

<b>Committee(s):</b> Finance Committee	<b>Dated:</b> 8 <sup>th</sup> November 2023
<b>Subject:</b> Quarter 2 2023/24 Forecast Capital and Supplementary Revenue Project expenditure	<b>Public</b>
<b>Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?</b>	Capital and SRP projects impact across all areas of service delivery and property investment
<b>Does this proposal require extra revenue and/or capital spending?</b>	<b>No</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 and Chief Financial officer	<b>For Information</b>
<b>Report author:</b> Radwan Ahmed, Interim Assistant Director Finance	

## Summary

This report provides a summary of the forecast expenditure at the end of the second quarter (Q2), for the current year (2023/24) and future years expenditure on Capital and Strategic Revenue Projects (SRPs) – including the major projects – across both City Fund and City Cash. These forecasts are measured against agreed budgets set and approved by Court of Common Council in March 2023.

## City Fund Capital Projects

**Table 1:** Summary of City Fund Forecast

	A	B	C	C - A	D	E	E - D	C + E - A - D
CITY FUND	Budget 23/24	Current Year Actuals @ 31/09/23	Current Year Forecast @ Q2	Forecast vs Budget in year	Future years budget	Future years forecast	Forecast vs Budget in future years	Total budget vs Total Forecast
BAU Capital and SRP	£m	£m	£m	£m	£m	£m	£m	£m
<b>Subtotal</b>	190.9	27.9	152.0	(39.0)	222.7	217.1	(5.6)	(44.6)
<b>Major Projects</b>								
<b>Subtotal</b>	256.9	50.3	174.3	(82.6)	565.8	643.1	77.3	(5.3)
<b>Total</b>	447.8	78.2	326.3	(121.5)	788.5	860.2	71.7	(49.9)

At the end of Q2 City Fund projects were forecasted to spend £326.3m for the year, comprising £152.0m BAU projects and £174.3m across the City Fund Major Projects. This represents a forecast slippage of £121.5m during the current year, or £49.9m across all years when compared to the approved budgets in March 2023. At the end of Q2, City Fund project spend totaled £78.2m representing 24.0% of the forecast

spend for the year; this is significantly lower than expected and the Chamberlains team will work with project managers to understand reasons for these significant variations. A detailed breakdown by spend committee is included within Table 3.

## City's Cash Capital Projects

**Table 2:** City Cash forecast

CITY CASH	Budget 23/24	Current Year Actuals @ 31/09/23	Current Year Forecast @ Q2	Forecast vs Budget in year	Future years budget	Future years forecast	Forecast vs Budget in future years	Total budget vs Total Forecast
BAU Capital and SRP	£m	£m	£m	£m	£m	£m	£m	£m
<b>Subtotal</b>	<b>133.3</b>	<b>47.7</b>	<b>96.4</b>	<b>(36.9)</b>	<b>129.2</b>	<b>107.6</b>	<b>(21.7)</b>	<b>(58.5)</b>
<b>Major Projects</b>								
<b>Subtotal</b>	<b>240.3</b>	<b>87.9</b>	<b>206.9</b>	<b>(33.3)</b>	<b>783.4</b>	<b>743.2</b>	<b>(40.2)</b>	<b>(73.5)</b>
<b>Total</b>	<b>373.5</b>	<b>135.6</b>	<b>303.4</b>	<b>(70.2)</b>	<b>912.6</b>	<b>850.7</b>	<b>(61.9)</b>	<b>(132.1)</b>

Table 2 shows the breakdown of the forecast for City Cash of £303.4m, with £206.9m projected on major projects and a further £96.7m on BAU Capital and SRP. This represents a forecast net slippage of £70.2m in year, and £132.1m including future years. At the end of Q2, City Cash projects had accrued spend totaling £135.6m, representing 44.6% of the projected spend for the year; broadly in line with expectations. A detailed breakdown by spend committee is included within Table 5.

Chamberlains will be conducting a review moving forward due to concerns about the low forecasting accuracy and notable lack of engagement in specific areas, as indicated by forecast upload statistics. This review will be included as part of the transformation workstreams with the aim of addressing the challenges related to forecasting precision and engagement levels.

### Recommendation(s)

Members are asked to note the contents of this report.

## **Main Report**

### **1.0 Background**

- 1.1 As part of the continued efforts to increase visibility of capital delivery and monitoring across the organisation, several improvements are currently being implemented. This starts with standardised data entry procedures and improvements to the automated data collection processes to ensure we can thoroughly capture and explain variances; and understand how this impacts the wider financial planning and decision making in the short to medium term. The enhanced budget monitoring will underpin the fundamental principles within the new budget setting cycle with more emphasis on variance thresholds to enable better scenario analysis.
- 1.2 With these improvements, the Chamberlain's team can effectively plan and coordinate the funding for the expenditure in an efficient manner, ensuring sufficient cashflow through activities such as disposals to meet contractual obligations for projects, while feeding into the Medium-Term Financial Plan (MTFP), treasury management strategy and investment property strategy.
- 1.3 This report provides a summary of the forecast for City Fund and City Cash against the projects approved by the Court of Common Council in March 23.
- 1.4 Tables 3 & 5 show the forecast expenditure for capital and SRPs projects (including major projects) across the City Fund and City Cash, with an estimated aggregate spend of £629.9m for the financial year 2023/24. The major projects have been separated from the rest of the projects forecast (BAU).
- 1.5 The variances presented as part of table 3 & table 5 highlight the difference between current expenditure expectations compared to the planning assumptions underpinning the approved capital programme in March 2023.
- 1.6 For future iterations of this report will:
  - Provide historic spend detail alongside current and future year forecasts for projects in flight, to provide a complete view of the total project cost, and
  - Seek to provide a clear distinction between approved budget allocations and approved drawdowns against those allocations, compared to the actual and projected spend.

## **Current Position**

### **2.0 City Fund**

- 2.1 Table 3 below shows the forecast expenditure for City Fund Capital and SRP Projects, split between Business as Usual (BAU) and Major Projects. The forecast for the year is £326.3m for the year, comprising £152.0m BAU projects and £174.3m across the City Fund Major Projects. This represents

a forecast slippage of £121.5m during the current year, or £49.9m across all years. At the end of the second quarter, City Fund project spend totaled £78.2m representing 24.0% of the forecast spend for the year.

**Table 3:** City Fund forecast

CITY FUND	Budget per MTFP 23/24	Current Year Actuals @ 31/09/23	Current Year Forecast @ Q2	Forecast vs Budget in year	Future years budget per MTFP	Future years forecast	Forecast vs Budget in future years	Total budget vs Total Forecast
<b>BAU Capital and SRP</b>								
Barbican Centre	1.4	0.1	2.2	0.8	0.3	0.3	0.0	0.8
Barbican Residential	5.5	0.7	3.3	(2.2)	27.0	18.1	(8.9)	(11.1)
CF - Community & Childrens Services	2.1	-	-	(2.1)	-	-	-	(2.1)
CF - Cult Heritage & Libraries	1.6	0.1	0.1	(1.6)	-	-	-	(1.6)
CF - Finance	10.5	0.0	8.8	(1.7)	0.9	0.9	0.0	(1.7)
CF - Investment	20.4	1.5	8.4	(12.0)	30.6	8.4	(22.2)	(34.3)
CF - Open Spaces, City Gardens	-	0.1	2.2	2.2	-	3.2	3.2	5.3
CF - Open Spaces, City Gardens & West Ham Park	3.2	-	-	(3.2)	-	-	-	(3.2)
CF - Planning & Transportation	50.9	4.3	28.6	(22.3)	59.5	93.8	34.3	12.0
CF - Policy & Resources	4.5	1.7	7.0	2.5	22.8	12.7	(10.1)	(7.6)
CF - Port Health	2.6	0.6	2.4	(0.2)	1.2	0.0	(1.2)	(1.4)
Community Services	-	0.3	1.3	1.3	0.1	-	(0.1)	1.2
Community Services - HRA	63.0	13.2	65.3	2.3	61.0	74.2	13.2	15.5
Community Services - Non-HRA	-	-	0.5	0.5	-	-	-	0.5
Education	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-
Open Spaces (CF)	0.0	-	0.1	0.1	-	0.1	0.1	0.2
Police	25.2	4.6	21.7	(3.4)	19.3	4.3	(15.0)	(18.4)
Port Health & Environ Services	-	-	0.1	0.1	-	1.2	1.2	1.3
Spitalfields Market	-	-	-	-	-	-	-	-
<b>Subtotal</b>	<b>190.9</b>	<b>27.9</b>	<b>152.0</b>	<b>(39.0)</b>	<b>222.7</b>	<b>217.1</b>	<b>(5.6)</b>	<b>(44.6)</b>
<b>Major Projects</b>								
Salisbury Square	148.5	27.6	74.1	(74.4)	346.0	420.3	74.4	(0.0)
Bastion House	5.7	0.5	1.3	(4.4)	-	-	-	(4.4)
Museum of London	97.7	22.3	94.5	(3.1)	164.5	167.6	3.1	(0.0)
Future Police Accommodation	5.0	-	4.4	(0.6)	55.4	55.2	(0.2)	(0.9)
<b>Subtotal</b>	<b>256.9</b>	<b>50.3</b>	<b>174.3</b>	<b>(82.6)</b>	<b>565.8</b>	<b>643.1</b>	<b>77.3</b>	<b>(5.3)</b>
<b>Total</b>	<b>447.8</b>	<b>78.2</b>	<b>326.3</b>	<b>(121.5)</b>	<b>803.5</b>	<b>860.2</b>	<b>56.7</b>	<b>(49.9)</b>

## 2.2 The main items of slippage are:

- There are significant overspends identified against **Planning and Transportation** (£12.0m) and the **HRA** (£15.5m). Planning is an area predominantly financed by grants and contributions, and assumptions around future grant income will be aligned to current expenditure plans for the forthcoming MTFS review. The HRA is a statutory ringfenced account, and the planned schemes will be incorporated as part of the continued review of the 30-year business plan.
- Other spend committees with significant projected underspends, include:
  - **Police** with an aggregated forecast £18m underspend. The Police service recognise the capacity to deliver against agreed capital projects and are enhancing their Project Management Office (PMO) capability to support a longer-term view of their capital investment requirements.

- **Barbican Residential** (£11.1m) represents agreed funding blocks for ringfenced areas, for which individual schemes are being developed to draw down against.
- **Investment Committee** (£34.26m) includes significant slippage against the New Liverpool House Refurbishment scheme.
- **Policy and Resource Committee** (£7.6m) slippage relating primarily to various works on the Central Criminal Court.

2.3 Table 4 below summarises the current financing plan for the City Fund investment programme.

**Table 4:** Capital Fund Financing summary

Funding	23/24	24/25	25/26	26/27	27/28	Total
	£m	£m	£m	£m	£m	£m
<b>Internal Contributions*</b>	298.7	173.7	10.9	0.8	-	<b>484.1</b>
<b>Developer Contributions**</b>	63.4	70.2	37.3	9.7	5.4	<b>186.0</b>
<b>Capital Receipts/Grants***</b>	85.7	93.0	248.6	103.8	35.1	<b>566.2</b>
<b>Total</b>	<b>447.8</b>	<b>336.9</b>	<b>296.8</b>	<b>114.3</b>	<b>40.5</b>	<b>1,236.3</b>

\* Internal Contributions include in year revenue contributions and earmarked reserves.

\*\* Developers including CIL, S106 and S278, these can be provided with varying degrees of conditionality for use on specific projects.

\*\*\* Capital Receipts are funds from the disposal of assets while the City also received significant grants from public and non-public bodies

### 3.0 City Cash

3.1 Table 5 shows the breakdown of the forecast for City Cash of £303.7m, with £206.9m projected on major projects and a further £96.7m on BAU Capital and SRP. This represents a forecast net slippage of £70.2m in year, and £123.1m including future years. At the end of the second quarter, City Cash projects had accrued spend totaling £135.6m, representing 44.6% of the projected spend for the year.

**Table 5: City Cash forecast**

CITY ESTATE	Budget per MTFP	Actuals @ 31/09/23	Q2 Forecast	Forecast vs Budget in year	Future years budget	Future years forecast	Forecast vs Budget in future years	Total budget vs Total Forecast
<b>BAU Capital and SRP</b>								
Billingsgate Market	1.8	0.3	0.6	(1.1)	-	-	-	(1.1)
Board of Governors CLSG	3.2	1.5	2.7	(0.5)	4.0	-	(4.0)	(4.5)
Board Of Governors COL	-	0.3	1.2	1.2	6.1	-	(6.1)	(4.9)
Board Of Governors Freemens	0.4	-	2.2	1.9	37.3	37.3	0.0	1.9
Burnham Beeches	0.0	-	0.0	(0.0)	-	-	-	(0.0)
CC - Cult Heritage & Libraries	0.0	-	0.0	(0.0)	-	-	-	(0.0)
CC – Finance	16.0	0.8	14.6	(1.4)	4.2	4.6	0.5	(0.9)
CC – Investment	74.1	43.0	42.4	(31.7)	44.6	21.0	(23.5)	(55.2)
CC - Planning & Transportation	-	-	-	-	-	-	-	-
CC - Policy & Resources	25.1	-	25.3	0.2	25.6	25.6	0.0	0.2
CC - Port Health & Env Service	-	-	0.0	0.0	-	-	-	0.0
COL Almshouses Trust Capital	-	-	0.1	0.1	-	-	-	0.1
Community Services – Gresham	0.1	-	0.0	(0.1)	-	-	-	(0.1)
Education (Academies)	-	-	1.0	1.0	-	-	-	1.0
Epping Forest	5.3	0.0	1.0	(4.4)	6.2	14.6	8.4	4.1
GA – Finance	-	0.0	0.1	0.1	-	0.1	0.1	0.2
GP Aldermen	0.1	-	0.1	0.0	-	-	-	0.0
GSMD	1.3	-	1.6	0.3	1.2	4.3	3.1	3.3
Hampstead Heath, Highgate Wd & Queen’s Park	0.8	1.5	2.0	1.2	-	-	-	1.2
Hampstead Heath	2.1	0.3	1.0	(1.1)	-	-	-	(1.1)
Keats House Capital Fund	-	-	-	-	-	-	-	-
Markets	2.0	-	0.1	(1.9)	-	-	-	(1.9)
Policy & Resources	-	-	0.0	0.0	-	-	-	0.0
Queen’s Park & Highgate Wood	0.0	-	0.0	0.0	-	-	-	0.0
Smithfield Market	0.1	-	0.1	-	-	-	-	-
West Ham Park	0.9	-	0.2	(0.7)	-	-	-	(0.7)
<b>Subtotal</b>	<b>133.3</b>	<b>47.7</b>	<b>96.7</b>	<b>(36.9)</b>	<b>129.2</b>	<b>107.9</b>	<b>(21.7)</b>	<b>(58.5)</b>
<b>Major Projects</b>								
Museum of London Landlord Works	14.7	1.1	31.0	(16.3)	169.0	78.1	(90.9)	(74.6)
Markets Co-location	146.5	86.6	146.1	0.4	495.2	496.4	1.2	0.8
Combined Courts	79.1	0.1	29.9	49.3	119.2	168.7	49.5	0.2
<b>Subtotal</b>	<b>240.3</b>	<b>87.9</b>	<b>206.9</b>	<b>(33.3)</b>	<b>783.4</b>	<b>743.2</b>	<b>(40.2)</b>	<b>(73.5)</b>
<b>Total</b>	<b>373.5</b>	<b>135.6</b>	<b>303.7</b>	<b>(70.2)</b>	<b>912.6</b>	<b>850.7</b>	<b>(61.9)</b>	<b>(132.1)</b>

3.2 The main area of underspend relates to:

- **Museum of London Landlord works** within the major project's portfolio, is currently forecasting an aggregate underspend of £74.6m. Works is expected to be completed by the end of this

calendar year except for further works on the Annex. The underspend includes an amount of unutilised costed risk provision.

- The **Investment Committee** is currently projecting £55.23m underspend relating to an approved allocation for planned future investment property purchases, to be funded from the Designated Sales Pool. The variance represents the agreed funding envelope, for which future Investment property purchases are to be drawn down against, subject to successful bid appraisals.

3.3 Table 6 below summarises the current financing plan for the City Cash investment programme.

**Table 6:** City Cash funding

Funding	23/24	24/25	25/26	26/27	27/28	Total
	£m	£m	£m	£m	£m	£m
<b>Internal Contributions*</b>	220.7	260.8	28.2	27.9	81.3	<b>618.8</b>
<b>External Borrowing**</b>	152.9	-	-	-	-	<b>152.9</b>
<b>Capital Receipts/Grants***</b>	-	59.2	168.7	160.6	126.0	<b>514.5</b>
<b>Total</b>	<b>373.5</b>	<b>320.0</b>	<b>196.9</b>	<b>188.4</b>	<b>207.3</b>	<b>1286.2</b>

\* Internal Contributions include in year revenue contributions and earmarked reserves.

\*\* External Borrowing identifies the use of funds raised through external partners.

\*\*\* Capital Receipts are funds from the disposal of assets while the City also received significant grants from public and non-public bodies

3.4 Table 5 illustrates the funding sources that have been identified and earmarked to fund the project spend as per the approvals through the budget gateway processes. The final funding mix will be determined as part of closing processes at year end.

## 4.0 Conclusion

4.1 The report highlights the current forecast for 2023/24 and beyond as at Q2 of the financial year.

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