

Committee(s)	Dates:
Barbican Residents' Consultation Committee (for Information)	30 November 2015
Barbican Residential Committee (for Decision)	14 December 2015
Subject: Revenue and Capital Budgets - Latest Approved Budget 2015/16 and Original 2016/17 <i>Excluding dwellings service charge income and expenditure</i>	Public
Report of: The Chamberlain Director of Community & Children's Services	For Decision

Summary

This report is the annual submission of the revenue and capital budgets overseen by your Committee. In particular it seeks approval to the provisional revenue budget for 2016/17, for subsequent submission to the Finance Committee. Details of the Committee's draft capital budget are also provided. The budgets have been prepared within the resources allocated to the Director.

These accounts do not include income and expenditure in relation to dwellings service charges, which is the subject to a separate report before you today, but does include the following:-

- Landlord Services

This includes income and expenditure relating to short term lessee flats, void flats and commercial properties as well as grounds maintenance for public areas.

- Car Parking

The running expenses, capital charges, rent income and service charges relating to 1,508 car spaces of which some 1,010 (66.9%) are currently occupied .

- Baggage Stores

The running expenses, capital charges, rent income and service charges relating to 1,271 baggage stores.

- Trade Centre

This is a commercial area of some 117,000 square feet bounded broadly by Beech Street, Aldersgate Street, Fann Street and Bridgewater Square. Capital charges are the main item of expense, although some premises and supervision and management costs are incurred. Income comprises rent and charges for services in respect of Virgin Active, GSMD practice room, Laundrette, Vinci Parking and Creche.

The provisional nature of the revenue budgets particularly recognises that further revisions may arise from the necessary realignment of funds resulting from corporate projects.

Summary Of Table 1	Latest Approved Budget 2015/16 £'000	Original Budget 2016/17 £'000	Movement £'000
Expenditure	2,783	2,698	(85)
Income	(5,164)	(5,094)	70
Support Services and Capital Charges	3,657	3,630	(27)
Total Net Expenditure	1,276	1,234	(42)

Overall, the 2016/17 provisional revenue budget totals a deficit of £1,234,000 a decrease of £42,000 compared with the Latest Approved Budget for 2015/16. The main reasons for this decrease are reduction in premises related expenses.

Recommendations

The Committee is requested to:

- review the provisional 2016/17 revenue budget to ensure that it reflects the Committee's objectives and, if so, approve the budget for submission to the Finance Committee;
- review and approve the draft capital budget;
- authorise the Chamberlain to revise these budgets to allow for further implications arising from departmental reorganisations and other reviews, corporate projects.

Main Report

Introduction

1. This report sets out the proposed revenue budget and capital budgets for 2016/17. 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

2. The budget has been analysed by service expenditure and compared with the latest approved budget for the current year.

The report also compares the current year's budget with the forecast outturn.

Proposed Revenue Budget for 2016/17

3. The proposed Revenue Budget for 2016/17 is shown in Table 2 overleaf analysed between:
 - Local Risk budgets – these are budgets deemed to be largely within the Chief Officer's control.
 - Central Risk budgets – these are budgets comprising specific items where a Chief Officer manages the underlying service, but where the eventual financial outturn can be strongly influenced by external factors outside of his/her control or are budgets of a corporate nature (e.g. interest on balances and rent incomes from investment properties).
 - 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.
4. The provisional 2016/17 budgets, under the control of the Director of Community & Children's Services being presented to your Committee, have been prepared in accordance with guidelines agreed by the Policy and Resources and Finance Committees. These include continuing the implementation of the required budget reductions across both local and central risks, as well as the proper control of transfers of non-staffing budget to staffing budgets. The budgets include an allowance towards any potential pay and price increases of 1.5%. The budget has been prepared within the resources allocated to the Chief Officer.

Analysis of Service Expenditure	Local or Central Risk	Actual 2014-15 £'000	Latest Approved Budget 2015-16 £'000	Original Budget 2016-17 £'000	Movement 2015-16 to 2016-17 £'000	Paragraph Reference
EXPENDITURE						
Employees	L	1,529	1,565	1,616	51	7
Premises Related Expenses						
Repairs and Maintenance	L	668	713	629	(84)	10
Other Premises Related Expenditure	L	313	394	340	(54)	
Supplies & Services	L	149	111	113	2	
Total Expenditure		2,659	2,783	2,698	(85)	
INCOME						
Customer, Client Receipts (mainly rents and non-dwelling service charges)	L	(5,183)	(4,939)	(4,869)	70	
Charge for insurance	C	(211)	(225)	(225)	0	
Total Income		(5,394)	(5,164)	(5,094)	70	
NET INCOME BEFORE SUPPORT SERVICES AND CAPITAL CHARGES		(2,735)	(2,381)	(2,396)	(15)	
SUPPORT SERVICES AND CAPITAL CHARGES						
Central Support Services and Capital charges		3,900	4,248	4,221	(27)	
Recharges within Fund & Committee		(219)	(149)	(149)	0	
Recharges to Service Charge Account		(633)	(442)	(442)	0	
Total Support Services and Capital charges		3,048	3,657	3,630	(27)	
TOTAL NET EXPENDITURE		313	1,276	1,234	(42)	9

Notes - Examples of types of service expenditure:-

- (i) Other Premises Related Expenses – includes energy costs, rates, water services, cleaning and domestic supplies

5. Income and favourable variances are presented in brackets. An analysis of this Revenue Expenditure by Service Managed is provided in Appendix 1. Only significant variances (generally those greater than £100,000) have been commented on in the following paragraphs.

6. Overall there is a decrease of the deficit of £42,000 in the overall budget between the 2015/16 latest approved budget and the 2016/17 original budget. The main movements are explained by the variances in the following paragraphs.
7. There has been an increase in employee budgets of £51,000. An allowance of 1.5% towards any increases in pay and provision for the increased national insurance contributions from 1st April 2016.
8. Analysis of the movement in manpower and related staff costs are shown in Table 2 below.

Table 2 - Manpower statement	Latest Approved Budget 2015/16		Original Budget 2016/17	
	Manpower Full-time equivalent	Estimated cost £000	Manpower Full-time equivalent	Estimated cost £000
Supervision and Management	14	666	14	688
Car Parking - Estate Concierge (2/3)	19	899	19	928
Total	33	1565	33	1616

9. A detailed breakdown of Central Support Services and Capital Charges is presented in Appendix 2.

10. A detailed breakdown of Repairs and Maintenance costs are provided in Appendix 3

Potential Further Budget Developments

11. The provisional nature of the 2016/17 revenue budget recognises that further revisions may be required, including in relation to:

- budget reductions to capture savings arising from the on-going PP2P reviews;

Draft Capital and Supplementary Revenue Budgets

12. The latest estimated costs of the Committee's draft capital and supplementary revenue projects are summarised in the Table overleaf.

Service	Project	Exp. Pre 01/04/15 £'000	2015/16 £'000	2016/17 £'000	Later Years £'000	Total £'000
<u>Pre-implementation</u>						
Landlord Costs	Contractor's Office	3	67	10		80
Landlord Costs	Barbican Turret, John Wesley Highwalk		58			58
<u>Authority to start work</u>						
Landlord Costs	Beech Gardens waterproofing & soft landscaping	4,143	908			5,051
TOTAL BARBICAN RESIDENTIAL		4,146	1,033	10	0	5,189

13. Pre-implementation costs comprise feasibility and option appraisal expenditure which has been approved in accordance with the project procedure, prior to authority to start work. It should be noted that the above figures exclude the implementation costs of those schemes which have yet to receive authority to start work.
14. A budget of £80,000 has been approved from central resources for the conversion of a unit in Andrewes House, currently used as a contractor's office, into a residential unit.
15. Approval has been given to obtain planning permission and listed building consent for the Barbican Turret, John Wesley High walk, with a view to disposal. The anticipated cost of £58,000 will be funded from central resources.
16. The final phase of the Beech Gardens project has now been completed.
17. The latest Capital and Supplementary Revenue Project budgets will be presented to the Court of Common Council for formal approval in March 2016.

Appendices

Appendix 1: Revenue Expenditure by Service Managed

Appendix 2: Support Service and Capital Charges from/to Barbican Residential Committee

Appendix 3: Analysis of Repairs, Maintenance and Minor Improvements

Appendix 4: Original Budget to latest approved budget.

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APPENDIX 1

Analysis by Service Managed	Actual 2014-15 £'000	Latest Approved 2015-16 Budget £'000	Original Budget 2016-17 £'000	Movement 2015-16 to 2016-17 £'000
CITY FUND				
Supervision & Management (fully recharged)	0	0	0	0
Landlord Services	694	1825	1721	(104)
Car Parking	198	147	237	90
Baggage Stores	(150)	(169)	(173)	(4)
Trade Centre	(469)	(538)	(562)	(24)
Other Non-Housing	39	11	11	0
TOTAL	312	1276	1234	(42)

Supervision and Management – General

This section relates to the requirements of the Barbican Estate Office including staffing, premises, information technology and support from Guildhall. The Estate Office is responsible for the management of the flats, commercial units, car parks and baggage stores. Management includes repairs and maintenance, security, cleanliness of common parts, calculation of service charges and the initial stages of arrears recovery. Total expenditure on this section is fully recharged to other sections of these accounts plus a relevant proportion to the Service Charge account, which is the subject to a separate report before you today. The IT costs are recharged on number of transactions while the other costs are allocated broadly on time sheet information.

Landlord Services

Expenditure includes repairs to the interior of short term lessees' flats and void flats. Grounds maintenance of public areas, insurance (other than that included in the Service Charge Account for lifts and the garchey system), capital charges relating to properties not sold on a long lease, and supervision and management. Income includes rent income from short term tenancies (apart from the service charge element), rent from ten commercial properties, licence fees for various aerial sites, and reimbursements for insurance, dilapidations and other services. Long lessees have the option to arrange alternative insurance to that provided through the City and, consequently, insurance is accounted for in the Landlord Account rather than as part of the Service Charge Account.

Car Parking

The running expenses, capital charges, rent income and service charges relating to 1,508 car spaces of which some 1,010 (66.9%) are currently occupied. The budget position for 2015/16 has been helped from the continued commercial car parking and Heron paying service charges for residential car bays. However, although we have retained 24 commercial bays with Deutsche Bank which are based on market value rates, they have surrendered 34 bays over the last two years.

Baggage Stores

The running expenses, capital charges, rent income and service charges relating to 1,271 baggage stores.

Trade Centre

This is a commercial area of some 117,000 square feet bounded broadly by Beech Street, Aldersgate Street, Fann Street and Bridgewater Square. Capital charges are the main item of expense, although some premises and supervision and management costs are incurred. Income comprises rent and charges for services in respect of Virgin Active, GSMD practice room, Laundrette, Vinci Parking and Creche.

APPENDIX 2

Support Service and Capital Charges from/to Barbican Residential Committee	Actual 2014/15 £'000	Latest Approved Budget 2015/16 £'000	Original Budget 2016/17 £'000
Support Service and Capital Charges			
Insurance	331	322	323
IS Recharges - Chamberlain	186	276	271
Capital Charges	2,944	3,110	3,110
Support Services - Chamberlain	197	172	171
Comptroller and City Solicitor	120	133	126
Town Clerk	117	121	112
City Surveyor	4	4	4
Other Services	1	110	104
Total Support Services and Capital Charges	3,900	4,248	4,221
Recharges Within Funds			
Corporate and Democratic Core – Finance Committee	(100)	(50)	(50)
HRA	(238)	(160)	(160)
Community and Children’s Services Committee	119	61	61
Recharges within Committee Service Charge Account	(633)	(442)	(442)
TOTAL SUPPORT SERVICE AND CAPITAL Charges	3,048	3,657	3,630

* Various services including central training, corporate printing, occupational health, union costs and environmental and sustainability section.

APPENDIX 3

ANALYSIS OF REPAIRS, MAINTENANCE AND MINOR IMPROVEMENTS ALL LOCAL RISK

E = ESSENTIAL A = ADVISABLE D = DESIRABLE	Latest Approved Budget 2014/15 £'000	Original Budget 2015/16 £'000		Budget to Budget % Increase (Decrease)
	A	B		B/A
<u>Supervision & Management Holding Account</u>				
Estate Office - Breakdown Maintenance	8	9	E	
Total Supervision & Management Holding Account	8	9		13
<u>Services and Repairs - Landlords</u>				
Breakdown Maintenance	272	248	E	
Drains	190	95		
Rechargeable works - Emergency work in sold flats, dilapidations and insurance claims	35	35	A	
External redecoration (70% of soffits)	5	35	A	
Total Services and Repairs - Landlords	502	413		(18)
<u>Car Parking</u>				
Breakdown Maintenance - Building	142	144	E	
Total Car Parking	142	144		1
<u>Stores</u>				
Breakdown Maintenance	6	6	E	
Total Stores	6	6		
<u>Trade Centre</u>				
Breakdown Maintenance	53	55	E	
Total Trade Centre	53	55		4
<u>Other Non-Housing</u>				
Breakdown Maintenance	2	2	E	
Total Other Non-Housing	2	2		0
TOTAL	713	629		(12)

Appendix 4

Original Budget 2015/16 to Latest Approved Budget	£'000
Original Budget Net Income	(28)
Carry Forwards Balance from 2014/15 (Net in Original Budget)	60
Increases in Capital Charges, due to renovation of the flats and baggage stores.	1010
Increases in support services, mainly IS Recharges - Chamberlain	225
Other movements	9
Latest Approved Budget	1,276