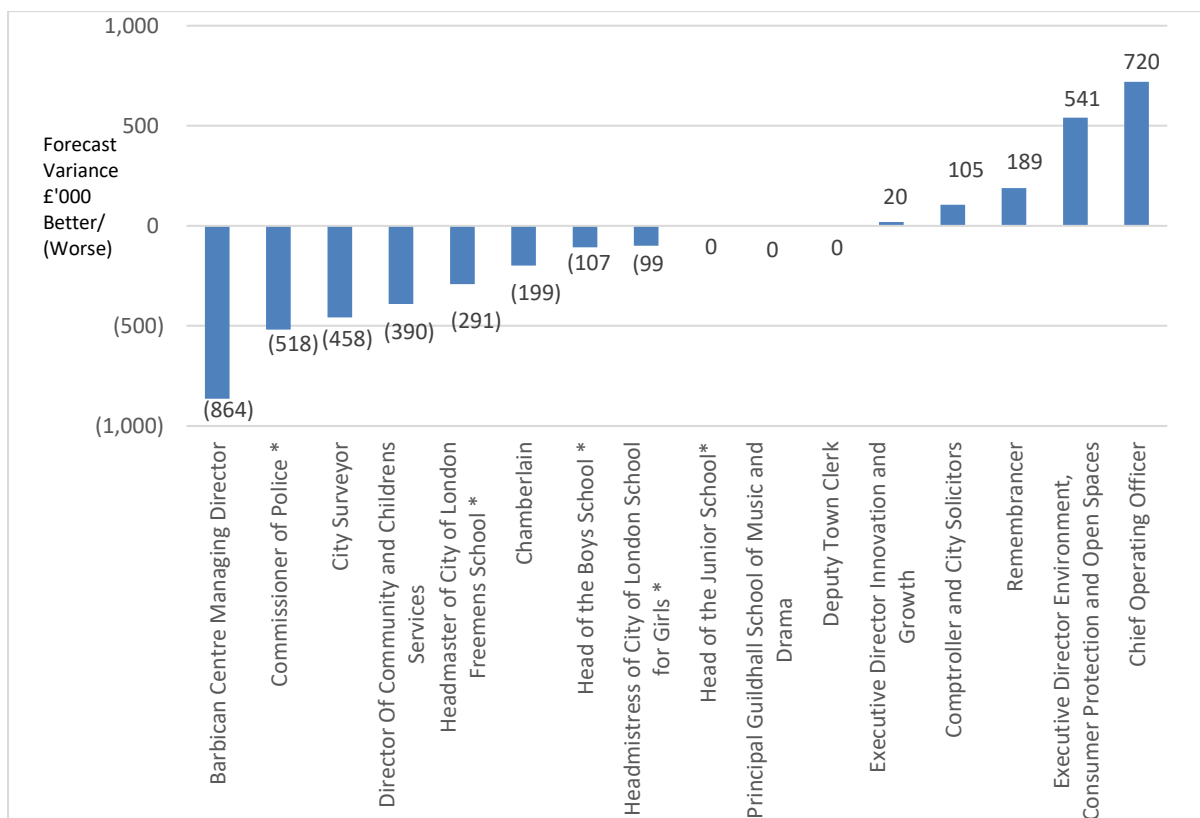
### Main Report

#### Position by Fund



#### Chief Officer Cash Limited Budgets

Forecast overspend of £1.4m at Quarter 2 on Chief Officer Cash Limited Budgets.



\* These Chief Officers hold ringfenced reserve balances which can offset any of their adverse variances

Significant variances to note are as follows:

- Barbican Centre Managing Director £0.9m overspend – largely driven by revenue shortfall as a result of a combination of slower recovery from covid than anticipated and the accelerating impact of cost-of-living pressures. Although a forecast deficit is predicted a number of expenditure saving and income generating activities have been activated with the goal of reaching a balanced position by the end of year.

## Central Risk Budgets

Forecast underspend of £40.2m at Quarter Two on Central Risk Budgets.

Significant variances to note are as follows:

- Underspend of £16.9m on the release of centrally held contingencies.

	City Fund	City's Cash	Total
<b>Budgets 2022/23</b>			
Contribution Pay	700	860	1,560
3% Inflation Uplift	3,793	1,805	5,598
Pay award 3 year deal Uplift	793	867	1,660
Energy Inflation	250	250	500
Central Risk Carry Forward	8,042	10,345	18,387
	<b>13,578</b>	<b>14,127</b>	<b>27,705</b>
<b>Allocations</b>			0
Contribution Pay	700	858	1,558
Central Risk	47	0	47
Energy inflation	600	2,245	2,845
Other inflation	395	243	638
Pay award 2022/23 Part Year	3,066	2,650	5,716
	<b>4,808</b>	<b>5,996</b>	<b>10,804</b>
<b>Uncommitted Balance</b>	<b>8,770</b>	<b>8,131</b>	<b>16,901</b>

- Corporate Income Budgets are forecast to be better than budget by £20.9m.

	Latest Approved Budget	Forecast	Forecast Variance Better / (Worse)	
	£'000	£'000	£'000	%
<b><u>Property Investment Income</u></b>				
City Fund	39,693	40,203	510	1%
City's Cash	56,923	55,907	(1,016)	(2%)
<b>Total Property Investment Income</b>	<b>96,616</b>	<b>96,110</b>	<b>(506)</b>	<b>(0)</b>
<b><u>Interest on Cash Balances</u></b>				
City Fund	6,404	24,813	18,409	287%
City's Cash	93	3,111	3,018	3245%
<b>Total Interest on Cash Balances</b>	<b>6,497</b>	<b>27,924</b>	<b>21,427</b>	<b>330%</b>
<b>Grand Total</b>	<b>103,113</b>	<b>124,034</b>	<b>20,921</b>	<b>20%</b>

- Property Investment Income is forecast to be £96.1m as per the latest quarterly update of rental estimates at 30<sup>th</sup> September 2022, which is an anticipated improvement of £2.4m compared to the review at 30<sup>th</sup> June 2022. The 2022/23 budget is based on the City Surveyor's September 2021 forecast which results in a £0.5m shortfall compared to the latest estimate.
- Income from Interest on Cash Balances is currently forecast to exceed budget by £21.4m due to higher than anticipated interest rates. Whilst this benefits the revenue position there is a negative impact to the fair value of investments, for Quarter 2 this is currently estimated as an unrealised capital loss of £17.8m on City Fund. The return on investments and valuations will be volatile throughout the year due to changes in interest rate expectation. These changes will be reviewed as part of the budget setting process for 23/24 and 5-year forecast.

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