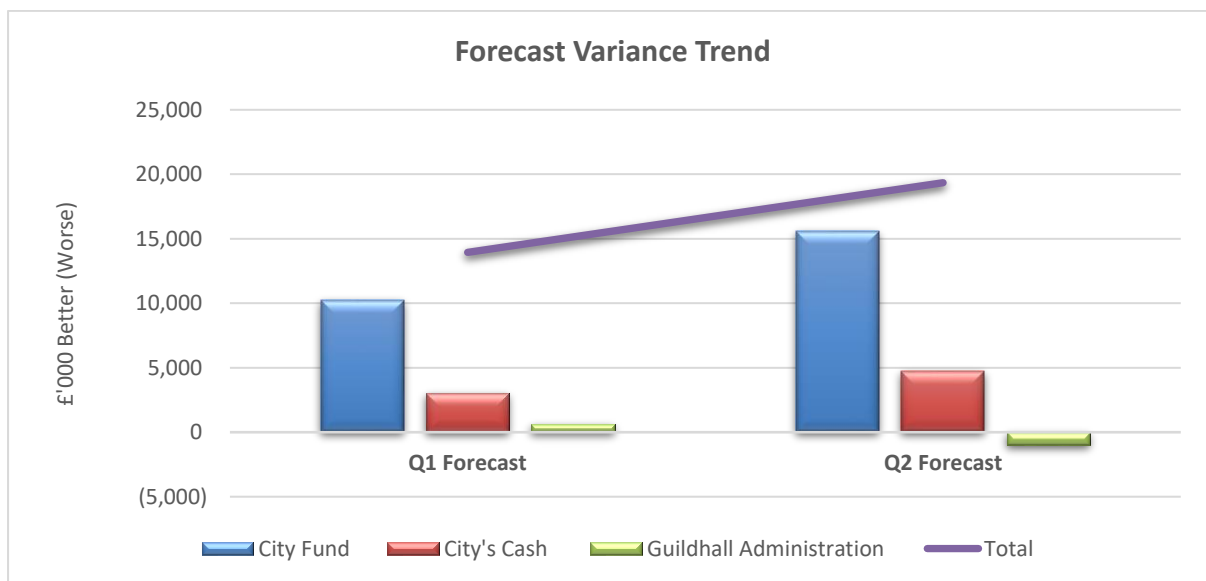


Committee	Dated:
Finance Committee – For Information	8 th November 2023
Subject: Revenue Budget Monitoring to Quarter 2 2023/24	Public
Which outcomes in the City Corporation’s Corporate Plan does this proposal aim to impact directly?	N/A
Does this proposal require extra revenue and/or capital spending?	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: Louise Said, Financial Services Division	

Summary

At the end of Quarter 2, the 2023/24 forecast outturn position is an underspend of £19.3m against budget which is an improvement of £5.4m compared to Quarter 1.



The forecast underspend of £19.3m comprises underspends of £15.6m and £4.7m on City Fund and City’s Cash respectively, partially offset by an overspend of £1.0m on Guildhall Administration.

This is split between a Central Risk favourable variance of £22.0m, which predominantly relates to increased interest received on Money Market Funds (£17.0m), partially offset by an adverse variance of £2.6m on Chief Officer Cash Limited Budgets. The Chief Officer Cash Limited budget significant variances are Barbican Residential (£0.9m) relating to a new provision for a legal challenge from leaseholders, and PH&ES (£1.8) loss of trade at Heathrow Animal Reception Centre

(HARC). The Chief Officer Cash Limited Budgets forecast is an improved position of £2.7m compared to Quarter 1, predominantly due to the use of centrally held contingencies to meet inflationary pressures which cannot be contained within Chief Officer existing budgets.

Recommendation

Members are asked to:

- i. note the report.

Main Report

1. Significant forecast variances by Chief Officer are summarised in the following paragraphs.

City Fund

- a) Director of Community and Children's Services (£1.1m overspend, adverse movement of £1.2m from Q1) – Barbican Residents Committee is now forecasting a possible overspend as a result of making a provision of £935k for a legal challenge. In addition, the children's social care budget is showing an overspend of £0.5m due to two new clients arriving since Q1, one of which has very high needs.
- b) Executive Director Environment (£1.1m overspend, positive movement of £1.1m from Q1) – the projected overspend is predominantly due to a significant loss in trade of c£1.8m at Heathrow Animal Reception Centre. This overspend is partly offset by a variety of increased income streams throughout the Department. The favourable movement from Q1 to Q2 is largely due to energy costs of c£0.7m now being met centrally.
- c) Barbican Centre (£0.5m overspend, positive movement of £3.0m from Q1) – Box Office and touring Income have taken time to get back to pre-covid levels in line with the wider industry. This shortfall has been reduced by our focus on utilisation, capacity and spend per head with additional income in secondary spend and business events. The building continues to challenge delivery. These additional cost pressures are being covered within our current forecast. Focus remains on delivering a balance outturn. The significant change since quarter 1 is on utilities pressures being met centrally.
- d) City Surveyor - Whilst City Fund Estate, at present, is largely showing break even at year end, there is the risk of an overspending due to the loss of tenants at Leadenhall Market and some voids on strategic properties. The financial implications of this and how it might be mitigated are being reviewed and an update will be included in Q3 monitoring.

City's Cash

- e) City Surveyor (£0.4m overspend, **positive movement of £0.1m**) – This is principally due to overspending on the departmental salary budget as a result of the vacancy factor not being achieved. In addition, some residual savings of £151k are yet to be achieved. Other minor variances across services largely offset each other.

2. Corporate Income Budgets are forecast to be better than budget by £23.5m, a positive movement of £4.3m from quarter 1.

	Budget	Forecast	Forecast Variance	
	£'000	£'000	Better / (Worse)	
			£'000	%
<u>Property Investment Income</u>				
City Fund	41,245	41,534	289	1%
City's Cash	56,840	63,531	6,691	12%
Total Property Investment Income	98,085	105,065	6,980	7%
<u>Interest on Cash Balances</u>				
City Fund	27,026	47,505	20,479	76%
City's Cash	5,507	1,585	(3,922)	(71%)
Total Interest on Cash Balances	32,533	49,090	16,557	51%
Grand Total	130,618	154,155	23,537	18%

- a) Property Investment Income is forecast to be £105.1m which reflects the June 2023 rental estimates, **a positive movement of £3.2m from quarter 1**. Due to the timing of reports, the update at September 2023 will be included in the Quarter 3 report. City's Cash £6.7m forecast surplus reflects the acquisition of two industrial estates, the delay to the sale of 55-61 Charterhouse Street and assumes that a number of leases are renewed rather than expire on the Tottenham Court Road Estate. The improved forecast is a combination of new leases, rent reviews offset by lease terminations.
- b) Income from Interest on Money Market funds on average cash balances is currently forecast to exceed budget by £16.6m principally due to higher than anticipated interest rates. **This is a positive forecast movement of £1.1m from quarter 1**, which is largely due to an improvement in the income yield on the short-dated bond fund investments during the quarter, which in accordance with the current Treasury Management Strategy Statement (TMSS), only impacts City Fund. The shortfall on City's Cash is due to a reduction in the average cash balances held. It should be noted that the forecast currently assumes the average split of cash amongst funds to September 2023 will continue for the rest of the year. This assumption is most vulnerable to a rapid drawdown in City's Cash balances and changes in light of the capital expenditure on the major projects. Moreover, the return on investments and valuations will be volatile throughout the year due to changes in interest rate expectation.

Conclusion

At the end of Quarter 2 2023/24 the overall forecast position is an underspend of £19.3m against budget comprising Central Risk Budget favourable variance of £22.0m partially offset by an adverse variance of £2.7m on Chief Officer Cash Limited Budgets.

Appendices

- Appendix 1 – Summary Position by Fund
- Appendix 2 - Chief Officer Cash Limited Budgets by Fund
- Appendix 3 - Central Risk Budgets by Fund

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