

City of London Corporation Committee Report

Committee(s): Finance Committee – For information	Dated: 04/11/2025
Subject: Budget Monitoring Quarter 2 2025/26	Public report: For Information
This proposal: <ul style="list-style-type: none"> • delivers Corporate Plan 2024-29 outcomes • provides statutory duties • provides business enabling functions 	The budget provides the funding to deliver all of the Corporation's corporate objectives either directly or indirectly.
Does this proposal require extra revenue and/or capital spending?	No
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:	The Chamberlain
Report author:	Daniel Peattie, Assistant Director – Strategic Finance

Summary

The report below outlines the forecast position for the 2025/26 financial year as at the end of Quarter 2 (September). This report combines the monitoring for both revenue and capital. The total position per fund is shown in the table below and explanations for variances highlighted in the main report.

Revenue forecast variance by fund – Q2

	City Fund £'000	City's Estate £'000	Guildhall Administration £'000	Total £'000
Local Risk	4,450	927	613	5,990
Central Risk	(17,285)	(4,019)	971	(20,333)
Total Q2	(12,835)	(3,092)	1,585	(14,343)
Total Q1	(12,808)	(6,450)	3,663	(15,595)
(better)/worse from Q1	(27)	3,358	(2,078)	1,253

It should be noted that although both City Fund and City's Estate are forecasting a surplus, the Local risk (Chief Officer cash limited budgets) are forecasting an

overspend across all funds. This position has remained consistent across a number of financial years indicating mitigations are not resolving the underlying pressures. A number of actions are being taken to address the gaps including a series of Star Chambers which are led by the Town Clerk and in particular will challenge the level and speed of cost mitigations in the HRA, Barbican Centre and Guildhall School. Explanations for large variances are included in this report. A proposal is being presented to this Committee as another agenda item to review potential options for addressing the pressures in HRA.

Main report – City Fund Dashboard

Revenue

1. At the end of quarter 2, the 2025/26 forecast revenue outturn is an underspend of £12.8m against budget which comprises £4.4m overspend on Local risk and an underspend of £17.3m on central risk. The underspend is largely due to an increased forecast of interest earned on cash balances which is shown in para 25 (appendix 4). Unallocated contingencies, currently amounting to £10.5m will be transferred to reserves at year end and are therefore showing a nil variance in the forecast.
2. Large variances in the Barbican (£3.7m) and Children Services (£0.5m) are explained in more detail in appendix 4. This appendix also outlines the measures being implemented to address the overspends and restore expenditures to within budgetary limits. Within the Barbican these measures include vacancy management as well as stricter controls on travel, catering and other variable cost elements. Further scrutiny will be undertaken through the risk based monitoring referenced above as well as the upcoming Star Chamber.
3. It should be noted that the Housing Revenue Account is currently forecasting an overspend on revenue amounting to £1.2m, which is an increase of £0.6m since Q1. This is due to loss of income as a result of delays to COLPAI and Black Raven Court Habitation. There are also significant pressures on the repairs and maintenance budget due to higher repair volumes to meet new regulatory requirements, requirement to introduce annual survey programmes, additional contract costs. Several vacant posts within HRA are currently being covered by temporary staff, which is resulting in higher costs.
4. Urgent action is now needed to ensure that statutory duties are not breached and a separate paper will be considered by your Committee.

Chart 1 – City Fund local risk forecast Q2

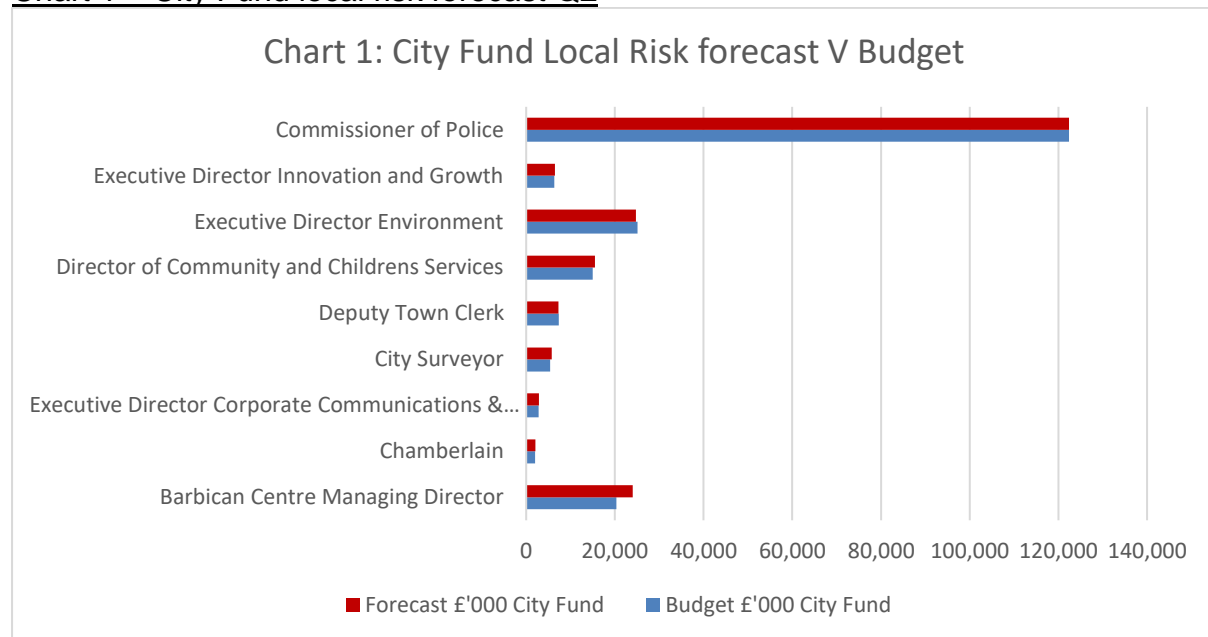
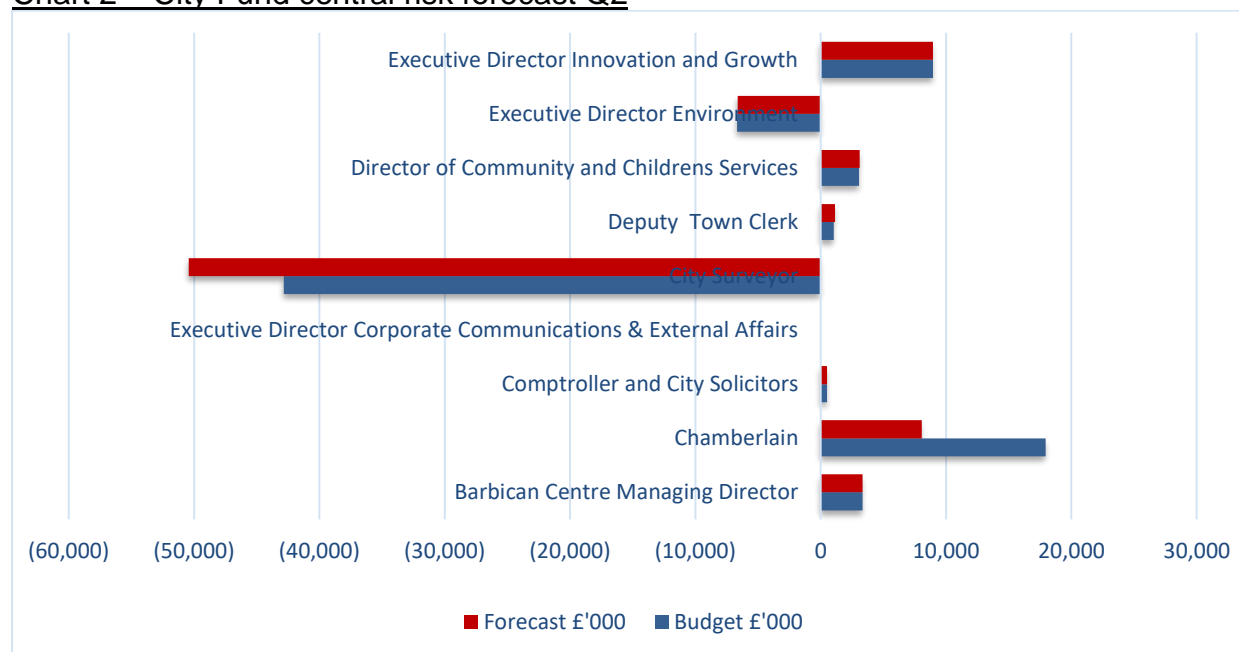


Chart 2 – City Fund central risk forecast Q2



Savings – City Fund

The total in year savings target for City Fund amount to £9.2m. Of this amount £3.7m are on track or have already been delivered. This has increased by £0.5m since Q1 and relates to savings under the Executive Director of Community & Children's Services which have been realised during Q2 and therefore moved from Amber to Green RAG rating

Those elements undelivered within the Barbican are contributing towards the overspend highlighted above. These are being monitored as part of the local

arrangements identified by the Barbican management team but also through the star chamber process. The cross-cutting savings relate to income generation opportunities. The progress of these is being reviewed by the income generation working group and Efficiency and Performance working group.

Chart 3 – City Fund savings forecast Q2 (£9.2m total)

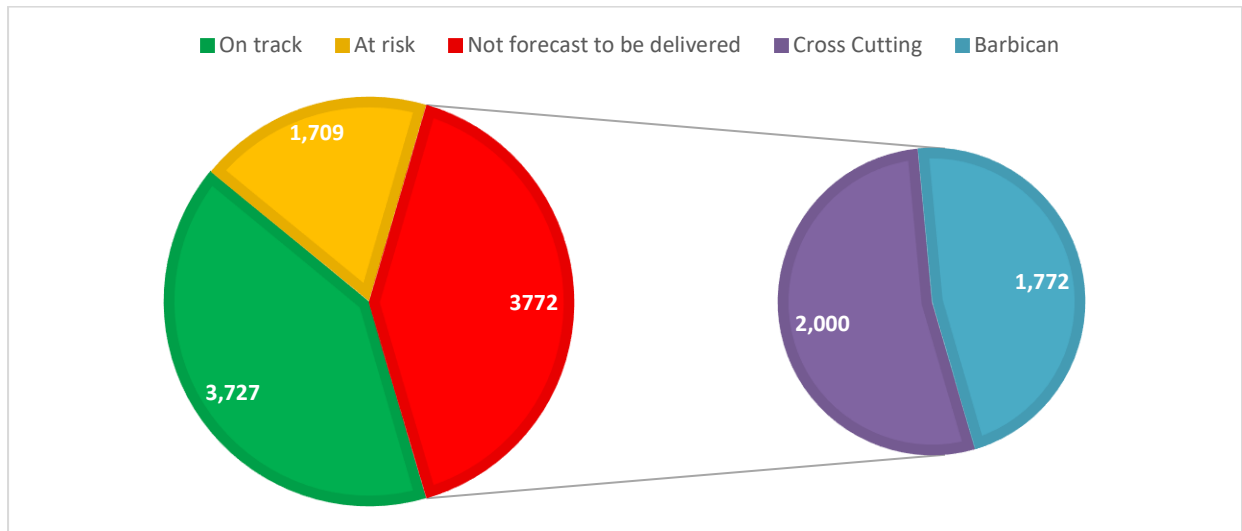
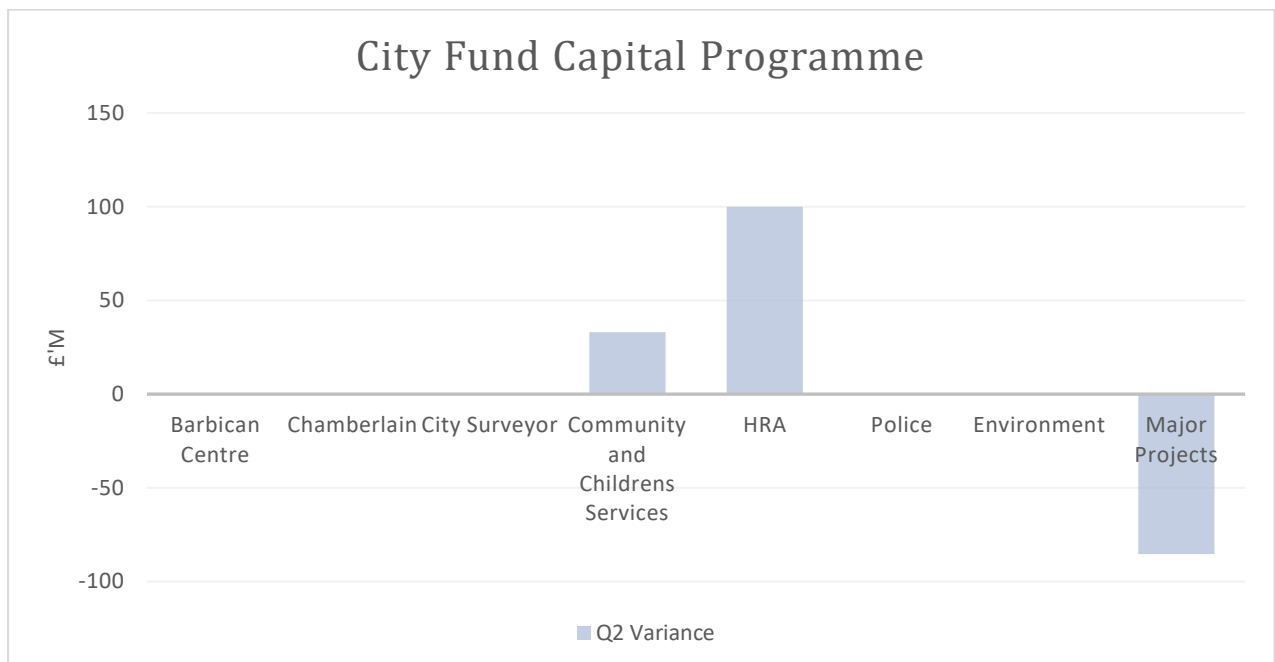


Chart 4 - City Fund Capital forecast project variance

5. Significant adverse variances are forecast on the HRA capital programme and Barbican podium works. More detail is within appendix 4.



Key points – City Fund

- Local risk overspends continue to be supported by additional central income.

- Revenue forecast, overspend in HRA of £1.2m requiring urgent savings plan/funding solutions
- The HRA major projects improvement programme has identified substantial risks regarding funding for the 10-year plan.
- Community and Children's Services capital programme contains significant forecast overspends requiring bespoke funding solutions.

Main report – City's Estate Dashboard

Revenue

6. At the end of quarter 2, the 2025/26 forecast revenue outturn is an underspend of £3.1m of which £4m relates to central risk offset by an overspend of £0.9m on Local risk. (A decrease of £3.3m since Q1). This is due in the main to increased dividend income which is explained in para 15. Unallocated contingencies currently amount to £17.7m and will be transferred into reserves at year end and therefore showing a nil variance in the forecast.

Chart 5 – City's Estate local risk forecast Q2

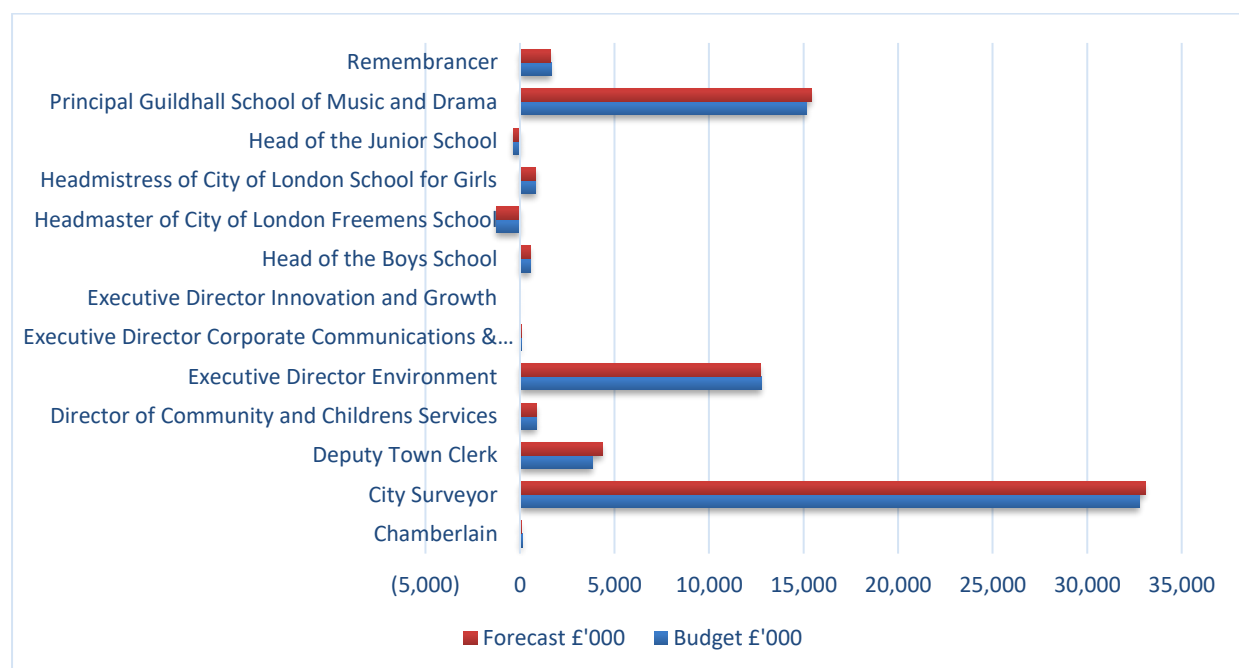
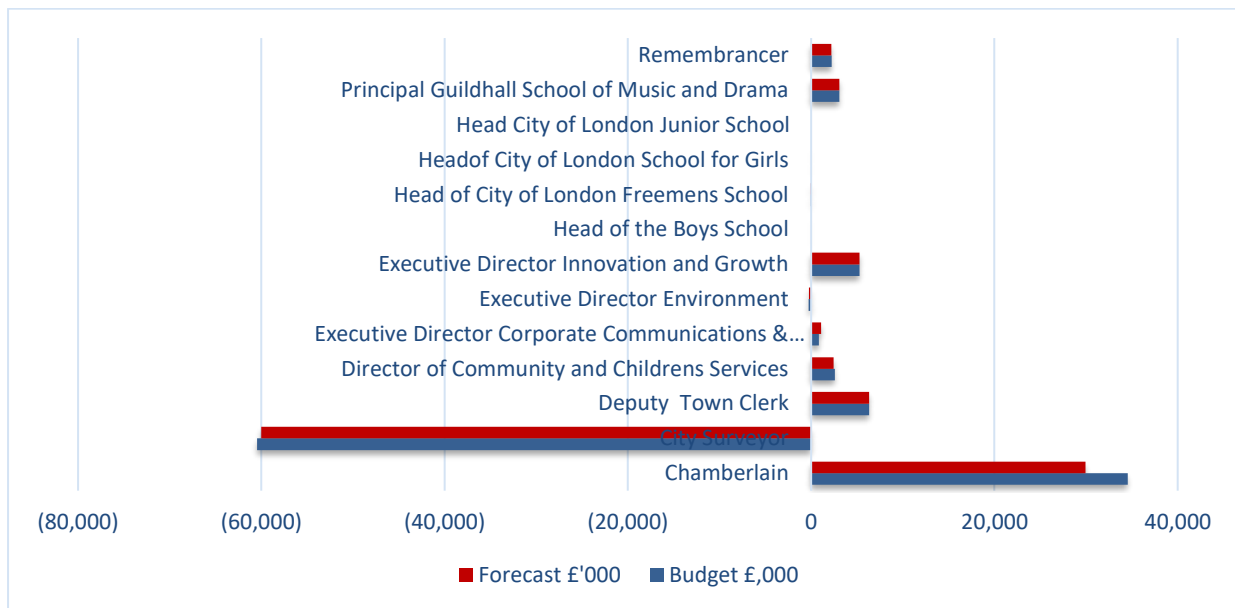


Chart 6 – City's Estate central risk forecast Q2



City's Estate Savings

7. The total saving for City Estate amounts to £4.9m of which £4m are either delivered already or on track to be delivered by the end of the year.
8. There is one saving that has a very high risk of non-delivery amounting to £0.2m which is in relation to improved income at Monument. Based on the last couple of years income performance it is not expected to materialise these savings in full however there are a number of options being looked into as part of income generation but unsure currently if they can be achieved this year.
9. Since Q1, £2m of savings relating to GSMD have moved from Amber to Green as the pressure has been mitigated from using carry forward funds from 2024-25. Mitigating strategies to meet this pressure from 2026/27 onwards are being developed and will be review on 22nd October at the Town Clerk's Star Chamber and Efficiency and Performance Working Party as per the forward plan.

Chart 7 – City’s Estate savings forecast Q2 (£4.9m total)

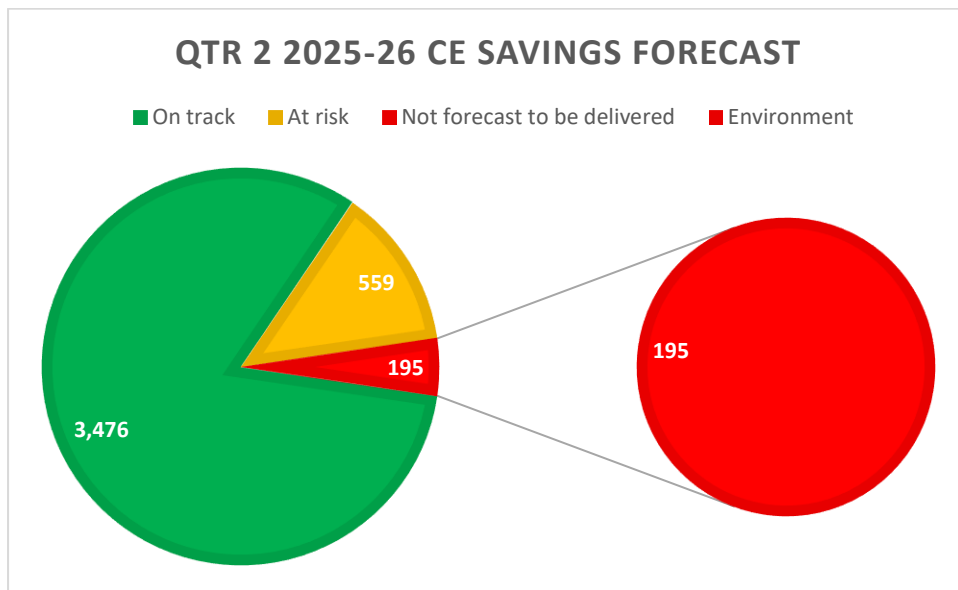
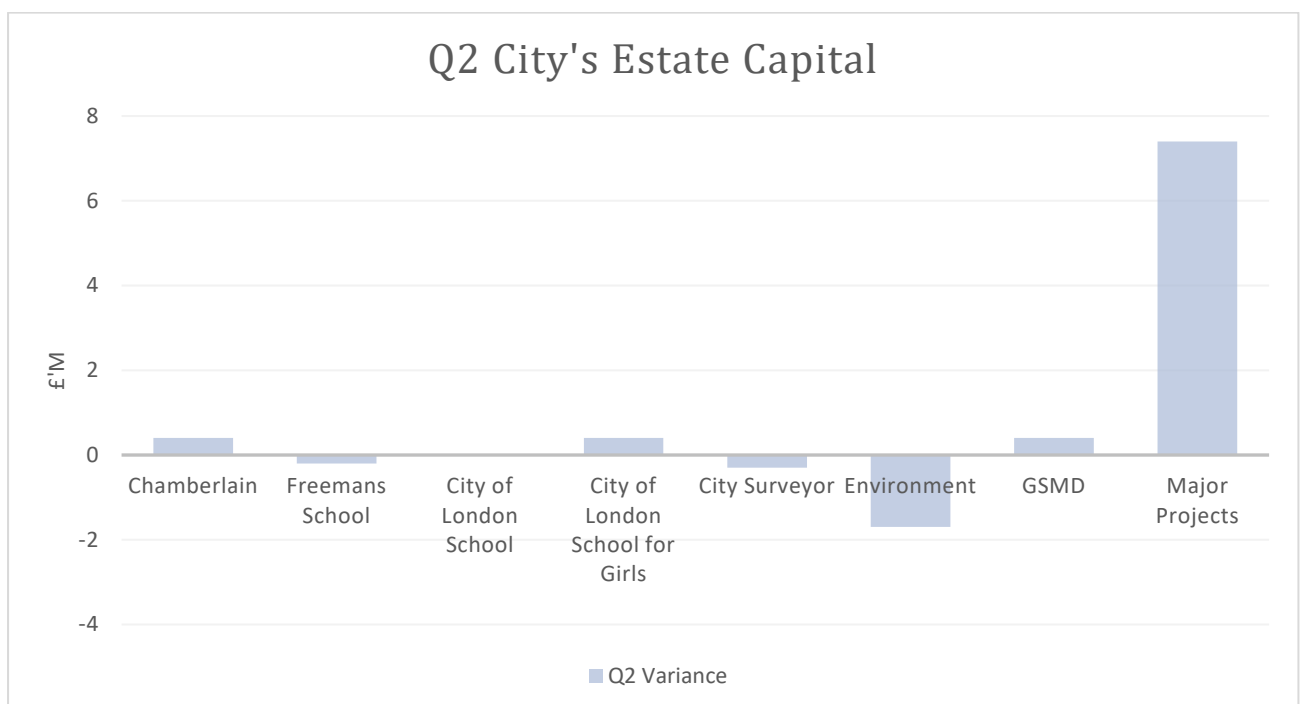


Chart 8 – City’s Estate Capital

10. The adverse variance forecast on the Museum of London project relates to the optimism bias, which was not included within the original MTFP budget. This will be updated at Quarter three.



Key points – City’s Estate

- Local risk overspends continue to be supported by additional central income
- GSMD is now showing all savings as being delivered or on track to be delivered this financial year

Main report – Guildhall Admin Dashboard

Revenue

11. Guildhall Administration budgets are central costs which are recharged to the relevant funds (inc. City Bridge Foundation), these budgets are currently forecasting an overspend of £1.6m which is £0.6m on Local risk and £1m on central risk. This is an improvement of £2.1m since Q1 where a predicted overspend of £3.6m was reported. The reason for this reduction was the approval of carry forward bids which were agreed after Q1 and has therefore offset a number of pre-approved cost pressures. Any variance will have a direct impact on City Fund and City's Estate as costs are recharged out.

Chart 9 – Guildhall Admin local risk forecast Q2

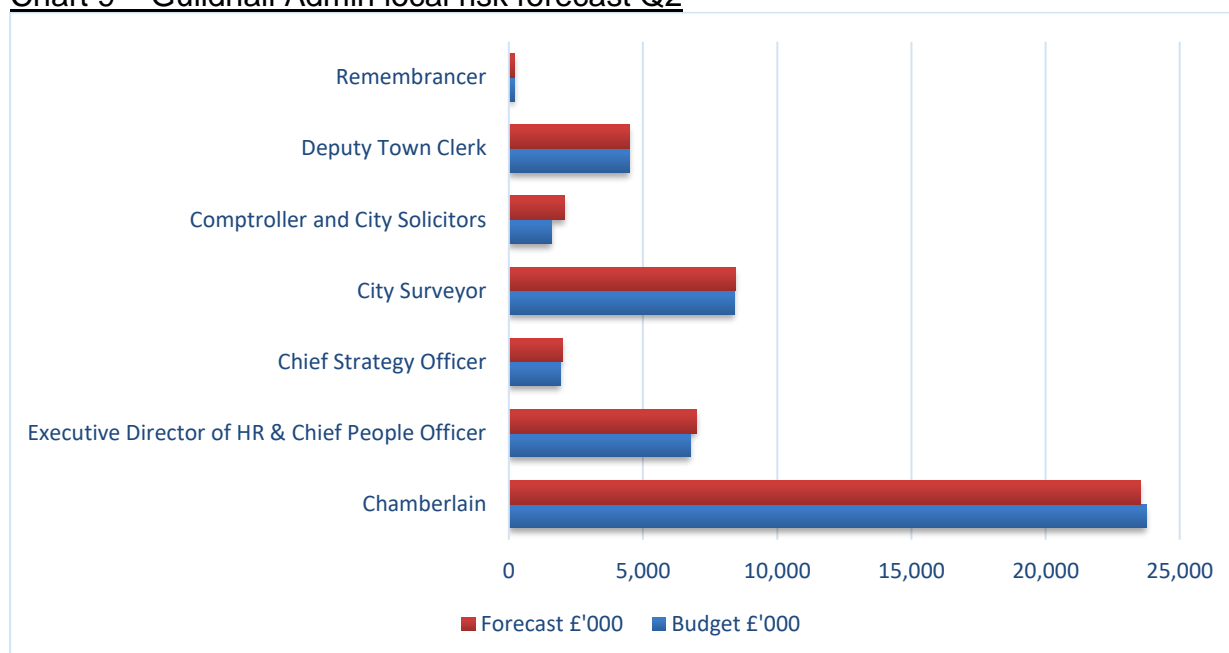
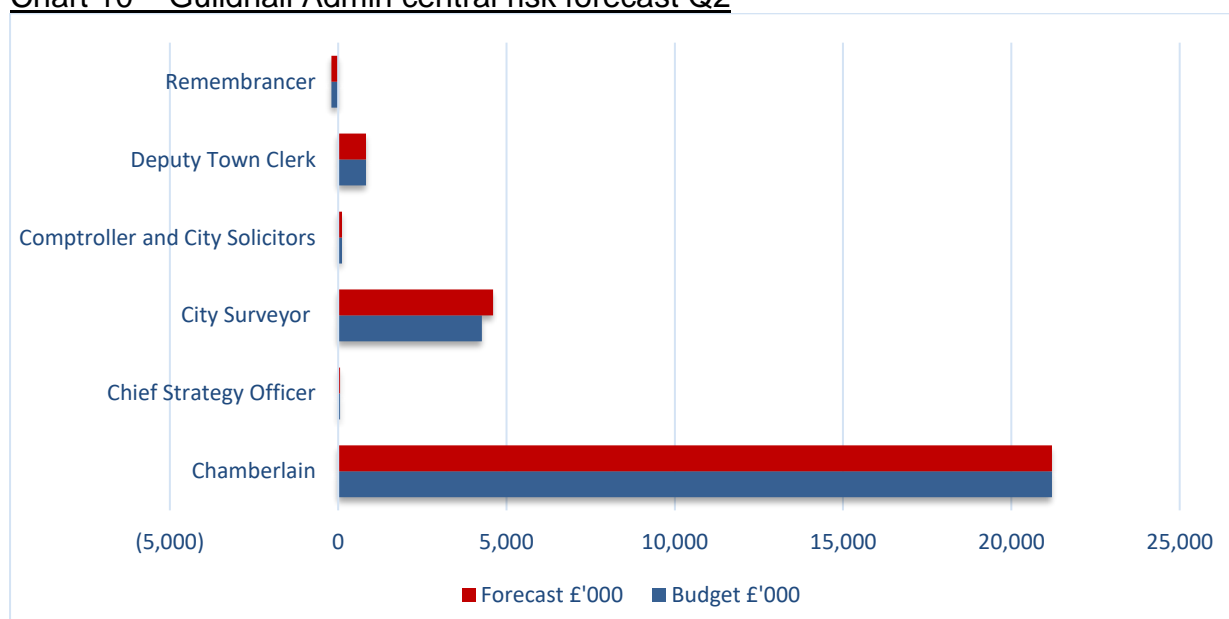


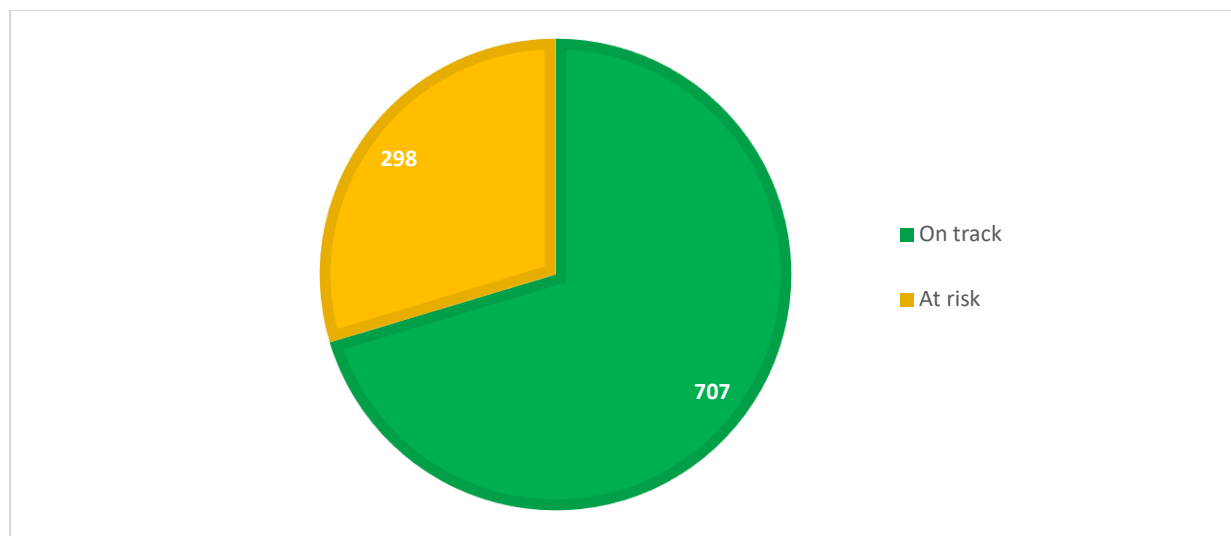
Chart 10 – Guildhall Admin central risk forecast Q2



Guildhall Admin – savings

12. The 2025/26 budget includes savings targets of £1m across Guildhall Administration services. Of this amount, £707k is expected to be found during the year which equates to 70% of the overall target with the remaining 30% showing as amber rated. No savings are currently showing as high risk of non-delivery however we will continue to monitor and report back at Q3

Chart 11 – Guildhall Admin savings forecast Q2 (£1m total)



Corporate and Strategic implications

Strategic implications – The budget is developed in conjunction with corporate plans to ensure it aligns with strategic objectives. Any variances and impacts on delivery are noted within the report.

Financial implications – Contained within the body of the report

Resource implications – Contained within the body of the report

Legal implications – No direct implications

Risk implications – Financial variances highlighted and contained within the body of the report

Equalities implications – No direct implications

Climate implications – No direct implications

Security implications – No direct implications

Conclusion

13. At the end of Quarter 2 2025/26 the revenue forecast position for City Fund is an underspend of £12.8m which comprises a favourable variance on central risk of £17.3m offset by an adverse variance of £4.4m on Chief Officer Cash Limited Budgets. City's Estate is in a similar position showing an overall revenue forecast of £3.1m underspend which is largely on central risk - £4m offset by a smaller overspend on Local risk of £0.9m. Guildhall Admin is showing a total forecast of £1.6m overspend which is broken down as £1m on

central risk and £0.6m on Local risk. Reasons for large variances are set out in appendix 4.

14. It should be noted that although the overall position per fund excluding Guildhall Admin is forecasting a surplus, the Local risk (Chief Officer cash limited budgets) on all funds are forecasting an overspend across a number of departments/service areas/Institutions. This position has remained consistent across several financial years indicating mitigations are not resolving the underlying pressures.
15. During the September Committee meeting, the Financial Services Director (FSD) introduced an escalation process. Meetings are now being coordinated between the FSD and Chief Officers' Senior Leadership Teams to ensure delivery of the required savings and address the current overspend within the allocated budget.
16. It should be further noted that central contingencies are currently underspent by £28.2m (£17.7m City's Estate and £10.5m City Fund), however this will be transferred to reserves at the end of the year and therefore showing as nil variance in the monitoring.
17. City Fund capital is forecasting an in-year slippage of £129.8m and an in-year slippage on City's Estate of £29.8m. Over the life of the projects the forecast is an overspend of £47.6m for City Fund, this is mostly due to HRA expenditure of £100m, that has not been factored into the Medium-Term Financial Plan, offset by contingencies on the major projects that are yet to be utilised. On City Estate the projects over their lifetime are coming in approximately to budget apart from the Museum of London works, which has a overspend of £7.4m against the original MTFP.

Appendices

- Appendix 1 – Chief Officer Cash Limited Budgets by Fund, Central Risk Budgets by Fund, Chief Officer total budgets by Fund
- Appendix 2 – City Fund Capital breakdown by Service
- Appendix 3 – City's Estate Capital breakdown by Committee
- Appendix 4 – Detailed narrative by fund

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Appendix 1 - Chief Officer Cash Limited Budgets by Fund

Q1	Chief Officer	Full Year Forecast as at 30 Sept 2025			
Variance (Better) / worse		Budget	Forecast	Variance (Better) / Worse	
£'000		£'000	£'000	£'000	%
	City Fund				
2,163	Barbican Centre Managing Director	20,338	24,036	3,698	18%
(111)	Chamberlain	2,023	2,094	71	3%
100	Executive Director Corporate Communications & External Relations	2,782	2,882	100	4%
81	City Surveyor	5,379	5,752	373	7%
0	Deputy Town Clerk	6,425	6,425	0	0%
284	Director of Community and Childrens Services	14,989	15,498	509	3%
259	Executive Director Environment	25,141	24,719	(422)	(2%)
201	Executive Director Innovation and Growth	6,322	6,522	200	3%
2,977	Total City Fund (excluding Police)	83,399	87,928	4,529	37%
	City's Estate				
(38)	Chamberlain	121	92	(29)	(24%)
38	City Surveyor	32,781	33,062	281	1%
745	Deputy Town Clerk	3,851	4,352	501	13%
0	Director of Community and Childrens Services	885	885	0	0%
82	Executive Director Environment	12,755	12,714	(41)	(0%)
0	Executive Director Corporate Communications & External Relations	71	71	0	0%
0	Executive Director Innovation and Growth	0	0	0	0%
0	Head of the Boys School	530	530	0	0%
0	Headmaster of City of London Freemens School	(1,250)	(1,250)	0	0%
0	Headmistress of City of London School for Girls	845	845	0	0%
0	Head of the Junior School	(344)	(344)	0	0%
0	Principal Guildhall School of Music and Drama	15,178	15,438	260	2%
0	Remembrancer	1,657	1,612	(45)	(3%)
827	Total City's Estate	67,080	68,007	927	1%
	Guildhall Administration				
262	Chamberlain	23,757	23,554	(203)	(1%)
2,728	Executive Director of HR & Chief People Officer	6,786	6,980	194	3%
79	Chief Strategy Officer	1,931	2,011	80	4%
0	City Surveyor	8,396	8,438	42	0%
201	Comptroller and City Solicitors	1,588	2,089	501	32%
(0)	Deputy Town Clerk	4,502	4,502	(0)	(0%)
0	Remembrancer	204	204	0	0%
3,270	Total Guildhall Administration	47,164	47,777	613	1%
7,074	Grand Total (excluding Police)	197,643	203,712	6,069	3%
1,115	Commissioner of Police	122,437	122,437	0	0%
(89)	Police Authority Board	928	849	(79)	(9%)
8,099	Grand Total	321,008	326,998	5,990	2%

Appendix 1 - Central Risk Budgets by Fund

Central Risk Budgets					
As at 30 June 2025	Chief Officer	Full Year Forecast as at 30 September 2025			
Forecast		Budget	Forecast	Variance (Better) / Worse	
£'000		£'000	£'000	£'000	%
	City Fund				
0 Barbican Centre Managing Director		3,330	3,330	0	0%
(10,498) Chamberlain		17,955	8,063	(9,892)	(55%)
0 Comptroller and City Solicitors		509	509	(0)	(0%)
0 Executive Director Corporate Communications & External Affairs		0	0	0	0%
(7,547) City Surveyor		(42,826)	(50,424)	(7,598)	18%
111 Deputy Town Clerk		1,035	1,145	110	11%
1,124 Director of Community and Childrens Services		3,056	3,111	55	2%
0 Executive Director Environment		(6,666)	(6,627)	39	(1%)
0 Executive Director Innovation and Growth		8,959	8,959	1	0%
(16,810) Total City Fund		(14,649)	(31,934)	(17,285)	118%
	City's Estate				
(8,065) Chamberlain		34,548	29,954	(4,594)	(13%)
338 City Surveyor		(60,476)	(60,006)	470	(1%)
(125) Deputy Town Clerk		6,316	6,316	(0)	(0%)
(65) Director of Community and Childrens Services		2,578	2,447	(131)	(5%)
250 Executive Director Corporate Communications & External Affairs		852	1,102	250	
35 Executive Director Environment		(284)	(253)	31	(11%)
(0) Executive Director Innovation and Growth		5,283	5,283	(0)	(0%)
(15) Head of the Boys School		15	15	0	0%
50 Head of City of London Freemens School		(50)	(50)	0	0%
(21) Head of City of London School for Girls		21	21	0	0%
Head City of London Junior School					
(9) Principal Guildhall School of Music and Drama		3,086	3,086	0	0%
350 Remembrancer		2,233	2,188	(45)	(2%)
(7,277) Total City's Estate		(5,878)	(9,897)	(4,019)	68%
	Guildhall Administration				
0 Chamberlain		21,202	21,202	0	0%
2 Chief Strategy Officer		56	56	0	0%
0 Executive Director of HR & Chief People Officer		1,887	2,528	641	34%
391 City Surveyor		4,269	4,599	330	8%
0 Comptroller and City Solicitors		110	110	0	0%
0 Deputy Town Clerk		826	826	0	0%
0 Remembrancer		(204)	(204)	0	0%
393 Total Guildhall Administration		28,146	29,117	971	3%
(23,695) Grand Total		7,620	(12,713)	(20,333)	(3)

Appendix 1 – Forecast by Chief Officer

Full yr forecast as at 30 June 2025	Chief Officer total budget by fund	Full Year Forecast as at 30 September 2025				Movement in
Variance (Better) / Worse £'000	Chief Officer	Budget	Forecast	Variance (Better) / Worse £'000	%	Forecast Variance Better / (Worse) £'000
		£'000	£'000	£'000	%	£'000
	City Fund					
2,163	Barbican Centre Managing Director	23,668	27,366	3,698	16%	1,535
(10,609)	Chamberlain	19,978	10,157	(9,821)	(49%)	788
0	Comptroller and City Solicitors	509	509	0	0%	0
100	Executive Director Corporate Communications & External	2,782	2,882	100	4%	0
(7,465)	City Surveyor	(37,447)	(44,672)	(7,225)	19%	240
111	Deputy Town Clerk	7,460	7,570	110	1%	(1)
1,408	Director of Community and Childrens Services	18,045	18,609	564	3%	(844)
259	Executive Director Environment	18,475	18,092	(383)	(2%)	(642)
201	Executive Director Innovation and Growth	15,281	15,481	201	1%	(0)
(13,833)	Total City Fund (excluding Police)	68,751	55,994	(12,756)	(7%)	1,077
	City's Estate					
(8,103)	Chamberlain	34,669	30,047	(4,622)	(13%)	3,480
376	City Surveyor	(27,695)	(26,945)	750	(3%)	375
620	Deputy Town Clerk	10,167	10,668	501	5%	(119)
(65)	Director of Community and Childrens Services	3,463	3,332	(131)	(4%)	(66)
250	Executive Director Corporate Communications & External	852	1,102	250	29%	(0)
117	Executive Director Environment	12,471	12,461	(10)	(0%)	(127)
(0)	Executive Director Innovation and Growth	5,283	5,283	(0)	(0%)	0
(15)	Head of the Boys School	545	545	0	0%	15
50	Headmaster of City of London Freemens School	(1,300)	(1,300)	0	0%	(50)
(21)	Headmistress of City of London School for Girls	866	866	0	0%	21
0	Head of the Junior School	(344)	(344)	0	0%	0
(9)	Principal Guildhall School of Music and Drama	18,264	18,524	260	1%	269
350	Remembrancer	3,890	3,800	(90)	(2%)	(440)
(6,450)	Total City's Estate	61,131	58,039	(3,092)	(5%)	3,359
	Guildhall Administration					
262	Chamberlain	44,959	44,756	(203)	(0%)	(465)
2,728	Executive Director of HR & Chief People Officer	8,673	9,508	835	10%	(1,893)
81	Chief Strategy Officer	1,987	2,067	80	4%	(1)
391	City Surveyor	12,665	13,037	372	3%	(19)
201	Comptroller and City Solicitors	1,698	2,199	501	29%	300
(0)	Deputy Town Clerk	5,328	5,328	(0)	(0%)	0
0	Remembrancer	0	0	0	0%	0
3,663	Total Guildhall Administration	75,310	76,895	1,585	2%	(2,078)
(16,621)	Grand Total (excluding Police)	205,192	190,928	(14,263)	(7%)	2,358
1,115	Commissioner of Police	122,437	122,437	0	0%	(1,115)
(89)	Police Authority Board	928	849	(79)	(9%)	10
(15,595)	Grand Total	328,557	314,214	(14,343)	(4%)	1,253

Appendix 2 - City Fund Capital Breakdown by Service

CAPITAL PROGRAMME - CITY FUND	2025/26 Budget	2025/26 Actuals	2025/26 Forecast Q2	Forecast Variance	Future Years Budget	Future Years Forecast	Forecast vs Budget in Future Years	Total Budget vs Total Forecast
CAPITAL & SRP - BAU	£m	£m	£m	£m	£m	£m	£m	£m
Barbican Centre	12.1	0.7	1.7	(10.4)	5.6	16.0	10.4	0.0
Chamberlains & Chief Financial Officer	22.4	0.3	15.3	(7.1)	37.5	44.0	6.5	(0.6)
City Surveyor & Property Community & Children's Services (Non HRA)	7.2	1.4	7.3	0.0	76.9	77.1	0.2	0.2
Community Services - HRA	15.8	1.2	2.0	(13.9)	13.2	60.0	46.8	32.9
Community Services - HRA	44.5	18.4	48.6	4.1	52.9	148.8	95.9	100.0
City of London Police	9.3	4.8	16.7	7.4	15.0	7.6	(7.4)	0.0
Environment	44.6	3.9	35.5	(9.1)	87.1	96.2	9.1	0.1
Sub-Total	155.9	30.6	127.1	(28.8)	288.3	449.7	161.5	132.6
CAPITAL & SRP - MAJOR PROJECTS								
Museum of London	92.8	30.3	69.3	(23.5)	11.3	34.8	23.4	(0.1)
- Bastion House	5.0	0.1	1.0	(4.0)	0.0	4.8	4.8	0.8
Salisbury Square Development	263.1	69.9	216.0	(47.1)	127.0	176.3	49.3	2.2
Future Police Accommodation	40.9	7.0	25.8	(15.1)	87.4	70.3	(17.0)	(32.2)
Barbican Renewal	44.4	6.1	33.1	(11.3)	253.9	209.4	(44.5)	(55.8)
Sub-Total	446.1	113.4	345.2	(100.9)	480	495.6	15.9	(85.0)
TOTAL CAPITAL PROGRAMME	602.0	144.0	472.3	(129.8)	768.0	945.3	177.4	47.6

Appendix 3 - City Estate Capital Breakdown by Service

CAPITAL PROGRAMME - CITY'S ESTATE	2025/26 Budget	2025/26 Actuals	2025/26 Forecast Q2	Forecast Variance	Future Years Budget	Future Years Forecast	Forecast vs Budget in Future Years	Total Budget vs Total Forecast
CAPITAL & SRP - BAU	£m	£m	£m	£m	£m	£m	£m	£m
Chamberlains & Chief Financial Officer	9.8	4.2	10.2	0.4	66.5	66.5	0.0	0.5
City of London Freeman's School	-	0.7	1.1	1.1	1.3	-	-	(0.2)
City of London School	2.6	2.1	2.6	0.0	2.1	2.1	0.0	0.0
City of London School For Girls	0.9	1.1	1.3	0.4	1.3	1.3	0.0	0.4
City Surveyor & Property	27.6	2.0	7.5	(20.1)	39.6	59.4	20	(0.2)
Community & Children's Services (Non HRA)	-	-	0.0	-	0.0	-	-	0.0
Environment	2.4	0.8	3.0	0.5	2.7	0.4	(2.4)	(1.8)
Principal GSMD	2.1	0.4	3.5	1.4	2.4	1.4	(1.02)	0
Sub-Total	45.5	11.2	29.2	(16.3)	115.8	131.1	16.6	(1.0)
CAPITAL & SRP - MAJOR PROJECTS								
Museum of London	17.5	8.4	22.9	5.4	0.0	2.0	2.0	7.4
City Fund (Combined Courts)	105.2	0.0	86.4	(18.8)	50.9	69.7	18.8	0.0
Sub-Total	122.7	8.4	109.3	(13.4)	50.9	71.7	21	7.4
TOTAL CAPITAL PROGRAMME	168.2	19.6	138.5	(29.7)	166.7	202.8	37.4	6.4

Appendix 4 – Detailed information by Fund

City Fund – Detailed appendix

Chart 1 compares the local risk outturn forecast to the budget for each Chief Officer.

1. Significant variances on Chief Officer Cash Limited budget are;
 - a) Barbican Centre (adverse variance of £3.7m - an increase of £1.5m from Q1) The main contributing factor is under performance against in-year targets and carried-forward deficits, totalling £2m. Trading income is down by £0.8m, though this represents a significant improvement following the successful delivery of 3% savings targets across the organisation (£1.2m). The remaining shortfall is due to one-off building costs and delays in implementing planned savings due to delivery challenges. The Finance team and the Barbican centres Management team are working closely together to minimise this pressure.
 - b) Executive Director of Community & Children's Services (adverse variance of £0.5m – an increase of £0.3m since Q1) – Pressure reflects a mix of raising costs for client care packages not known when setting the budget and new clients since budget was set, along with additional spending on temporary staff to support service delivery. Efforts will be made, where possible, to review the appropriate level of existing packages, reduce reliance on temporary staff and explore the potential to offset some of these costs against available grants before the end of the financial year.
2. Significant variances on central risk budgets are
 - a) City Surveyor (£7.5m underspent, no change from Q1) The rental income is forecast to exceed budget by £8.1m as per paragraph 25. This is primarily due to the disposal of Worship Street Estate which has been postponed until March 2027, resulting in additional income in 2025/26 and 2026/27. As well as income from 69 Mansell Court, where the disposal has completed but the City has retained the rental income until the expiry of the sole occupier's lease in September 2025, resulting in additional income of £0.7m in 25/26. This income has been partly offset by an increased in rates.
 - b) Chamberlain (£9.9m underspend, decrease of £0.6m from Q1) This is due to additional interest receivable on money market funds of £13m as per paragraph 25 offset by a savings target of £2m which has not yet been identified. This savings target is a crosscutting initiative that spans all departments, encompassing business events and income generation activities.

City Fund Capital

3. At the end of Q2, the City Fund is forecasting spend of £472.3m which represents an in year budget slippage of £129.8m. Overall there is a £47.6m projected overspend across the lifetime of the programme. Of this, £100m is

for the HRA major works, the figures are part of a separate report to the November Finance Committee and £30m for non-HRA unfunded items primarily for the Barbican podium, this is offset by £87m contingencies on the Major Projects that are yet to be utilised.

CITY FUND	2025/26 Budget	2025/26 Actuals	2025/26 Forecast Q2	Forecast Variance	Future Years Budget	Future Years Forecast	Forecast vs Budget in Future Years	Total Budget vs Total Forecast
	£m	£m	£m	£m	£m	£m	£m	£m
BAU	155.9	30.6	127.1	(28.8)	288.3	449.7	161.5	132.6
Major Projects	446.1	113.4	345.2	(100.9)	479.7	495.6	15.9	(85.0)
Total	602.1	144.0	472.3	(129.8)	768.0	945.3	177	47.6

4. Appendix 2 shows the forecast expenditure for City Fund Capital and Supplementary Revenue Projects (SRP), split between Business as Usual (BAU) and Major Projects. The forecast for the year is £472.3m for the year, comprising £127.1m BAU projects and £345.2m across the City Fund Major Projects.
5. The HRA projects are showing a projected underspend of £2.5m for 25/26 and overall overspend of £100m. This is due to additional major refurb requirements that were yet to have funding approved at Q2
6. The overall forecast spend on the Children's and Community Services (Non-HRA) is a £32.9m overspend, this is due to the Barbican podium works not having sufficient funding. This shortfall will need to be addressed prior to the project commencing to Gateway five. The Town Clerks Priorities Board have requested a deep dive into the costs, plus a review of existing programmes to support prioritisation – currently underway. There is also additional overspend on Barbican Estate fire doors that currently do not have sufficient budget in the Medium-Term Financial Plan. The in-year underspend of £4.9m is due to slippage of projects that will be phased into future years.
7. Chamberlain's have a projected slippage in year of £7.1m this is due to the 25/26 contingency not currently being planned to be used in the current financial year but will be used for future financial years.
8. The £10.4m underspend is due to the Barbican Centre fire safety works being coordinated with the Barbican Renewal Programme, therefore has led to slippage and phasing of the programme.

Major Projects

9. More information on Major Projects is contained within the separate paper to this committee. Overall, there are two main variances – an underspend against

SSD/FPEP of c£30m in respect of the optimism bias that was added to the budget, and an underspend of £57m due to the contingency budget that is held for the Barbican. The Barbican contingency is centrally retained, therefore not reported as a variance against the project within the separate Major Projects dashboard.

10. **Museum of London** – Overall, the programme is on budget, though there is a risk that the Corporation will need to jointly-underwrite alongside the GLA or forward-fund some expenditure should anticipated fundraising fail to materialise to the quantum or timings forecast. The forward funding is likely to occur during 2026/27. The total project forecast excludes the Museum's own financing element (£120m).
11. **Salisbury Square Development (SSD) / Future Police Estate Programme (FPEP)** — has a combined forecast of c£750m against a revised funding envelope of £780m; the underspend being due to the optimism bias. Though there remains risks against this, i.e. potential cost increases across FPEP projects that are still in their preliminary stages; a delay claim is currently being negotiated with the main SSD contractor; and an assumed contribution for the tactical firearms training facility (TFTF) is still to be agreed.
12. **Barbican Renewal** – The new programme includes £230.6m of core project budget, plus £57m of centrally held contingency. The £230.6m core budget is also partially funded by a fundraising target of £40m, leaving a net budget of £190.6m. Critical infrastructure works are currently being undertaken, but the main renewal programme is currently at RIBA stage three (design), and the main works will commence in 2027. As the Barbican has now been confirmed as a High-Risk Building (HRB) under the Building Safety Act (being at least seven storeys and containing at least two residential units), a different planning route is required than first anticipated. This will impact the early stages of delivery but is unlikely to impact the five-year plan.

City's Estate – Detailed narrative

13. Significant variances on Local risk budgets are:

- a. Deputy Town Clerk: (£0.5m overspent – Reduction of £0.2m since Q1) relates primarily to staff costs as requirements have increased over the years in relation to security and operational staff supporting the Mayoralty and operation of the Mansion House. This has been addressed as part of the Zero Based Review going forward. The Mansion House is continuing to develop commercial income to offset its operational costs. A budget review for Mansion House and mayoralty budgets was completed for 25/26, approved by GP Alderman Committee, and will be funded from 24/25 carry forwards and reflected in the third quarter budget update.

14. Significant variances on Central risk budgets are:

- a. Chamberlain: (£4.6m underspent – decrease of £3.4m since Q1.) is due to increased dividend income which includes an estimate of income from the new fixed interest gilts, index-linked gilts and corporate bonds allocation, and invest & private equity income distributions.
 - b. City Surveyor (£0.5m overspend- increase of £0.2m since Q1) – which is due in the main to reduced rental income from our investment properties as shown in table 4 below. This reflects the current market conditions as well as a number of property disposal to support the City's Major Projects. The surveyor is currently working on the latest rental income forecast and an updater provided for Q3.
15. Whilst additional funding has been provided to The Guildhall School of Music & Drama to support the current years pressures, a significant amount of activity continues to be undertaken to address these pressures further. The school remains near balanced however the reason for the projected overspend is due to staffing costs in relation to the release of 6 months of the vacancy factor, which has not been achieved yet. To fulfil our service provision obligation, vacancies in teaching staff are offset against temporary/freelance staff to ensure teaching continues. The school is currently prolonging vacancies in non-teaching staff wherever operationally possible and at the same time is reviewing its professors' costs in line with student numbers and will look for any savings based on the latest enrolment figures for 25/26 as well as reviewing various initiatives to address the structural deficit which will be reported through the relevant committees in due course.
16. As well as the in-year initiatives the school is currently working on its long-term financial plan for sustainability. There has been significant progress on this, for example a substantial increase to unregulated fees from 26/27 academic year, review of our home versus overseas student ratio, commercial business plans. Further detailed updates are to be provided at the school's STAR Chamber with the Town Clerk and Efficiency and Performance Working Party.

City's Estate Capital

17. City's Estate is forecasting an in-year slippage of £16.3m on the BAU and £18.8 slippage on the city estate grant for Salisbury Square, this offset by a £5m overspend on Museum of London Works

Chart 7: City's Estate capital forecast

CITY ESTATE	2025/26 Budget	2025/26 Actuals	2025/26 Forecast Q2	Forecast Variance	Future Years Budget	Future Years Forecast	Forecast vs Budget in Future Years	Total Budget vs Total Forecast
	£m	£m	£m	£m	£m	£m	£m	£m
BAU	45.5	11.2	29.2	(16.3)	115.8	131.1	17	(1.0)
Major Projects	122.7	8.4	109.3	(13.4)	50.9	71.7	20.8	7.4
Total	168.2	19.6	138.5	(29.7)	166.7	202.8	37	6.4

- i. Appendix 2 shows the breakdown of the forecast for City Estate, with £125.2m projected on major projects and a further £29.2m on BAU Capital and SRP.
- ii. The primary in year slippage is £16.3m is in the surveyors area for BAU DSP programme, from the MTFP figures, this includes a range of energy performance upgrades on various properties.
- iii. **Major Projects**
 - **Museum of London Landlord works** - the works are now nearing completion, with the forecast spend representing the remaining drawdown from the museum plus ongoing highways works. The forecast for 2025/26 is £22.9m against the MTFP estimate of £17.5m.
 - **Contribution to Salisbury Square Development (SSD)** – City Estate is making a 40% funding contribution towards the cost of SSD, which for 2025/26 equates to a forecast of £86.4m. This represents reduction of £18.4 against the MTFP, due to a slippage on the programme.

Guildhall Administration – Detailed Information

18. Significant variances on Local risk budgets are:

- a) Comptroller and City Solicitor (£0.5m overspent – Increase of £0.3m since Q1) – this pressure is caused by agency staff covering vacancies. The department is working on recruitment for permanent staff to reduce these costs in 25/26 whilst operating in a tight labour market.

19. Significant variances on central risk budgets are:

- a. Executive Director of HR and Chief People Officer (£0.6m overspent – increase of £0.6m since Q1) – largely due to increased staffing costs as vacancies are being filled by temporary staff.

All other Chief Officer variances are minor.

Additional Revenue information

20. Contingency budgets (including central provisions, Finance and P&R) are currently holding budgets of £28.2m (£10.5m City Fund and £17.7m City's Estate) however it is anticipated that the majority of the contingency balance will be drawn down and utilised throughout the year. Any remaining funds at the end of the year will be transferred to reserves and is therefore showing a nil variance.

21. Corporate Income Budgets are forecast to be better than budget by £20.2m and are summarised in the table below.

Table 4: Major income budgets

	Budget	Forecast	Forecast Variance	
	£'000	£'000	(Better) / Worse	%
			£'000	
<u>Property Investment Income</u>				
City Fund	(32,882)	(41,163)	(8,281)	(25%)
City's Estate*	(60,206)	(59,825)	381	1%
Total Property Investment Income	(93,088)	(100,988)	(7,900)	(8%)
<u>Interest on Cash Balances</u>				
City Fund	(22,603)	(35,668)	(13,065)	(58%)
City's Estate*	(2,050)	(1,085)	965	47%
Total Interest on Cash Balances	(24,653)	(36,753)	(12,100)	(49%)
Grand Total	(111,741)	(137,741)	(20,000)	17%

*Recommendation all surplus income under City's Estates is ringfenced to repay back the private placement loan.

- i. Property Investment Income is forecast to be £41.2m on City Fund and £59.8m on City Estate which reflects the June 2025 rental estimates.
- ii. The higher income forecast under City Fund is primarily due to the disposal of Worship Street Estate which has been postponed until March 2027, resulting in additional income in 2025/26 and 2026/27. As well as income from 69 Mansell Court, where the disposal has completed but the City has retained the rental income until the expiry of the sole occupier's lease in September 2025, resulting in additional income of £0.7m in 25/26.
- iii. Rental income on City Estates is slightly under budget (£0.4m) and reflects the June 2025 forecast. The department are currently reviewing these and the September 2025 forecast will be reported in Q3 report.
- iv. Income from interest on average cash Income from interest on average cash balances is currently forecast to exceed budget by £13m for City

Fund. This is principally due to changes in the level of average cash balances held, and hence available for investment, and upon which interest is applied, compared to that anticipated when the budget was set in November 2024. This is largely as a result of the re-phasing of capital and major project expenditure, and the timing of receipts from the planned property disposals.

- v. For City's estate the income is forecast to be approx. £1m short of the target due to the changes in average level of cash balances held.

Cyclical Works Programme (CWP)

22. The Cyclical Works Programme (CWP) is a critical component of the City's approach to maintaining the operational property portfolio, focusing on essential health and safety repairs and cyclical maintenance. Historically, CWP expenditure has been treated as revenue due to its similarity to routine repairs and maintenance. However, where programmes exceed materiality thresholds, they may be capitalised. In recognition of the growing backlog and the need for urgent remedial works, the Resource Allocation Sub-Committee and Finance Committee approved a significant funding package in 2024/25. A total of £133.7m has been allocated over a five-year period to address immediate and high-priority repairs across the operational estate. After this 5-year period, a further £15m pa has been agreed by Court of Common Council (£7.5m each for City Fund and City's Estate).

Table 5: CWP Quarter 2

	Budget £'000	Actual & Commitments £'000	Percent Spent %
City Fund	13,026	8,602	66
City's Estate	12,160	7,216	59
Guildhall Admin	5,586	2,255	40
Grand Total	30,772	17,983	

Capital – observations on risks

23. For the Major Projects there is joint underwriting (alongside GLA) of up to £50m should the Museum not achieve their fundraising target or be unable to generate sufficient funds to repay their loan from the GLA. There is also a forward funding risk that is likely to occur in May 2026, and be cleared by 2029, though the timing and amount still depends on several factors. A loan is to be agreed with the museum in line with PWLB rate.

24. The Court of Common Council on 26 November 24, ratified a decision to end the City Corporation's interest in co-locating the wholesale food markets of Smithfield and Billingsgate to a new site at Dagenham Dock. Instead, a new agreement has been reached with market traders that would see them receive

financial support to relocate to new premises. The City Corporation is already actively supporting Traders to identify suitable new sites to ensure that they can continue their essential role in London's food supply chain and is in close dialogue with them and other wholesale markets about this already.

25. There is additional capital expenditure on the HRA which was not factored into the Medium-term financial plan and additional funding sources have been identified and presented to this committee.