

Committee:	Date:
Licensing	20 October 2014
Subject: Revenue Budgets – 2015/16	Public
Report of: The Chamberlain Director of Markets and Consumer Protection	For Decision

Summary

This report is the annual submission of the revenue budgets overseen by your Committee. In particular it seeks approval to the provisional revenue budget for 2015/16, for subsequent submission to the Finance Committee. The budgets have been prepared within the resources allocated to the Director.

Business priorities for the forthcoming year include the application of the income generated by the Late Night Levy.

Summary Of Table 1	Latest Approved Budget 2014/15 £'000	Original Budget 2015/16 £'000	Movement £'000
Expenditure	510	550	40
Income	(538)	(632)	(94)
Support Services and Capital Charges	213	213	0
Total Net Expenditure	185	131	(54)

Overall, the 2015/16 provisional budget is £131,000, a decrease of £54,000 compared with the latest approved budget for 2014/15. Main reasons for this reduction are:

- One-off carry-forwards from 2013/14 totalling £52,000 are included in the 2014/15 latest approved budget;
- The introduction of the Late Night Levy, which has no effect on the net

budget but contributes increases in both income and expenditure of £93,000.

The report also outlines the latest progress on the Service Based Review, which has no direct impact on your Committee as any reduction in costs must be matched with a reduction in the level of fees charged.

Recommendation(s)

Members are asked to:

- review the provisional 2015/16 revenue budget to ensure that it reflects the Committee's objectives and, if so, approve the budget for submission to the Finance Committee;
- authorise the Chamberlain to revise these budgets for changes in respect of the Late Night Levy and of recharges.

Main Report

Background

1. The Licensing Service is responsible for ensuring that all city businesses hold the appropriate licences and registrations and comply with the rules and conditions appertaining to those licences.
2. This report sets out the proposed revenue budget for 2015/16. The revenue budget management arrangements are to:
 - Provide a clear distinction between local risk, central risk and recharge budgets
 - Place responsibility for budgetary control on departmental Chief Officers
 - Apply a cash limit policy to Chief Officers' budgets
3. The budget has been analysed by the service expenditure and compared with the latest approved budget for the current year.
4. The report also compares the current year's budget with the forecast outturn.

Business Planning Priorities

5. The introduction of the Late Night Levy whereby a separate fee is charged to licensed premises selling after midnight was agreed by your Committee in July 2014, and the levy took effect from 1 October 2014. The administration processes are now largely in place, and in the forthcoming year the focus will be on ensuring the income is used to achieve the greatest benefit in accordance with the specified purposes.
6. The Licensing Act 2003 was amended in April 2012 to permit local authorities to set a fee for premises licence applications in order to achieve full cost

recovery. The commencement date has not yet been set; once a date has been set a detailed review of costs and income will be required to ensure that the resulting fee structure meets the requirements of the legislation and is fair to all types of applicant.

Proposed Revenue Budget for 2015/16

7. The proposed revenue budget for 2015/16 is shown in Table 1 overleaf analysed between:
 - Local Risk budgets – these are budgets deemed to be largely within the Chief Officer’s control.
 - Support Services and Capital Charges – these cover budgets for services provided by one activity to another. The control of these costs is exercised at the point where the expenditure or income first arises as local or central risk.
8. The provisional 2015/16 budgets being presented to your Committee, and under the control of the Director of Markets and Consumer Protection, have been prepared in accordance with guidelines agreed by the Policy & Resources and Finance Committees. These include a 2% cash limit allowance for pay and price increases, as well as the proper control of transfers of non-staffing to staffing budgets. The budget has been prepared within the resources allocated to the Director.

Table 1 Analysis of Service Expenditure	Actual 2013/14 £'000	Latest Approved Budget 2014/15 £'000	Original Budget 2015/16 £'000	Movement 2014/15 to 2015/16 £'000	Paragraph Reference
EXPENDITURE					
Employees	403	410	420	10	11,12
Premises Related Expenses (see note i)	46	45	45	0	
Supplies & Services (see note ii)	4	27	15	(12)	11
Committee Contingency	0	28	70	42	12,13
Total Expenditure	423	510	550	40	
INCOME					
Customer, Client Receipts	(555)	(538)	(632)	(94)	12,13
Total Income	(566)	(538)	(632)	(94)	
TOTAL EXPENDITURE/ (INCOME) BEFORE SUPPORT SERVICES AND CAPITAL CHARGES	(113)	(28)	(82)	(54)	
SUPPORT SERVICES AND CAPITAL CHARGES					
Central Support Services and Capital Charges	166	166	166	0	
Recharges within Fund	27	27	27	0	
Recharges Across Funds	20	20	20	0	
Total Support Services and Capital Charges	213	213	213	0	
TOTAL NET EXPENDITURE/(INCOME)	100	185	131	(54)	

Notes - Examples of types of service expenditure:-

- (i) Premises Related Expenses – includes repairs & maintenance and cleansing costs.
- (ii) Supplies and Services – Printing, professional fees, conference expenses.

9. Income and favourable variances are presented in brackets. Only significant variances (generally those greater than £10,000) have been commented on in the following paragraphs.
10. Overall, there is a reduction of £54,000 in the overall budget between the 2014/15 latest approved budget and the 2015/16 original budget. This movement is explained by the variances set out in the following paragraphs.
11. The 2014/15 latest approved budget includes one-off carry-forwards from 2013/14 of £52,000 for temporary staff and software for online applications.

12. The 2015/16 original budget includes the following items in relation to the newly introduced Late Night Levy:
- Administration costs of £15,000 are included across the various expenditure headings. These costs can be retained in full from the Levy income and a corresponding income budget of £15,000 has therefore been included.
 - After meeting the administration costs, 70% of the remaining income must be passed to the City Police, with 30% being retained by the Licensing Service. The current forecast for the retained portion of income for a full year is £104,000 (Police portion £242,000).
 - The income must be spent in specific areas, and the final allocation of this amount is to be determined by the Chairman and Deputy Chairman in consultation with the Director as previously agreed by your Committee.
 - The provisional 2015/16 budget assumes that the Levy income will be used to fund one additional Licensing Officer (0.8FTE) at a cost of £36,000. The balance of income of £68,000 is included as a contingency until the final allocation is determined (which may include further changes to the staffing budget).

13. The 2014/15 latest approved budget also includes the following items in relation to the Late Night Levy:
- Administration costs and income of £15,000 each.
 - Estimated net retained income of £26,000.
 - Contingency of £26,000 pending final allocation.

It should be noted that a Levy year (being from October to September) does not coincide a financial year, and whilst the forecast of both administration costs and income in a full Levy year are reasonably firm, the estimate of the proportion of each in the first half of this Levy year (Oct 2014 – Mar 2015) and therefore falling within the 2014/15 financial year is less certain. Further, whilst the income received from the Levy must be spent for specified purposes, there is no requirement to spend it in the same period in which it is received. The final allocation of the income may therefore include an amount to be retained and spent in a future period.

14. A summary of the movement in manpower and related staff costs are shown in Table 2 below.

Table 2 - Manpower statement	Latest Approved Budget 2014/15		Original Budget 2015/16	
	Manpower Full-time equivalent	Estimated cost £000	Manpower Full-time equivalent	Estimated cost £000
Licensing	7.6	410	8.0	420
TOTAL LICENSING	7.6	410	8.0	420

Potential Further Budget Developments

15. The provisional nature of the 2015/16 revenue budget recognises that further revisions may be required, particularly in relation to:
 - the Late Night Levy (as set out in more detail in paragraphs 12-13); and
 - central and departmental recharges, which have not yet been finalised for the forthcoming year.

Revenue Budget 2014/15

16. The forecast outturn for the current year is £185,000 in line with the latest approved budget.

Service Based Review

17. The Service Based Review was initiated in 2013 in response to forecast City Fund deficits over the medium term which were due primarily to large reductions in government funding, and the expectation of future grant reductions for the foreseeable future. City's Cash was subsequently included as deficits are also being forecast for this fund over the medium term. The latest financial forecasts indicate deficits of £11m for City Fund and £4m for City's Cash by 2017/18.
18. The aim of the review is to deliver significant and sustainable savings and/or increased income in order to balance the two funds over the medium term. The overall target has been set at £20m by the Resource Allocation Sub Committee.
19. On 4 September the Policy and Resources Committee met to consider the savings proposals put forward by Chief Officers and agreed a package of savings that matches the challenge of finding at least £20m savings by 2017/18. The main outcomes were:
 - That an agreed amount of spending reductions/income increases was set for each individual Chief Officer, starting from 2015/16, through to 2017/18. Rather than apply an across-the-board percentage cut, Members considered the proposals from each department separately, taking into account the different pressures each department face and looking to protect certain functions.
 - To review a number of activities that cut across different departments: grant giving; the effectiveness of hospitality; operational assets; contract management; asset, facilities and project management; car parking in the City; filming; conference and business events; advertising, and the marketing of visitor attractions.

- That more detailed investigations will be undertaken of certain service areas, looking at whether there are more efficient ways of delivering these services.
- To review the level of the City Corporation's support for the three independent schools. This will also look at how this support fits with the City's new Education Strategy.
- For further research to take place on three service areas identified for possible funding through Bridge House Estates

20. The next steps were for:

- Chief Officers to report to their service committees in the autumn on their detailed proposals as part of the budget setting process for 2015/16. Chief Officers have been asked to include in these reports reference to the suggestions made by staff for cost reduction or income generation.
- Departments' proposals will be reviewed by Corporate HR to determine the likely impact on staff, and a report will be presented to the Establishment Committee in the New Year. Because the proposals will be phased over 3-4 years, there will be time to manage them carefully, and therefore minimise the staffing implications.
- Reports on the potential for longer-term changes to specific service areas will be submitted to the Resource Allocation Sub Committee in December.
- The Efficiency and Performance Sub Committee will take responsibility for oversight and monitoring of the savings reductions and the cross-departmental reviews.
- Proposals for the cross-departmental reviews will be submitted to the Chief Officers' Summit Group for approval. Regular reports will be made to the Summit Group and the Efficiency and Performance Sub Committee on the progress of the reviews.

21. The Policy and Resources Committee agreed savings proposals totalling £1.724m for the Markets and Consumer Protection Department.

22. As a result of the legally established principle that we must match fees very closely to work undertaken and cannot take any profit, any reduction in licensing services or service levels provided would have to be matched with a commensurate reduction in licence fees. Therefore your Committee is almost certainly unable to contribute to the savings required, and the proposals agreed reflect this position and have no impact on this Committee's budgets. However, if Members do identify any potential savings, these would be investigated by Officers to assess their viability for future years.

23. Full details of the savings proposals for the Department will be reported to the affected Port Health & Environmental Services and Markets Committees.

Appendices

- None

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