



Report – Finance Committee Revenue and Capital Budgets 2014/15 and 2015/2016

To be presented on Thursday, 5th March 2015

*To the Right Honourable The Lord Mayor, Aldermen and Commons
of the City of London in Common Council assembled.*

SUMMARY

1. This report should be read in conjunction with the separate report to the Court entitled 'City Fund – 2015/16 Budget Report and Medium Term Financial Strategy' which recommends that the City's business rate premium and council tax for 2015/16 remain unchanged.
2. The 2014/15 and 2015/16 budgets for each of the City of London Corporation's three main funds are set out below. They have been prepared within the planning frameworks agreed by the Resource Allocation Sub Committee.

Budgets by Fund			
	2014/15 Original £m	2014/15 Latest £m	2015/16 Original £m
City Fund			
Gross Expenditure	363.5	394.7	372.6
Gross Income	(258.8)	(287.4)	(271.0)
Net Expenditure before Government Grants and Taxes	104.7	107.3	101.6
Government Grants and Taxes	(110.4)	(110.7)	(101.8)
Surplus to Reserves	(5.7)	(3.4)	(0.2)
City's Cash			
Gross Revenue Expenditure	167.1	182.6	175.4
Gross Revenue Income	(159.0)	(170.5)	(166.0)
Operating Deficit	8.1	12.1	9.4
Profit on asset sales	(2.0)	(11.4)	(12.0)
Deficit from Reserves	6.1	0.7	(2.6)
Bridge House Estates			
Gross Expenditure	38.3	45.1	40.8
Gross Income	(41.1)	(43.5)	(44.4)
Deficit (Surplus) from (to) Reserves	(2.8)	1.6	(3.6)

NB: Figures in brackets indicate income or in hand balances, increases in income or decreases in expenditure.

3. City Fund

- The surplus in the current year is anticipated to reduce from £5.7m to £3.4m. For 2015/16 a broadly break even position is indicated. This takes account of a reduction in Government Grants of £8.9m (8%) together with the first tranche of savings/increased incomes agreed for the Service Based Review. Other reasons for the main variations are set out in paragraphs 19 to 28.
- The subsequent years in the medium term financial forecast (2016/17 to 2018/19) indicate small surpluses which are similarly dependent on delivery of the savings/increased incomes from the Service Based Review.
- The City Fund capital budget includes the £200m contribution payable to Crossrail which is anticipated to become due in March 2016 although the timing will depend upon the completion of certain project milestones. The funding for the £200m is on track and is covered in more detail in the 'City Fund – 2015/16 Budget Report'.

4. City's Cash

- The City's Cash deficit in the current year is anticipated to be £0.7m, an improvement of £5.4m on the original budget. For 2015/16, City's Cash returns to a surplus of £2.6m.
- As indicated in the table above, these bottom line figures are after anticipated profits on asset sales of £11.4m and £12m respectively. If the profits on asset sales are excluded, the operating deficits for 2014/15 and 2015/16 are £12.1m and £9.4m respectively.
- With regard to the subsequent years of the medium term financial forecast, break-even is indicated for 2016/17 after profits on asset sales and modest surpluses are indicated for 2017/18 and 2018/19. As with City Fund, these forecasts are predicated on the achievement of the savings/increased incomes from the Service Based Review.
- Details of other significant budget variations are set out in paragraphs 32 to 39.

5. Bridge House Estates

- For the current year, the surplus of £2.8m is anticipated to move to a deficit of £1.6m due to the carrying forward of unused grants budgets from 2013/14.
- The fund is expected to return to surplus in 2015/16 with the medium term financial forecast also indicating healthy surpluses for subsequent years.

6. The report also summarises the budgets for central support services within Guildhall Administration (which initially 'holds' such costs before these are wholly recovered) and the capital budgets for the three Funds.

7. The 2015/16 Summary Budget Book accompanies this report and will be available on the *Members' Committees and Papers* section of the City of London Corporation's website. Copies will also be available in the Members' Reading Room and individual copies can be requested from steve.telling@cityoflondon.gov.uk.

Recommendations

8. We therefore recommended that the Court:-
 - (i) note the latest revenue budgets for 2014/15;
 - (ii) agree the 2015/16 revenue budgets;
 - (iii) agree the capital budgets; and
 - (iv) delegate authority to the Chamberlain to determine the financing of the capital budgets.

MAIN REPORT

Background

9. The primary purpose of this report is to summarise the latest budgets for 2014/15 and the proposed budgets for 2015/16 respectively together with the capital budgets, which have all been prepared within agreed policy guidelines and allocations.
10. During the autumn/winter cycle of meetings each Committee has received and approved a budget report which, with the exception of City Police and Bridge House Estates, took account of the general planning framework for Chief Officers which provided for;
 - allowances towards pay and price increases of 2%; and
 - the inclusion of the Service Based Review expenditure reductions and/or increased incomes agreed by the Policy and Resources Committee – in so far as such expenditure reductions/increased incomes have been phased for 2015/16.
11. For the City Police, the annual cash limit continues to be determined by the national settlement allocation plus support from the City's Business Rate Premium, with the Force using its reserves on a phased basis subject to a minimum level being retained.
12. As Bridge House Estates remains in a reasonably buoyant position, the 2% allowance towards inflationary pressures has been provided and no Service Based Review budget reductions have been required.
13. Accompanying this report is the Summary Budget Book 2015/16 which will be available on the *Members' Committees and Papers* section of the City of London Corporation's website. Copies will also be available in the Members' Reading Room and individual copies can be requested from steve.telling@cityoflondon.gov.uk. The Summary Budget Book provides:
 - (i) all the budgets at a summary level in a single document;
 - (ii) service overviews – a narrative of the services for which each Chief Officer is responsible;
 - (iii) Chief Officer summaries showing net revenue expenditure by division of service, fund, type of expenditure and income;
 - (iv) Fund summaries showing the net revenue requirement for each Fund supported by Committee summaries showing the net requirement for each Committee within the Fund; and

- (v) the capital and supplementary revenue project budgets by Fund.

Overall Financial Strategy

14. The City of London Corporation's overall financial strategy seeks to:
- maintain and enhance the financial strength of the City of London Corporation through its investment strategies for financial and property assets;
 - pursue budget policies which seek to achieve a sustainable level of revenue spending and create headroom for capital investment and policy initiatives;
 - encourage competition for resources;
 - create a stable framework for budgeting through effective financial planning; and
 - promote investment in capital projects which bring clear economic, policy or service benefits.
15. The medium term financial strategy/budget policies for each of the funds are set out in Annex 1.

CITY FUND

Overall Budget Position

16. The overall budgets have been prepared in accordance with the strategy and the requirements for 2014/15 and 2015/16 are summarised by Committee in the table below. Explanations for significant variations were contained in the budget reports submitted to service committees.

City Fund Summary by Committee	2014/15 Original	2014/15 Latest	2015/16 Original
Net Expenditure (Income) (1)	£m	£m	£m
Barbican Centre	24.0	24.9	25.0
Barbican Residential	0.1	0.9	1.0
Community and Children's Services	11.2	11.9	11.4
Culture Heritage and Libraries	20.1	20.2	20.1
Finance (2)	(7.7)	(6.7)	(10.2)
Licensing	0.0	0.2	0.1
Markets	(0.8)	(0.8)	(0.8)
Open Spaces	1.4	1.5	1.6
Planning and Transportation	12.6	12.6	13.7
Police	60.4	60.4	57.5
Policy and Resources	3.7	3.7	3.9
Port Health and Environmental Services	14.1	14.7	14.4
Property Investment Board	(34.4)	(36.2)	(36.1)
City Fund Requirement (3)	104.7	107.3	101.6

1. Figures in brackets indicate income or in hand balances, increases in income or decreases in expenditure.
2. The increase in net income on Finance Committee from £7.7m in the 2014/15 original budget to £10.2m in the 2015/16 original budget primarily relates to

capital contras. Depreciation charges are made to service committees but, under local government accounting requirements, such costs cannot be charged to taxpayers. Consequently the depreciation charges are reversed out through the Finance Committee.

3. Reconciles to line 6 in the table overleaf.

17. The following table further analyses the budget to indicate:

- the contributions made from the City's own assets towards the City Fund requirement (interest on balances – line 4, and investment property rent income – line 5);
- the funding received from Government formula grants and from taxes (lines 7 to 10); and
- the estimated surpluses to be transferred to reserves (line 12).

City Fund Revenue Requirements 2014/15 and 2015/16					
		2014/15	2014/15	2015/16	Para.
		Original	Latest	Original	No.
		£m	£m	£m	
1	Net expenditure on services	145.6	149.0	142.0	19, 23
2	Supplementary revenue projects and capital expenditure financed from revenue	1.6	2.4	2.7	20, 24
3	Requirement before investment income from the City's Assets	147.2	151.4	144.7	
4	Interest on balances	(2.1)	(2.5)	(1.6)	21, 25
5	Estate rent income	(40.4)	(41.6)	(41.5)	22, 26
6	City Fund Requirement	104.7	107.3	101.6	
	Financed by:				
7	Government formula grants	(87.4)	(87.6)	(78.3)	27, 28
8	City offset	(10.7)	(10.8)	(11.0)	
9	Council tax	(5.8)	(5.8)	(6.0)	
10	NNDR premium	(6.5)	(6.5)	(6.5)	
11	Total Government Grants and Tax Revenues	(110.4)	(110.7)	(101.8)	
12	Surplus transferred to reserves	(5.7)	(3.4)	(0.2)	

18. The surplus in the current year is anticipated to reduce from £5.7m to £3.4m. For 2015/16 a broadly break even position is indicated. The impact of significant and continuing cuts in Government funding is being partly offset by the first tranche of savings/increased incomes agreed as part of the Service Based Review. The subsequent years in the medium term financial forecast (2016/17 to 2018/19) indicate small surpluses which are similarly dependent on delivery of the savings/increased incomes from the Service Based Review.

Revenue Budget 2014/15

Net Expenditure on Services

19. Net expenditure on City Fund services in 2014/15 was originally budgeted at £145.6m, whereas the latest budget totals £149.0m, an increase of £3.4m. The main reasons for this increase are:

- £1.6m approved budgets brought forward from 2013/14;
 - £1m for the deletion of an income provision for efficiency and budget reviews – replaced by the City Procurement and Service Based Review savings below;
 - £1m increase in the transfer to the on-street parking reserve largely resulting from contract savings;
 - £0.5m increase for the rephasing of the additional repairs and maintenance works programmes;
 - £0.4m increase for the Barbican Centre to preserve the neutrality principle in relation to the relocation of the cinemas to the exhibition halls, the corporate repairs and maintenance contract and the pay and grading review;
 - £0.4m one-off costs for bringing the collection of rates and council tax back in-house;
- partly offset by*
- £1.2m Service Based Review (£0.7m) and Procurement savings (£0.5m);

Supplementary Revenue Projects and Capital Expenditure Funded from Revenue

20. The increase from £1.6m to £2.4m largely relates Museum of London and Police Accommodation projects, partially offset by slippage on the planned works to Exhibition Hall 1 required to enable occupation by the London Film School.

Interest on Balances

21. The latest budget for 2014/15 anticipates an increase of £0.4m in interest earnings to £2.5m. This reflects a more beneficial cash flow, particularly business rate receipts, capital expenditure and higher reserves. The assumed average interest rate for the year is unchanged at 0.75%.

Investment Estate Rent Income

22. Rent income from investment properties is forecast to be £41.6m, an increase of £1.2m on the original budget due to rent and occupancy levels generally being more favourable than the original assumptions, together with accounting adjustments required to recognise the impact of rent incentives (e.g. rent free periods).

Revenue Budget 2015/16

Net Expenditure on Services

23. Net expenditure on City Fund services for 2015/16 is budgeted at £142m, a reduction of £3.6m compared to the 2014/15 original budget. The main variations are:
- £4.3m of savings/increased income relating to the Service Based Review (£3.8m) and procurement (£0.5m);

- £2.8m reduction in the City Police cash limit to reflect the cut in core Government grant;
- £0.4m increase in unringfenced specific grant income;
- £0.4m saving from bringing the collection of rates and council tax back in-house;

partly offset by

- £1.6m increase for pay and prices.
- £1.3m increase in the on-street parking surplus transferred to reserve, largely resulting from contract savings;
- £1m for the deletion of an income provision for efficiency and budget reviews – replaced by the Service Based Review savings above;
- £0.4m increase relating to the phasing of the additional repairs and maintenance works programmes.

Supplementary Revenue Projects and Capital Expenditure Funded from Revenue

24. The budget of £2.7m reflects the revenue financing required for the latest supplementary revenue and capital expenditure programmes which, by their nature, tend to be ‘lumpy’.

Interest on Balances

25. Income is anticipated to reduce to £1.6m from the £2.5m forecast in the current year due largely to a decrease in the assumed average interest rate for the year from 0.75% to 0.5%.

Investment Estate Rent Income

26. The latest rental forecasts for 2015/16 assume an increase of £1.1m to £41.5m compared to the original budget for 2014/15. This increase relates to the latest assumptions on availability, occupancy, and rent levels.

Government Formula Grant

27. There is a reduction of £7.9m in core Government Grants from £87.4m in the original budget for the current year to £79.5m in 2015/16. This reduction is split between Police and Non-Police services as follows:

Analysis of the City's National Formula Grant				
	2014/15	2015/16	Reduction on 2014/15	
	£m	£m	£m	%
Police	55.2	52.4	2.8	5.1
Non-Police	32.2	27.1	5.1	15.8
Total before Rates Retention Scheme Reduction (para 28)	87.4	79.5	7.9	9.0
Rates Retention Scheme Reduction	0.0	1.2	1.2	-
Total in table at para 17 (line7)	87.4	78.3	9.1	10.4

28. Under the Rates Retention Scheme element of Non-Police Formula Grant, the City's rates receivable in 2013/14 were lower than originally forecast due to a

significant increase in the provision for appeals. However, the Government's safety net mechanism limited the City's losses to £1.2m. Due to the way the scheme works this reduction does not flow through until 2015/16.

CITY'S CASH

Overall Budget Position

29. The budgets have been prepared in accordance with the budget policy set out in Annex 1 and the net positions for 2014/15 and 2015/16 are summarised by committee in the table below. Sufficient reserves are available to meet the estimated deficit in the current year.

City's Cash Summary by Committee	2014/15 Original	2014/15 Latest	2015/16 Original
Net Expenditure (Income)	£m	£m	£m
Culture, Heritage & Libraries	0.4	0.4	0.3
Education Board	0.0	0.7	1.0
Finance (1)	(5.9)	(14.3)	(15.4)
G. P. Committee of Aldermen	3.1	3.3	3.2
Guildhall School of Music and Drama	9.0	10.5	9.9
Markets	1.2	1.3	0.5
Open Spaces :-			
Open Spaces Directorate (2)	0.0	0.0	0.0
Epping Forest and Commons	7.2	7.6	7.7
Hampstead, Queen's Pk, Highgate Wd	7.4	7.7	7.9
Bunhill Fields	0.3	0.3	0.3
West Ham Park	1.2	1.0	1.2
Planning and Transportation	0.1	0.0	0.0
Policy and Resources	10.6	12.1	11.3
Port Health and Environmental Services	0.1	0.0	0.0
Property Investment Board	(33.5)	(35.1)	(35.0)
Schools :-			
City of London School (3)	1.5	1.6	1.6
City of London Freeman's School (3)	2.3	2.4	2.1
City of London School for Girls (3)	1.1	1.2	0.8
Deficit (Surplus) from (to) reserves	6.1	0.7	(2.6)

1. *The significant variations between the 2014/15 original budget (£5.9m credit) and the 2014/15 latest (£14.3m credit) and 2015/16 original (£15.4m credit) budgets largely relates to the estimated profits on the sale of assets which are £2.0m, £11.4m and £12.0m respectively.*
2. *Fully recharged to the Opens Spaces.*
3. *Shows City Support rather than net expenditure by the schools.*

30. The following table further analyses the budget to indicate the income produced from the City's assets (investment property rent income, non-property investment income and interest on balances at lines 3 to 5 respectively). It also indicates the underlying deficit on City's Cash before the anticipated profits on the sale of assets are taken into account (lines 6 to 8).

City's Cash Requirements 2014/15 and 2015/16					
		2014/15	2014/15	2015/16	Para.
		Original	Latest	Original	No.
		£m	£m	£m	
1	Net expenditure on services	66.9	71.4	68.2	32, 37
2	Supplementary revenue projects	2.7	3.5	3.7	33, 38
3	Estate rent income	(41.8)	(43.1)	(42.8)	34
4	Non-property investment income (net)	(19.6)	(19.6)	(19.6)	35
5	Interest on balances	(0.1)	(0.1)	(0.1)	
6	Operating Deficit	8.1	12.1	9.4	
7	Profit on asset sales	(2.0)	(11.4)	(12.0)	36, 39
8	Deficit (Surplus) from (to) reserves	6.1	0.7	(2.6)	

31. The City's Cash operating deficit is anticipated to increase from £8.1m to £12.1m in the current year and then reduces to £9.4m in 2015/16. However, the operating position is forecast to return to surplus from 2017/18 due to a combination of savings from the Service Based Review, increased rent income from the investment estate and lower expenditure on supplementary revenue projects.

Revenue Budget 2014/15

Net Expenditure on Services

32. Net expenditure on City's Cash services for 2014/15 was originally budgeted at £66.9m. The latest budget of £71.4m is an increase of £4.5m which is primarily due to:
- £2.1m approved budgets brought forward from 2013/14;
 - £1.8m increase in depreciation charges primarily relating to the new facilities provided at Milton Court for the Guildhall School of Music and Drama;
 - £1.4m increase for the rephasing of the additional repairs and maintenance works programmes;
 - £0.7m budget for the Education Board;
- partly offset by*
- £1.6m increase in the release of deferred income relating to grants and contributions received towards capital projects, mainly developer contributions towards Milton Court. UKGAAP requires such income to be released to revenue over the anticipated lives of the assets rather than being applied to match expenditure as it is incurred. This largely offsets the increase in depreciation above;

Supplementary Revenue Projects

33. The increase from £2.7m to £3.5m primarily relates to slippage from 2013/14 on investment properties and Guildhall School of Music and Drama.

Investment Estate Rent Income

34. Rent income from investment properties is forecast to be £43.1m which is an increase of £1.3m on the original budget. This increase relates to the

retention of tenants and lettings that were not anticipated in the original budget, together with accounting adjustments required to recognise the impact of rent incentives (e.g. rent free periods).

Non-Property Investment Income

35. Previously the budget reflected fund managers' forecasts of dividend income and these would vary in line with their expectations of performance. However, during 2013/14 most of the equity funds transferred to pooled investment vehicles. Consequently all non-property investment income is now required to be treated as remaining within the managed funds, with City's Cash drawing down income as necessary. The amounts to be drawn down in 2014/15 and 2015/16, after the deduction of management fees, have been set at the £19.6m assumed in the 2014/15 original budget.

Profit on Asset Sales

36. The profit on the sale of assets is anticipated to increase from £2m to £11.4m. The original budget included a nominal sum to reflect that on the basis of past experience some profits should be expected. The latest budget now reflects estimated profits from the sales of low yielding freehold interests in the West End and premiums from long leases granted on properties in the City.

Revenue Budget 2015/16

Net Expenditure on Services

37. Net expenditure on City's Cash services for 2015/16 is budgeted at £68.2m, an increase of £1.3m compared to the original budget for 2014/15. The main reasons for the increased requirement are:
- £2.6m increase in depreciation charges primarily relating to the new facilities at Milton Court for the Guildhall School and Music and Drama and the Phase 1 Freemen's School Masterplan works;
 - £1.0m budget for the Education Board;
 - £1.0m increase for pay and prices;
 - £0.8m additional resources for the corporate repairs and maintenance contract;
 - £0.6m increase relating to the phasing of the additional repairs and maintenance works programmes;
- partly offset by*
- £2.8m of savings/increased income relating to the Service Based Review;
 - £1.6m increase in the release of deferred income relating to grants and contributions received towards capital projects mainly relating to developer contributions towards Milton Court. UKGAAP requires such income to be released to revenue over the anticipated lives of the assets rather than being applied to match expenditure as it is incurred. This partly offsets the increase in depreciation above;
 - £0.5m reduction in the GSMD revenue budget as the temporary increase from the capital cap is partly withdrawn;

Supplementary Revenue Projects

38. The £3.7m budget for 2015/16 relates mainly to the City's anticipated contribution towards the cost of delivering the Crossrail Arts Strategy.

Profit on Asset Sales

39. The estimate of £12m for profits on asset sales relates to the anticipated receipt of a lease premium from a redevelopment to the east of the City.

BRIDGE HOUSE ESTATES

Overall Budget Position

40. The budgets have been prepared in accordance with the budget policy set out in Annex 1 and the requirements for 2014/15 and 2015/16 are summarised in the table below.

Bridge House Estates Summary by Committee	2014/15 Original	2014/15 Latest	2015/16 Original
<i>Net Expenditure (Income)</i>	£m	£m	£m
The City Bridge Trust	16.9	21.7	17.2
Culture, Heritage and Libraries	(0.3)	(0.3)	(0.2)
Finance	(10.6)	(9.7)	(10.6)
Planning and Transportation	3.7	3.6	3.6
Property Investment Board	(12.5)	(13.7)	(13.6)
Deficit (Surplus) from (to) reserves	(2.8)	1.6	(3.6)

41. In the current year, the original estimate for a surplus of £2.8m is anticipated to move to a deficit of £1.6m largely due to unspent budgets brought forward from 2013/14 in relation to City Bridge Trust grants. A return to surplus is expected for 2015/16 with the medium term financial forecast also indicating healthy surpluses for subsequent years.
42. The following table further analyses the budget to indicate;
- the income produced from the City's assets (investment property rent income, non-property investment income and interest on balances at lines 4 to 6 respectively); and
 - the budgets for charitable grants (line 8).

Bridge House Estates Requirements 2014/15 and 2015/16					
		2014/15	2014/15	2015/16	Para.
		Original	Latest	Original	No.
		£m	£m	£m	
1	Net expenditure on services	10.3	10.8	10.6	43, 50
2	Supplementary Revenue Projects	0.4	1.2	0.5	44
3	Bridges repairs, maintenance and major works fund contribution	1.1	1.1	1.1	47,48
4	Estate rent income	(16.7)	(18.1)	(17.9)	45
5	Non-property investment income (net)	(13.8)	(13.8)	(13.8)	46
6	Interest on balances	(0.1)	(0.1)	(0.1)	
7	Revenue surplus	(18.8)	(18.9)	(19.6)	
8	Charitable grants	16.0	20.5	16.0	49, 51
9	Deficit (Surplus) from (to) reserves	(2.8)	1.6	(3.6)	

Revenue Budget 2014/15

Net Expenditure on Services

43. The increase from £10.3m to £10.8m in 2014/15 is primarily due to:
- £0.4m approved budgets brought forward from 2013/14;
 - £0.2m increase for the City Bridge Trust Grants Unit in relation to management of the Social Investment Fund, and administration and monitoring of grant programmes.

Supplementary Revenue Projects

44. The increase from £0.4m to £1.2m largely relates to additional costs associated with the redevelopment of the Bridgemaster's House at Tower Bridge for investment purposes.

Investment Estate Rent Income

45. Rent income from investment properties is forecast to be £18.1m which is an increase of £1.4m on the original budget. This increase relates to income from two new acquisitions.

Non-Property Investment Income

46. As with City's Cash, the budget previously reflected fund managers' forecasts of dividend income and these would vary in line with their expectations of performance. However, during 2013/14 most of the equity funds transferred to pooled investment vehicles. Consequently all non-property investment income is now required to be treated as remaining within the managed funds, with Bridge House Estates drawing down income as necessary. The amounts to be drawn down in 2014/15 and 2015/16, after the deduction of management fees, have been set at the £13.8m assumed in the 2014/15 original budget.

Bridges Repairs, Maintenance and Major Works Fund

47. The objective for the Bridges Repairs, Maintenance and Major Works Fund is to provide sufficient resources to meet the enhanced maintenance costs of the five bridges over a period of at least 50 years.
48. Having compared the costs of the City Surveyor's 50 year maintenance programme with the projections for income to be earned by the Fund, the 2015/16 contributions required have been assessed as £1.1m – unchanged from the current year. The 50 year maintenance programme and the levels of contributions required to smooth the costs over this period will continue to be reviewed annually.

Charitable Grants

49. The increase of £4.5m to £20.5m relates to budgets brought forward from 2013/14 and the first instalment of £1m a year (for 10 years) to the Prince's Trust.

Revenue Budget 2015/16

Net Expenditure on Services

50. The estimate of £10.6m is an increase of £0.3m on the original budget for 2014/15. This increase primarily relates to the resourcing of the City Bridge Trust Grants Unit in relation to management of the Social Investment Fund and administration and monitoring of grant programmes together with an allowance for pay and prices.

Charitable Grants

51. The 2015/16 budget is £16m and comprises:
 - £15m base budget for charitable grants; and
 - £1m for the second instalment of £1m a year (for 10 years) to the Prince's Trust

GUILDHALL ADMINISTRATION

52. Guildhall Administration encompasses most of the central support services for the City, with the costs being fully recovered from the three main City Funds, Housing Revenue Account, Museum of London and other external bodies in accordance with the level of support provided. Consequently, after recovery of costs, the net expenditure on Guildhall Administration is nil. The table below summarises the position.

Guildhall Administration by Committee Net Expenditures	2014/15 Original £m	2014/15 Latest £m	2015/16 Original £m
Culture, Heritage and Libraries - City Records Office	0.9	0.9	0.9
Establishment - Town Clerk & C&CS	11.6	11.6	11.0
Finance - Chamberlain	31.3	31.5	31.8
Finance - City Surveyor, Remembrancer and Town Clerk	19.9	19.7	19.8
Total Net Expenditure	63.7	63.7	63.5
Recovery of Costs	(63.7)	(63.7)	(63.5)
Total Guildhall Administration	0	0	0

Revenue Budget 2014/15

53. Although the 2014/15 latest budget is unchanged from the original, there are a number of largely compensating variations:
- £0.4m reduction relating to the phasing of the additional repairs and maintenance works programmes;
 - £0.3m of savings/increased income relating to the Service Based Review; *largely offset by*
 - £0.3m increase in the IS budget for licences and the local area network;
 - £0.3m increase in insurance premiums.

Revenue Budget 2015/16

54. Again, the net expenditure for 2015/16, at £63.5m, is little changed from 2014/15. The main variations are as follows:
- £1.4m savings/increased income relating to the Service Based Review;
 - £1.1m saving in consultants fees in relation to procurement; *largely offset by*
 - £0.8m increase in insurance premiums;
 - £0.7m increase for pay and prices;
 - £0.4m increase in the IS budget for wi-fi infrastructure and the local area network;
 - £0.3m increase relating to the additional repairs and maintenance works programmes.

Capital and Supplementary Revenue Project Budgets

55. The City Fund, City's Cash and Bridge House Estates capital and supplementary revenue project budgets are included in the Summary Budget Book.

City Fund Capital and Supplementary Revenue Project Budgets

56. The latest City Fund capital and supplementary revenue projects budgets total £62.8m for 2014/15 and £231.5m for 2015/16. The budgets for both years include schemes relating to affordable housing, the Barbican Centre, works at the Old Bailey and highways/streetscene schemes, most notably the highway and public realm scheme at Aldgate. In addition, the 2015/16 budget reflects the capital contribution of £200m payable towards Crossrail. After allowing for external contributions and the use of earmarked reserves, the remainder of the City Fund capital budget is anticipated to be financed largely from capital receipts in line with budget policy.

City's Cash Capital and Supplementary Revenue Project Budgets

57. The latest City's Cash capital and supplementary revenue projects budgets total £28.9m for 2014/15 and £18.8m for 2015/16. The budgets for both years include property investments and flood mitigation schemes on the Open Spaces.

Bridge House Estates Capital and Supplementary Revenue Project Budgets

58. The latest Bridge House Estates capital and supplementary revenue projects budgets total £35.4m for 2014/15 and £14.8m in 2015/16 mainly related to investment property acquisitions and developments.

Financing Capital Expenditure

59. As in previous years, it is proposed that the Chamberlain should determine the final financing of the capital budgets.

DATED this 17th day of February 2015.

SIGNED on behalf of the Committee.

Roger Arthur Holden Chadwick
Chairman, Finance Committee

Medium Term Financial Strategy/Budget Policy

City Fund

The main constituents of the City Fund medium term financial strategy/budget policy are as follows:-

- (i) to aim to achieve as a minimum over the medium term planning period the 'golden rule' of matching on-going revenue expenditures and incomes;
- (ii) to implement budget adjustments and measures that are sustainable, on-going and focused on improving efficiencies;
- (iii) in line with (ii), as far as possible to protect existing repairs and maintenance budgets from any efficiency squeezes or budget adjustments and to ring-fence all other non-staffing budgets (to prevent any amounts from these budgets being transferred into staffing budgets);
- (iv) within the overall context of securing savings and budget reductions, to provide Chief Officers with stable financial frameworks that enable them to plan and budget with some certainty;
- (v) for the Police service, ordinarily to set an annual cash limit determined from the national settlement allocation to the City Police and to allow the Force to draw from its reserves on a phased basis, subject to a minimum level being retained;
- (vi) to identify and achieve targeted/selective budget reductions and savings programmes;
- (vii) to ring-fence sufficient assets (cash and investment property) to accumulate, via revenue and/or capital growth, the amount required to meet the City of London Corporation's Crossrail direct funding commitment of £200m in 2015/16;
- (viii) to continue to review critically all financing arrangements, criteria and provisions relating to existing and proposed capital and supplementary revenue project expenditures;
- (ix) to reduce the City Fund's budget exposure to future interest rate changes by adopting a very prudent, constant annual earnings assumption in financial forecasts. If higher earnings are actually achieved, consideration to be given to only making the additional income available for non-recurring items of expenditure;
- (x) to accept that in some years of the financial planning period it may be necessary to make contributions from revenue balances to balance the revenue budget;
- (xi) ordinarily to finance capital projects from capital rather than revenue resources and supplementary revenue projects from provisions set aside within the financial forecast; and
- (xii) to minimise the impact of rate/tax increases on City businesses and residents.

City's Cash

The main constituents of the current budget policy for City's Cash services reflect the general elements within the City Fund strategy together with the following specific objectives:

- ensure that ongoing revenue expenditure is contained within revenue income over the medium term and sufficient surpluses are generated to finance capital investment on City's Cash services;
- continue to seek property investment opportunities to enhance income/seek capital appreciation during the year, subject to any financing being met from the City's Estate Designated Sales Pool; and
- sell either property or financial assets, which would need to be in addition to property disposals required to meet the financing requirements of the Designated Sales Pool, to meet City's Cash cash-flow requirements.

Bridge House Estates

Budget policy in relation to Bridge House Estates is as follows:

- adhering to a planning framework which provides cash limit allowances towards inflationary pressures rather than the budget reductions and savings programmes applied to other funds;
- ensuring that ongoing revenue expenditure is contained within revenue income over the medium term and that sufficient surpluses are generated to finance expenditure on the Bridges with surplus funds allocated to charitable grants; and
- continuing to seek property investment opportunities to enhance income/provide capital appreciation during the year subject to any financing being met from the Bridge House Estates Designated Sales Pool.