

Committee(s): Finance Committee – For Decision	Dated: 17/02/2026
Subject: Budget Monitoring Quarter 3 2025/26	Public report: For Decision
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 3 (December). 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 – Q3

	City Fund £'000	City's Estate £'000	Guildhall Administration £'000	Total £'000
Local Risk	2,589	676	(714)	2,550
Central Risk	(23,339)	(1,273)	(2,437)	(27,050)
Total Q3	(20,751)	(598)	(3,151)	(24,499)
Total Q2	(12,835)	(3,092)	1,585	(14,343)
Total Q1	(12,808)	(6,450)	3,663	(15,595)
(better)/worse from Q2	(7,916)	2,494	(4,736)	(10,156)

It should be noted that although all funds are forecasting a surplus, the Local risk (Chief Officer cash limited budgets) are forecasting an overspend across City Fund and City's Estate. 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 and these are addressed in the main report. Explanations for large variances are included in this report.

Recommendation (s)

Members are asked to:

- Note the report
- Approve the extension of limiting recharges to the HRA (reduction of £281k) for 2025/26 through an allocation from City Fund Finance Committee Contingency (para 5). If agreed the remaining balance on City Fund Finance contingency available for allocation this year will be £610k
- Approve that the potential deficit on West Ham park caused by costs responding to anti-social behaviour is met through an allocation from City Estate's Finance Committee Contingency. (appendix para 17).
- Approve that the legal costs incurred by The Executive Director of Environmental Services are met through an allocation from City's Estate Finance Committee Contingency (appendix para 18). If this and the item above are agreed, the remaining balance on City's Estate Contingency available for allocation this year will be £622k

Main report – City Fund Dashboard

Revenue

1. At the end of quarter 3, the 2025/26 forecast revenue outturn is an underspend of £20.7m against budget, £2.6m overspend on Local risk and an underspend of £23.3m on central risk. The underspend is largely due to an increased forecast of interest earned on cash balances which is shown in para 21 (appendix 4). Unallocated contingencies, currently amounting to £10.2m will be transferred to reserves at year end and are therefore showing a nil variance in the forecast.
2. Significant variances in the Barbican (overspend of £1.1m), City Surveyor (underspend of £7.0m), Executive Director of Environment (underspend of £1.2m) and Children Services (overspend of £0.9m) are explained in more detail in appendix 4. This appendix also outlines the measures being implemented to mitigate and address the overspends.
3. Within City Fund, the Housing Revenue Account (HRA) is currently forecasting an overspend on revenue amounting to £0.4m, which is an increase of £0.3m since Q2. As the HRA is a ringfenced fund with strict limitations on the level of support that can be provided from City Fund, this presents a significant issue. The HRA has a statutory requirement to be balanced each year, and current reserve levels are insufficient to cover the full overspend which will result in the HRA breaching its statutory obligations if the deficit is not reduced to nil. This increase has arisen due to the higher than forecast run-rate on R&M responsive repairs partly as a result of compliance pressures, the potential capitalisation of previously identified costs proving to be actually of a revenue nature, further

slippage on timing of revenue generating new build flats being occupied and higher than expected temporary staff costs.

4. The HRA pressure arose partly due to loss of income as a result of delays to COLPAI/Black Raven Court and Sydenham habitation (£0.7m in year). There are also significant pressures on the repairs and maintenance budget due to higher repair volumes to meet new regulatory compliance requirements with the introduction of AWAAB's law, requirement to introduce annual survey programmes, additional contract costs. In particular an urgent health and safety related £0.9m electrical works contract had to be mobilised in the year following on from the review by the housing regulator.
5. In response, the Housing team will pause this year any non-urgent R&M projects and temporary staffing with a further review of capitalisation of costs including staffing costs. This is expected to substantially reduce the overspend. With regards to the depreciation charge and corporate recharges they are also being urgently reviewed with advice from CIPFA. As part of the Corporate recharge review in 2024/25 Members agreed to limit the recharge to HRA for one year to mitigate the impact. It is therefore recommended that this is extended a further year to cover the 2025/26 financial year amounting to £281k. If agreed this will be allocated from City Fund Finance Committee Contingency leaving an amount of £610k to be used for the remainder of 2025/26.
6. Continued ongoing urgent action is needed to ensure that statutory duties are not breached and therefore regular (weekly) meetings are being had to review the position.
7. At the end of October, the Barbican Centre were informed that a settlement had been reached with the Valuation Office Agency (VOA) regarding a challenge on their business rates. This has resulted in a refund of £3.2m (under central risk), which has reduced their overall forecast overspend to £1.1m. (£3.2m overspent on local risk offset by an underspend of £2.1m on central risk) Whilst the refund is on central risk, the Chamberlain and Chairman and Deputy Chairman of Finance Committee are sympathetic to allowing this to be offset against the overspend on Local risk.

Chart 1 – City Fund local risk forecast Q3

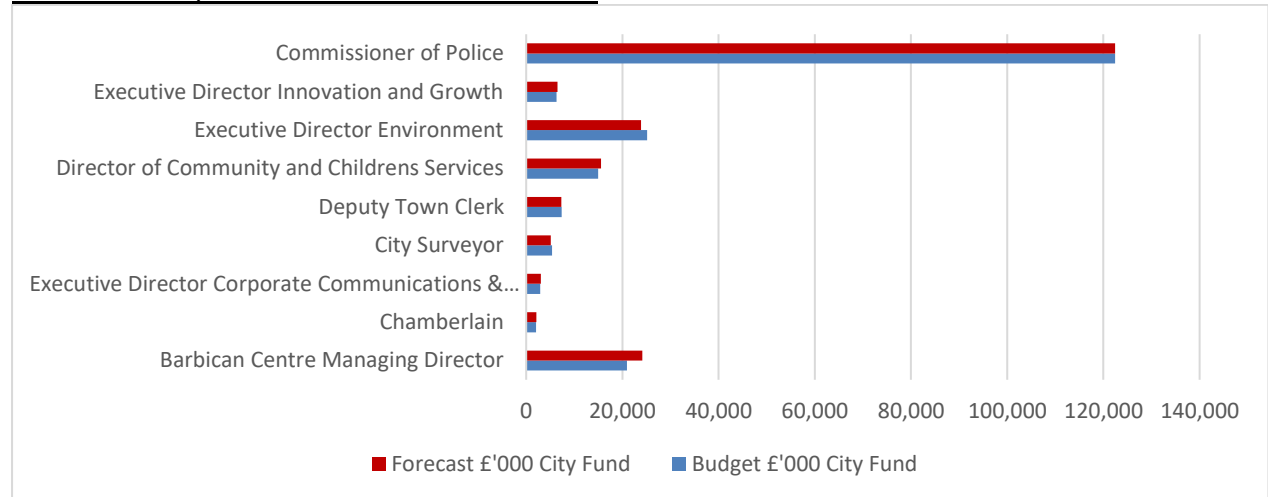
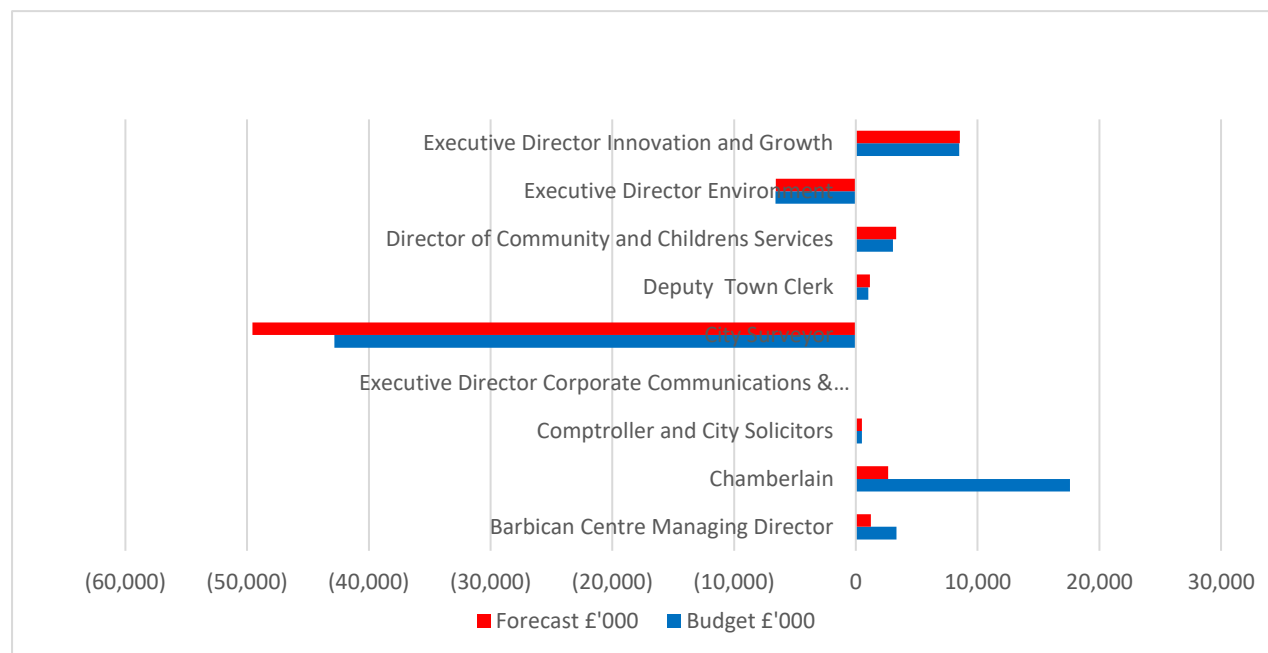


Chart 2 – City Fund central risk forecast Q3



Savings – City Fund

8. The total in year savings target for City Fund amount to £9.2m. Of this amount £5.4m are on track or have already been delivered, which is the same as at Q2.
9. 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. The cross-cutting savings relate to income generation opportunities. The progress of these is being reviewed by the Efficiency and Performance working group.

10. Whilst these specific savings may not be delivered, offsetting mitigations have been identified, in the form of the Barbican rates rebate mentioned elsewhere within the report.

Chart 3 – City Fund savings forecast Q3 (£9.2m total)

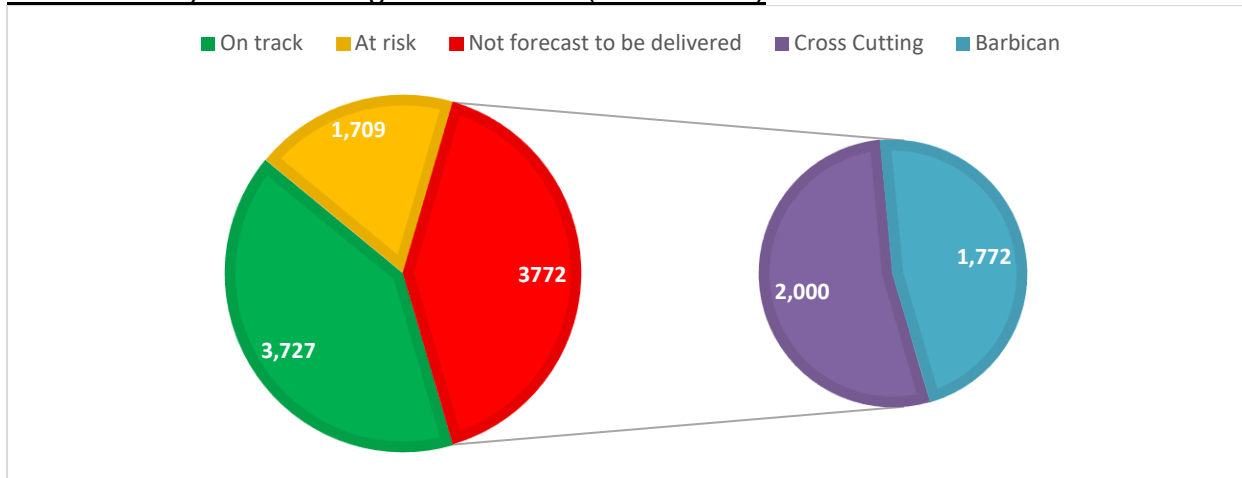
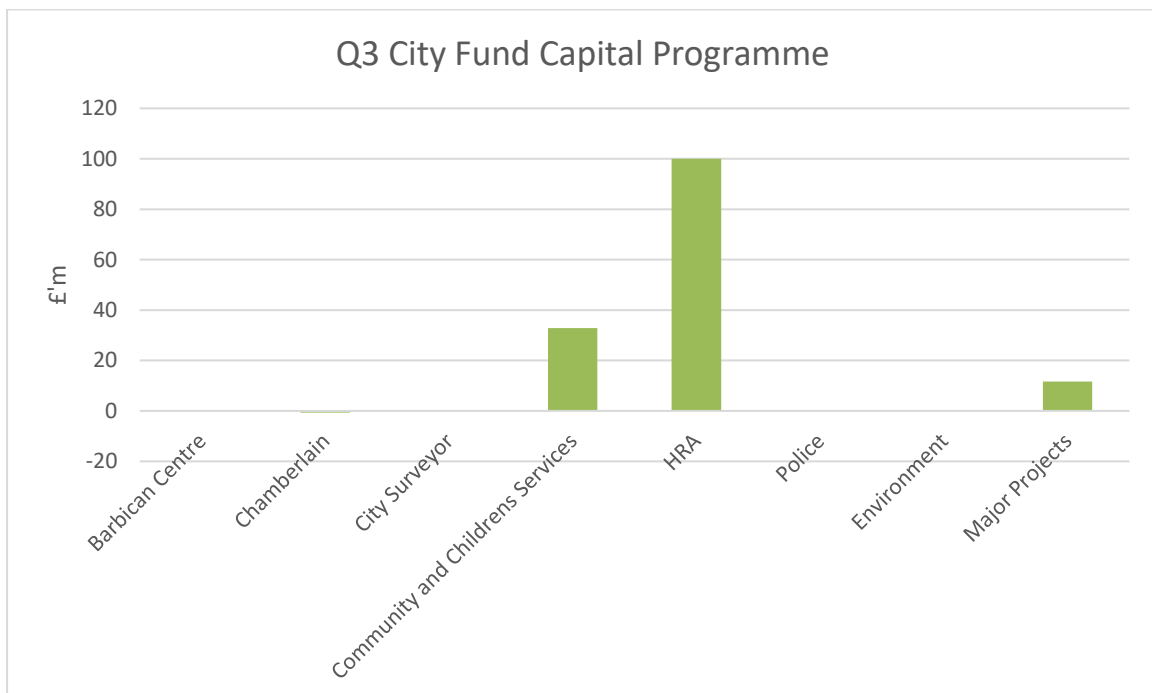


Chart 4 - City Fund Capital forecast project variance

11. 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.
- Barbican Centre have reduced their overall predicted deficit from £3.7m as reported in Q2 to £1.1m as a result of a successful challenge on rates
- The HRA revenue position is showing an overspend of £0.4m which has increased by £0.1m since Q2

- 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

12. At the end of quarter 3, the 2025/26 forecast revenue outturn is an underspend of £0.6m of which £1.3m relates to central risk offset by an overspend of £0.7m on Local risk. (A decrease of £2.5m since Q2). This overall variance is due in the main to increased dividend income which is partly offset by a reduction in interest on cash balances as per para 14 and investment property income as per para 21. Unallocated contingencies currently amount to £11.9m 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 Q3

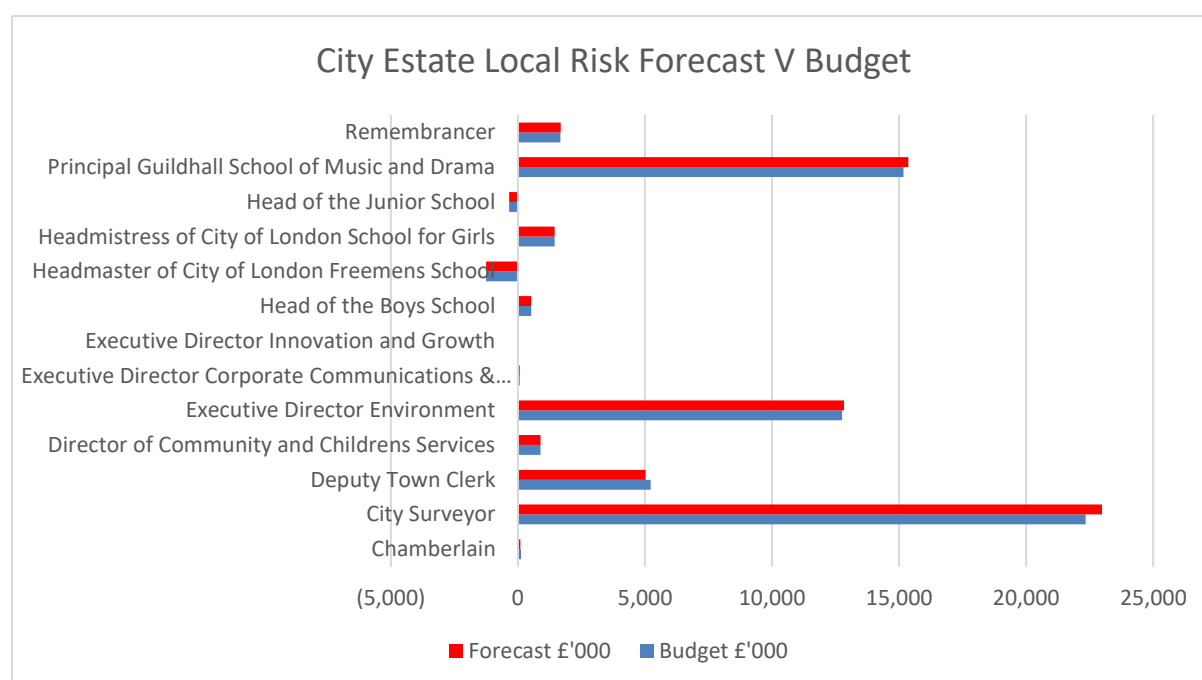
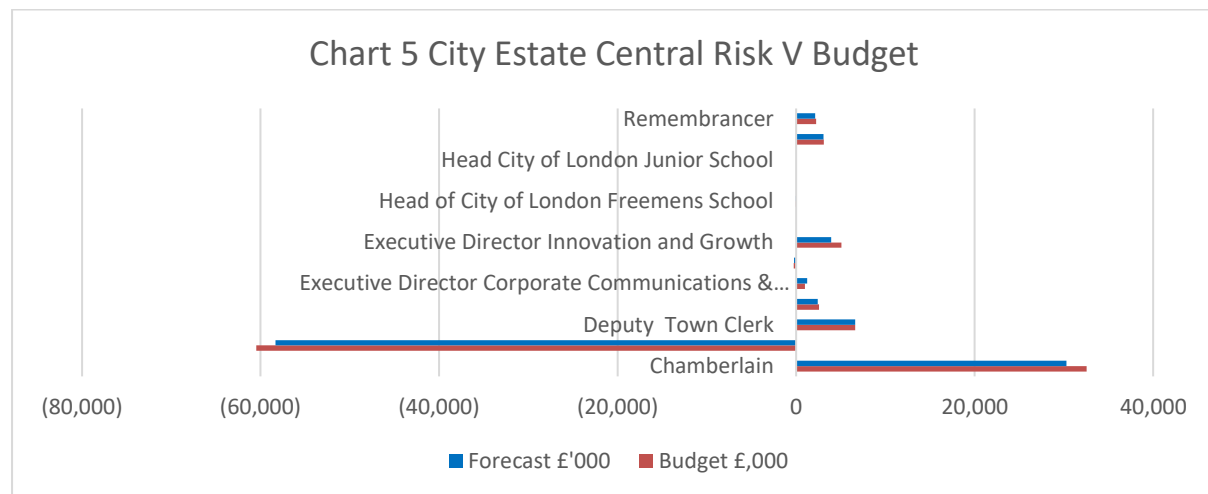


Chart 6 – City's Estate central risk forecast Q3



City's Estate Savings

13. 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. Since Q2, a net £0.3m has been moved from green to amber rating under the City Surveyor relating to vacancy factor. The Deputy Town Clerk has also realised his saving of £0.1m in relation to the redistribution of non-staffing budgets.
14. There are two savings that have a very high risk of non-delivery amounting to £0.8m. £0.2m of this relates 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. £0.6m relates to vacancy factor at the GSMD which is unlikely to be achieved this year.
15. Whilst these specific savings may not be delivered, offsetting mitigations are being identified.

Chart 7 – City’s Estate savings forecast Q3 (£4.9m total)

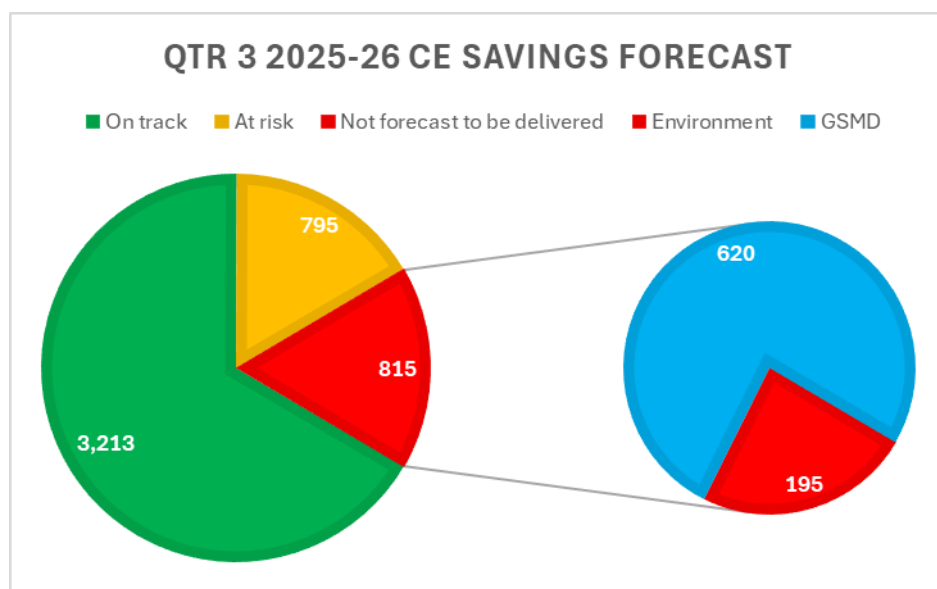
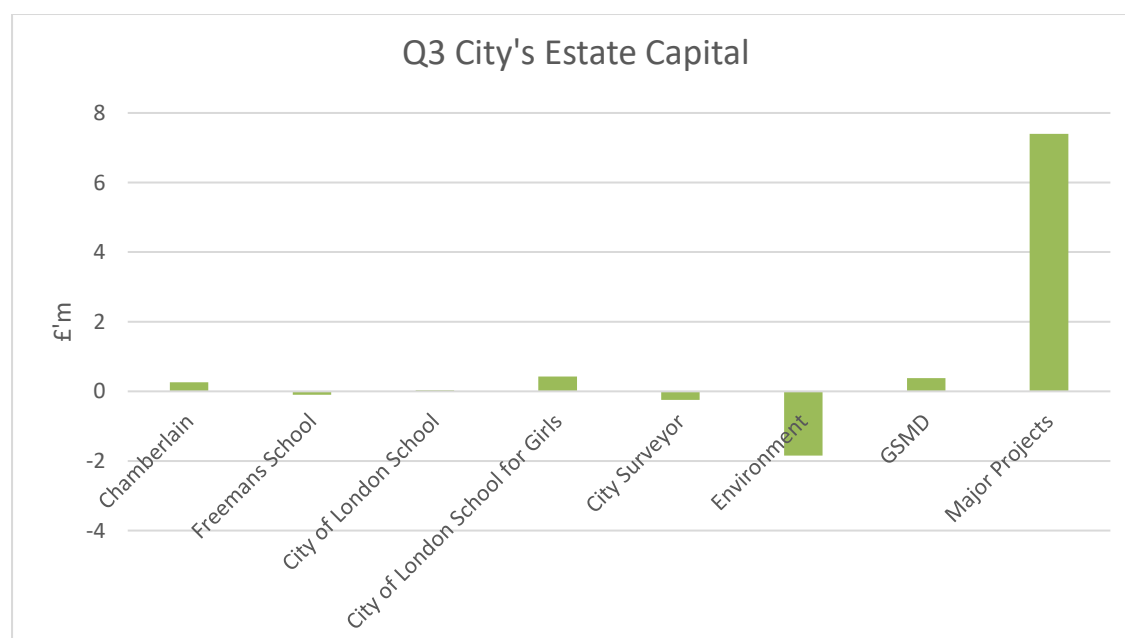


Chart 8 – City’s Estate Capital

16. The adverse variance forecast on the Museum of London project relates to the optimism bias provision, which was not included within the original MTFP budget.



Key points – City’s Estate

- Local risk overspends continue to be supported by additional central income
- Savings of £0.8m unlikely to be achieved this year

Main report – Guildhall Admin Dashboard

Revenue

17. Guildhall Administration budgets are central costs which are recharged to the relevant funds (inc. City Bridge Foundation), these budgets are currently forecasting an underspend of £3.2m which is £2.4m on Central risk and £0.8m on Local Risk. This is an improvement of £4.8m since Q2 where a predicted overspend of £1.6m was reported mainly due a rates rebate

Chart 9 – Guildhall Admin local risk forecast Q3

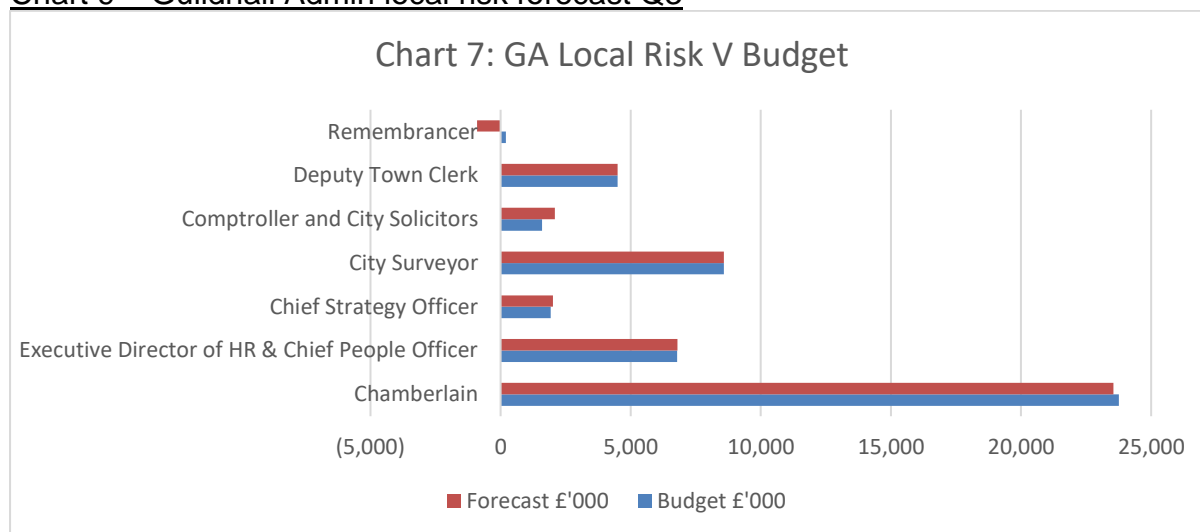
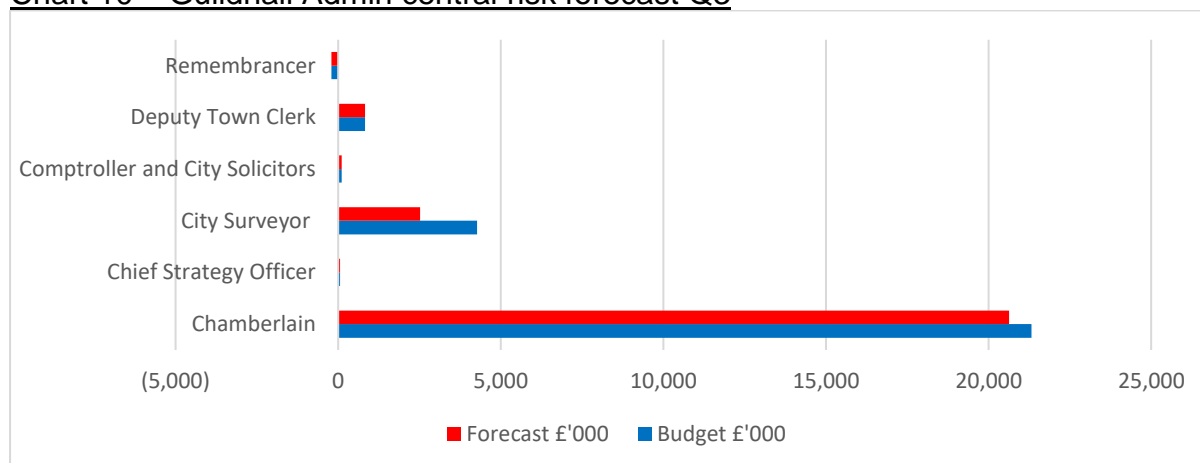


Chart 10 – Guildhall Admin central risk forecast Q3

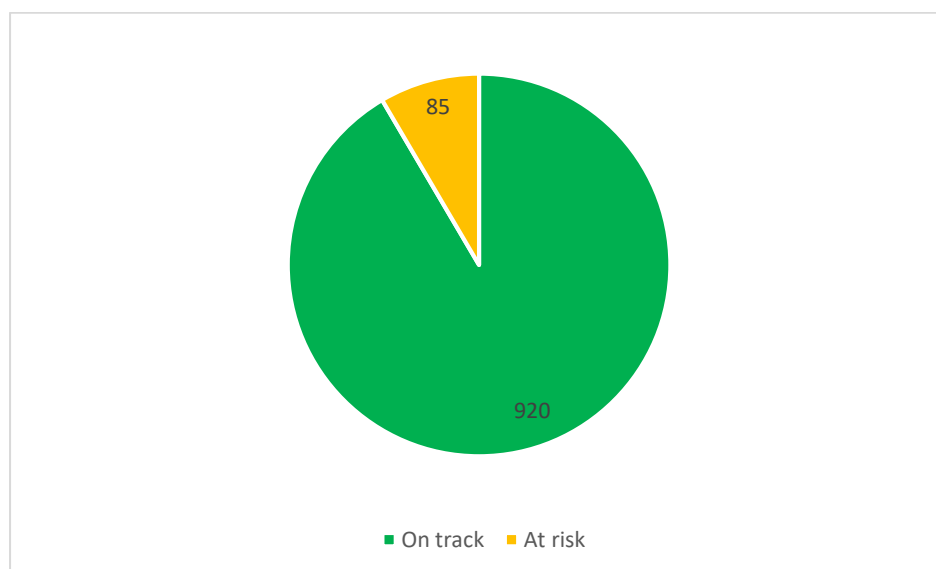


Guildhall Admin – savings

18. The 2025/26 budget includes savings targets of £1m across Guildhall Administration services. Of this amount, £920k is expected to be found during the year which equates to 92% of the overall target with the remaining 8%

showing as amber rated and expected to be achieved before the end of the year.

Chart 11 – Guildhall Admin savings forecast Q3 (£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

19. At the end of Quarter 3 2025/26 the revenue forecast position for City Fund is an underspend of £20.8m which comprises a favourable variance on central risk of £23.3m offset by an adverse variance of £2.6m on Chief Officer Cash Limited Budgets. City's Estate is in a similar position showing an overall revenue forecast of £0.6m underspend which is largely on central risk - £1.2m offset by a smaller overspend on Local risk of £0.7m. Guildhall Admin is showing a total forecast of £3.2m underspend which is £2.5m on central risk

and £0.7m on Local risk. Reasons for large variances and details of mitigations are set out in appendix 4.

20. It should be noted that although the overall position per fund is forecasting a surplus, the Local risk (Chief Officer cash limited budgets) on City Fund and City's Estate are forecasting an overspend across a number of departments/service areas/Institutions. This position has remained consistent across a number of financial years although the overspend has decreased throughout the year due to mitigating actions being taken.
21. 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.
22. It should be further noted that central contingencies are currently underspent by £22.1m (£11.9m City's Estate and £10.2m City Fund), however this will be transferred to reserves at the end of the year and therefore showing as nil variance in the monitoring.
23. City Fund capital is forecasting an in-year slippage of £149.5m and an in-year City's Estate of £10.4m, the City Estate major projects are showing an overspend of £5.4m. Over the life of the projects the forecast is an overspend of £144.5m for City Fund, this is due to HRA expenditure of £100m, that has not been factored into the last Medium-Term Financial Plan but will be dealt with in the upcoming version. On City Estate the projects over their lifetime are coming in approximately to budget.

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

Q2		Full Year Forecast as at 31 Dec 2025			
Variance (Better) / worse	Chief Officer	Budget	Forecast	Variance (Better) / Worse	
£'000		£'000	£'000	£'000	%
	City Fund				
3,698	Barbican Centre Managing Director	20,974	24,174	3,200	15%
71	Chamberlain	2,023	2,094	71	4%
100	Executive Director Corporate Communications & External	2,932	3,032	100	3%
373	City Surveyor	5,379	5,092	(287)	(5%)
0	Deputy Town Clerk	6,476	6,476	0	0%
509	Director of Community and Childrens Services	14,989	15,590	601	4%
(422)	Executive Director Environment	25,141	23,907	(1,234)	(5%)
200	Executive Director Innovation and Growth	6,322	6,523	201	3%
4,529	Total City Fund (excluding Police)	84,236	86,888	2,652	19%
	City's Estate				
(29)	Chamberlain	121	93	(28)	(23%)
281	City Surveyor	22,348	22,981	633	3%
501	Deputy Town Clerk	5,229	5,024	(205)	(4%)
0	Director of Community and Childrens Services	885	885	0	0%
(41)	Executive Director Environment	12,755	12,830	75	1%
0	Executive Director Corporate Communications & External	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	1,443	1,443	0	0%
0	Head of the Junior School	(344)	(344)	0	0%
260	Principal Guildhall School of Music and Drama	15,178	15,360	182	1%
(45)	Remembrancer	1,669	1,687	18	1%
927	Total City's Estate	58,635	59,311	676	1%
	Guildhall Administration				
(203)	Chamberlain	23,757	23,554	(203)	(1%)
194	Executive Director of HR & Chief People Officer	6,786	6,792	6	0%
80	Chief Strategy Officer	1,931	2,011	80	4%
42	City Surveyor	8,576	8,582	6	0%
501	Comptroller and City Solicitors	1,588	2,089	501	32%
(0)	Deputy Town Clerk	4,502	4,502	(0)	(0%)
0	Remembrancer	204	(900)	(1,104)	(541%)
613	Total Guildhall Administration	47,344	46,630	(714)	(2%)
6,069	Grand Total (excluding Police)	190,215	192,829	2,614	1%
0	Commissioner of Police	122,437	122,437	0	0%
(79)	Police Authority Board	928	864	(64)	(7%)
5,990	Grand Total	313,580	316,130	2,550	1%

Appendix 1 - Central Risk Budgets by Fund

Central Risk Budgets					
As at 30 Sept 2025	Chief Officer	Full Year Forecast as at 31 December 2025			
Forecast		Budget	Forecast	Variance	
(Better) / Worse £'000				(Better) / Worse £'000	%
	City Fund				
0 Barbican Centre Managing Director		3,330	1,230	(2,100)	(63%)
(9,892) Chamberlain		17,600	2,650	(14,950)	(85%)
(0) Comptroller and City Solicitors		509	509	0	0%
0 Executive Director Corporate Communications & External Affairs		0	0	0	0%
(7,598) City Surveyor		(42,826)	(49,564)	(6,738)	16%
110 Deputy Town Clerk		1,035	1,145	110	11%
55 Director of Community and Childrens Services		3,056	3,326	270	9%
39 Executive Director Environment		(6,596)	(6,565)	31	(0%)
1 Executive Director Innovation and Growth		8,499	8,536	38	0%
(17,285) Total City Fund		(15,394)	(38,733)	(23,339)	152%
	City's Estate				
(4,594) Chamberlain		32,546	30,277	(2,269)	(7%)
470 City Surveyor		(60,476)	(58,341)	2,135	(4%)
(0) Deputy Town Clerk		6,603	6,603	(0)	(0%)
(131) Director of Community and Childrens Services		2,578	2,415	(163)	(6%)
250 Executive Director Corporate Communications & External Affairs		1,002	1,252	250	
31 Executive Director Environment		(284)	(235)	49	(17%)
(0) Executive Director Innovation and Growth		5,082	3,925	(1,157)	(23%)
0 Head of the Boys School		15	15	0	0%
0 Head of City of London Freemens School		(50)	(50)	0	0%
0 Head of City of London School for Girls		21	21	0	0%
Head City of London Junior School					
0 Principal Guildhall School of Music and Drama		3,086	3,077	(9)	(0%)
(45) Remembrancer		2,240	2,131	(109)	(5%)
(4,019) Total City's Estate		(7,637)	(8,910)	(1,273)	17%
	Guildhall Administration				
0 Chamberlain		21,320	20,628	(692)	(3%)
0 Chief Strategy Officer		56	56	0	0%
641 Executive Director of HR & Chief People Officer		1,799	1,805	6	0%
330 City Surveyor		4,269	2,518	(1,751)	(41%)
0 Comptroller and City Solicitors		110	110	0	0%
0 Deputy Town Clerk		826	826	0	0%
0 Remembrancer		(204)	(204)	0	0%
971 Total Guildhall Administration		28,176	25,739	(2,437)	(9%)
(20,333) Grand Total		5,146	(21,904)	(27,050)	(5)

Appendix 1 – Forecast by Chief Officer

Full yr forecast as at 30 September 2025	Chief Officer total budget by fund	Full Year Forecast as at 31 December 2025				Movement in Forecast Variance Better / (Worse) £'000
Variance (Better) / Worse £'000	Chief Officer	Budget £'000	Forecast £'000	Variance (Better) / Worse £'000	%	
	City Fund					
3,698	Barbican Centre Managing Director	24,304	25,404	1,100	5%	(2,598)
(9,821)	Chamberlain	19,623	4,744	(14,879)	(76%)	(5,058)
100	Comptroller and City Solicitors	509	509	0	0%	(100)
0	Executive Director Corporate Communications & External Relations	2,932	3,032	100	3%	100
(7,225)	City Surveyor	(37,447)	(44,471)	(7,024)	19%	201
110	Deputy Town Clerk	7,511	7,621	110	1%	0
564	Director of Community and Childrens Services	18,045	18,916	871	5%	306
(383)	Executive Director Environment	18,545	17,342	(1,203)	(6%)	(820)
201	Executive Director Innovation and Growth	14,821	15,059	238	2%	38
(12,756)	Total City Fund (excluding Police)	68,843	48,155	(20,687)	(48%)	(7,931)
	City's Estate					
(4,622)	Chamberlain	32,667	30,370	(2,297)	(7%)	2,325
750	City Surveyor	(38,128)	(35,359)	2,769	(7%)	2,018
501	Deputy Town Clerk	11,832	11,627	(205)	(2%)	(956)
(131)	Director of Community and Childrens Services	3,463	3,300	(163)	(5%)	(665)
209	Executive Director Corporate Communications & External Relations	1,002	1,252	250	25%	381
31	Executive Director Environment	12,471	12,595	124	1%	(85)
(0)	Executive Director Innovation and Growth	5,082	3,925	(1,157)	(23%)	(1,188)
0	Head of the Boys School	545	545	0	0%	0
0	Headmaster of City of London Freemens School	(1,300)	(1,300)	0	0%	0
0	Headmistress of City of London School for Girls	1,464	1,464	0	0%	0
0	Head of the Junior School	(344)	(344)	0	0%	0
260	Principal Guildhall School of Music and Drama	18,264	18,437	173	1%	173
(90)	Remembrancer	3,909	3,818	(91)	(2%)	(350)
(3,092)	Total City's Estate	50,927	50,329	(598)	(1%)	1,654
	Guildhall Administration					
(203)	Chamberlain	45,077	44,182	(895)	(2%)	(692)
194	Executive Director of HR & Chief People Officer	8,585	8,597	12	0%	(182)
721	Chief Strategy Officer	1,987	2,067	80	4%	(641)
330	City Surveyor	12,845	11,100	(1,745)	(14%)	(2,075)
42	Comptroller and City Solicitors	1,698	2,199	501	29%	459
501	Deputy Town Clerk	5,328	5,328	0	0%	(501)
(0)	Remembrancer	0	(1,104)	(1,104)	0%	(1,104)
1,585	Total Guildhall Administration	75,520	72,369	(3,151)	(4%)	(4,736)
(14,263)	Grand Total (excluding Police)	195,290	170,854	(24,436)	(13%)	(10,172)
0	Commissioner of Police	122,437	122,437	0	0%	0
(79)	Police Authority Board	928	864	(64)	(7%)	15
(14,343)	Grand Total	318,655	294,155	(24,499)	(8%)	(10,157)

Appendix 2 - City Fund Capital Breakdown by Service

CAPITAL PROGRAMME - CITY FUND	2025/26 Budget	2025/26 Actuals	2025/26 Forecast Q3	Forecast t 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	1.1	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	7.3	3.2	7.3	(0.0)	21.8	22.0	0	0.2
Community & Children's Services (Non HRA)	15.8	1.2	2.0	(13.9)	13.2	60.0	46.8	32.9
Community Services - HRA	44.5	28.0	48.6	4.1	52.9	148.8	95.9	100.0
City of London Police	16.8	10.4	16.8	0.0	15.0	15.0	0	0.0
Environment	44.6	8.8	35.5	(9.1)	87.1	96.2	9.1	0.1
Sub-Total	163.5	53.0	127.1	(36.4)	233.1	402.0	168.9	132.5
CAPITAL & SRP - MAJOR PROJECTS								
Museum of London	92.8	72.2	70.2	(22.6)	11.3	50.4	39.0	16.4
- Bastion House	5.0	0.5	0.9	(4.0)	0.0	3.8	3.8	(0.3)
Salisbury Square Development	263.1	142.3	209.3	(53.8)	127.0	183.1	56.1	2.3
Future Police Accommodation	40.9	7.0	25.6	(15.3)	87.4	95.0	7.6	(7.8)
Barbican Renewal	44.4	12.0	27.0	(17.4)	253.9	272.5	18.6	1.2
Sub-Total	446.1	234.0	333.0	(113.1)	480	604.8	125.1	12
TOTAL CAPITAL PROGRAMME	609.6	287.0	460.1	(149.5)	712.8	1,006.8	294.0	144.5

Appendix 3 - City Estate Capital Breakdown by Service

CAPITAL PROGRAMME - CITY'S ESTATE	2025/26 Budget	2025/26 Actuals	2025/26 Forecast Q3	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	5.6	10.0	0.2	66.5	66.5	0	0.3
City of London Freeman's School	-	1.7	1.8	1.8	1.9	-	-	(0.1)
City of London School	2.6	2.6	2.6	0.0	2.1	2.1	0.0	0.0
City of London School For Girls	0.9	1.5	1.3	0.4	1.3	1.3	0.0	0.4
City Surveyor & Property	27.6	3.7	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	1.5	3.0	0.5	2.7	0.4	(2.4)	(1.8)
Principal GSMD	2.1	1.0	3.5	1.4	2.4	1.4	(1.02)	0
Sub-Total	45.5	17.6	29.7	(15.8)	116.4	131.1	16.6	(1.1)
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 **local risk budgets** are.

Barbican Centre (adverse variance of £3.2m - a decrease of £0.5m from Q2) The main contributing factor is under performance against in-year targets and carried-forward deficits, totalling £2.3m. Trading income is down by £1.3m, 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. For some time the Barbican Centre have been working towards a 3 year timetable to reach a balanced budget with the target endpoint being the 2026/27 budget. They are engaging consultants to explore material financial options that could positively impact both the current and future years financial position. The intention is to report back with more detail on these opportunities this year. The Chamberlain, along with the Chairman and Deputy Chairman of Finance have reviewed the expenditure and are sympathetic to allowing the local risk overspend to be offset by the underspend on central risk relating to the rates rebate. (see para 2a).

- a) Executive Director of Community & Children's Services exc HRA (adverse variance of £0.6m, – an increase of £0.1m since Q2) – 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. Additional pressures have also arisen from increased legal fees and significant price increases for the Emergency Duty Team and Youth Offending services with some contracts having almost doubled in costs. In addition, a further £0.1m has been incurred in relation to Civica consultancy costs for additional support requirements since Q2. Ongoing mitigation, including the application of available grant funding is being reviewed.
- b) Executive Director Environment – (underspend of £1.2m, an increase of £0.8m since Q2) - Net savings from staff vacancies across all services of £0.5m contribute to this favourable position along with an increase in income from traffic management activities of £0.6m, planning fees £0.3m and building regulation fees of £0.3m offset by £0.8m unidentified savings still to be achieved.

2. Significant variances on **central risk budgets** are

- a) Barbican Centre (£2.1m underspend - an increase of £2.1m from Q2) – As reported to SLT at period 7, the central risk position has improved due to a rates settlement which has been reached with the Valuation Office Agency.

- b) City Surveyor (£6.7m underspent, a decrease of £0.9m since Q2) The rental income is forecast to exceed budget by £7.5m as per paragraph 21. 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 lower insurance income due to vacant properties along with a 5% non-recovery of rates from HMCTS.
- c) Chamberlain (£14.9m underspend, increase of £5m from Q2) This is mainly due to additional interest receivable on money market funds of £13m as per paragraph 21 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 Q3, the City Fund is forecasting spend of £460.1m which represents an in-year budget slippage of £149.5m. Overall there is a £144.6m 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 podium, barbican podium, these will be addressed in the upcoming Medium Term Financial Plan.

CITY FUND	2025/26 Budget	2025/26 Actuals	2025/26 Forec'st Q3	Forecast Variance	Future Years Budget	Future Years Forec'st	Forecast vs Budget in Future Years	Total Budget vs Total Forec'st
	£m	£m	£m	£m	£m	£m	£m	£m
BAU	163.5	53.0	127.1	(36.4)	233.1	402.0	168.9	132.5
Major Projects	446.1	234.0	333.0	(113.1)	479.7	604.8	125	12.0
Total	609.6	287.0	460.1	(149.5)	712.8	1,006.8	294	144.5

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 £460.1m for the year, comprising £127.1m BAU projects and £333.0m 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, £26m of is due to the Barbican podium works not having sufficient funding This shortfall will addressed in the upcoming medium term financial plan. 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.
10. **Museum of London** – Overall the programme is on budget, though there is a risk that the Corporation will need to jointly-underwrite or forward-fund some expenditure, alongside the GLA, should anticipated fundraising fail to materialise to the quantum or timings forecast. The forward funding is likely to occur during 2026/27 and will be subject to approval from Members. The total project forecast excludes the Museum's own financing element of £120m.
11. **Salisbury Square Development (SSD) / Future Police Estate Programme (FPEP)** — has a combined forecast of £751m against a revised funding envelope of £780m. Risks remain against this, including cost increases given some FPEP projects are still in their infancy.
12. **Barbican Renewal** – The new programme includes £230.6m of core project budget, plus £57m of centrally held contingency. The £230.6m is also partially funded by a fundraising target of £40m, leaving a net budget of £190.6m. Critical infrastructure works are currently being undertaken, and the main renewal programme is currently at RIBA stage three (design), with the main works will commence in 2027. As the Barbican has 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. City Surveyor: (£0.6m overspent – increase of £0.3m since Q2) relates primarily to staff costs along with unidentified savings of £0.2m not yet achieved.

14. Significant variances on **central risk budgets** are:

- a. Chamberlain: (£2.2m underspent – decrease of £2.3m since Q2.) 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 (£2.1m overspend- increase of £1.7m since Q2) – 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. In addition, staff costs are higher than budget due to pay award, lower recharge of staffing to capital projects that anticipated.
- c. Executive Director Innovation & Growth (£1.2m underspend – increase of £1.2m since Q2). During the year a re-prioritisation exercise was carried out on works which has led to some being deferred to 2026/27 resulting in an underspend against current budget.

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 9 months of the vacancy factor, which has not been achieved yet along with the impact of the July 25 pay award. Due to the nature of the business, vacancies in teaching staff have to be covered through use of temporary staff in order to ensure service provision is maintained. The school is continuing to prolong vacancies where operationally possible and there is on-going work to review professor costs in relation to student numbers in order to drive savings based on the latest enrolment figures.

16. There is a significant risk to the current outturn position in relation to additional costs under the OCS contract, the GSMD are working with the Surveyors to fully understand the costs and mitigate the impact in 2025-26 where possible.

17. Although not flagged as a significant variance, West Ham Park are anticipating an overspend of approx. £108k which has arisen from increased incidents of anti-social behaviour, which necessitated additional security personnel and CCTV resources to ensure the safety of staff and visitors. A review was undertaken to identify whether the overspend could be mitigated through reductions in other areas of expenditure, but no viable savings or offsetting

opportunities were identified. A business case is currently being developed to seek additional funding in future years to support the ongoing requirement for these resources. For 2025/26, approval is requested that the overspend is met from City's Estate Finance Committee's Contingency, in order to ensure that West Ham Park staff can continue to deliver all services and functions in accordance with required Health and Safety standards. It should be noted that although West Ham Park formally transitioned to a grant funding model from 1 April 2025, detailed principles and arrangements will not be in place until 1 April 2026 and West Ham Park do not currently have reserves to draw upon.'

18. The Executive Director of Environment has incurred legal costs following a consultation that was undertaken in relation to the Open Spaces. Approval is therefore requested that the consultation cost and legal fees totally £198k are met from City's Estate Finance Contingency. If this and item 7 are approved, this will reduce the City's Estate contingencies leaving £622k for allocation for the remainder of 2025/26.

City's Estate Capital

19. City's Estate is forecasting an in-year slippage of £15.8m on the BAU and £18.8 slippage on the city estate grant for Salisbury Square, this offset by a £5.4m overspend on Museum of London Works

Chart 7: City's Estate capital forecast

CITY ESTATE	2025/26 Budget	2025/26 Actuals	2025/26 Forec'st Q3	Forec'st Var'nce	Future Years Budget	Future Years Forec'st	Forec'st vs Budget in Future Years	Total Budget vs Total Forec'st
	£m	£m	£m	£m	£m	£m	£m	£m
BAU	45.5	17.6	29.7	(15.8)	116.4	131.1	17	(1.1)
Major Projects	122.7	11.4	128.1	5.4	50.9	52.9	2.0	7.4
Total	168.2	29.0	157.8	(10.4)	167.3	184.0	18.6	6.3

- i. Appendix 2 shows the breakdown of the forecast for City Estate, with £128.1m projected on major projects and a further £29.7m on BAU Capital and SRP.
- ii. The primary in year slippage is £16.3m is in the surveyor's 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 £18.4m against the MTFP, due to slippage on the programme.

Guildhall Administration – Detailed Information

20. Significant variances on Local risk budgets are:

- a) Comptroller and City Solicitor (£0.5m overspent – same position as Q2) – 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.
- b) Remembrancer (£1.1m underspent – increase of £1.1m since Q2) – this is due to additional income being generated from events.

21. Significant variances on central risk budgets are:

- a. City Surveyor – (£1.8m underspend – increase of £2.1m since Q2) – this favourable variance is attributable to a rate rebate for the Guildhall complex amounting to £1.7m.

All other Chief Officer variances are minor.

Additional Revenue information

22. Contingency budgets (including central provisions, Finance and P&R) are currently holding budgets of £22.1m (£10.2m City Fund and £11.9m 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.

23. 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 Better / (Worse)	
	£'000	£'000	£'000	%
<u>Property Investment Income</u>				
City Fund	(32,882)	(40,363)	(7,481)	23%
City's Estate *	(60,206)	(58,910)	1,296	(2%)
Total Property Investment Income	(93,088)	(99,273)	(6,185)	7%
<u>Interest on Cash Balances</u>				
City Fund	(22,603)	(38,419)	(15,816)	70%
City's Estate	(2,050)	(844)	1,206	(59%)
Total Interest on Cash Balances	(24,653)	(39,263)	(14,610)	59%
Grand Total	(117,741)	(138,536)	(20,795)	18%

*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 £40.4m on City Fund and £58.9m on City Estate which reflects the September 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 (£1.3m) and reflects the September 2025 forecast.
- iv. Income from interest on average cash Income from interest on average cash balances is currently forecast to exceed budget by £15.8m 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. £1.2m short of the target due to the changes in average level of cash balances held.

Cyclical Works Programme (CWP)

24. 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 3

	Budget £'000	Actual & Commitments £'000	Percent Spent %
City Fund	11,443	10,374	90
City's Estate	13,517	10,245	75
Guildhall Admin	2,896	3,244	112
Grand Total	27,856	23,863	

Capital – observations on risks

- 25. 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 early 2026, and be cleared by 2029, though the timing and amount still depends on several factors. A report will be brought before Members for decision on a short-term bridging loan for the museum at PWLB borrowing rate.
- 26. The Court of Common Council on 26 November 2024 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. A preferred site has now been identified at London's Royal Docks to ensure that market traders can continue their essential role in London's food supply chain.
- 27. 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.

