

Committee(s)	Dated:
Residents Consultation	27 November 2017
Barbican Residential	11 December 2017
Subject: Revenue and Capital Budgets - Latest Approved Budget 2017/18 and Original 2018/19 Excluding dwellings service charge income and expenditure	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 2017/18, 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 988 (66%) are currently occupied .

- Baggage Stores

The running expenses, capital charges, rent income and service charges relating to 1,234 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	Original Budget 2017/18	Latest Approved Budget 2017/18	Original Budget 2018/19	Movement
	£'000	£'000	£'000	£'000
Expenditure	(2,608)	(3,013)	(3,224)	(211)
Income	5,134	4,927	5,123	196
Net Income (Local and Central Risk)	2,526	1,914	1,899	(15)
Capital Charges and Support services	(4,855)	(4,736)	(4,458)	278
Total Net Expenditure	(2,329)	(2,822)	(2,559)	263

Overall, the 2018/19 provisional revenue budget totals a deficit of £2,559,000 a variance of £263,000 compared with the Latest Approved Budget for 2017/18. The main reason for this decrease is a reduction in the capital charge against operational properties, which reflects a diminution in the most recent valuation (31st March 2017) of the properties.

Recommendations

The Committee is requested to:

- review the provisional 2018/19 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 2018/19. 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 2018/19

3. The proposed Revenue Budget for 2018/19 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 2018/19 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. This includes a 2% efficiency saving and no increased allowance for pay and price increases. The budget has been prepared within the resources allocated to the Chief Officer.

Analysis of Service Expenditure	Local or Central Risk	Actual 2016-17 £'000	Original Budget 2017-18 £'000	Latest Approved Budget 2017-18 £'000	Original Budget 2018-19 £'000	Movement 2017-18 to 2018-19 £'000	Paragraph Reference
EXPENDITURE							
Employees	L	(1,584)	(1,633)	(1,749)	(1,806)	(57)	7
Premises Related Expenses							Appendix 3
Repairs and Maintenance	L	(520)	(564)	(891)	(1,040)	(149)	
Other Premises Related Expenditure	L	(223)	(314)	(266)	(271)	(5)	
Supplies & Services	L	(47)	(96)	(106)	(106)	0	
Transport	L	(0)	(1)	(1)	(1)	0	
Supplementary Revenue Projects	C	(35)	0	0	0	0	14
Total Expenditure		(2,409)	(2,608)	(3,013)	(3,224)	(211)	
INCOME							
Customer, Client Receipts (mainly rents and non-dwelling service charges)	L	4,467	4,909	4,702	4,898	196	9
Charge for insurance	C	224	225	225	225	0	
Transfer from Reserves	C	30	0	0	0	0	
Total Income		4,721	5,134	4,927	5,123	196	
NET INCOME BEFORE SUPPORT SERVICES AND CAPITAL CHARGES		2,312	2,526	1,914	1,899	(15)	
SUPPORT SERVICES AND CAPITAL CHARGES							
Central Support Services and Capital charges		(5,596)	(5,201)	(5,549)	(5,272)	277	10
Recharges within Fund & Committee		32	129	132	133	1	
Recharges to Service Charge Account		690	217	681	681	0	
Total Support Services and Capital charges		(4,874)	(4,855)	(4,736)	(4,458)	278	
TOTAL NET EXPENDITURE		(2,562)	(2,329)	(2,822)	(2,559)	263	

Notes - Examples of types of service expenditure: -

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

5. Expenditure and adverse 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 in net expenditure of £263,000 in the overall budget between the 2017/18 latest approved budget and the 2018/19 original budget. The main movements are explained by the variances in the following paragraphs.
7. There has been an increase in employee budgets of £57,000. An allowance of 1.5% towards any increases in pay has been applied from 1st April 2018.
8. Analysis of the movement in manpower and related staff costs are shown in Table 2 below.

Table 2 - Manpower statement	Latest Approved Budget		Original Budget	
	2017/18		2018/19	
	Manpower Full-time equivalent	Estimated cost £000	Manpower Full-time equivalent	Estimated cost £000
Supervision and Management	14	(764)	14	(798)
Car Parking - Estate Concierge (2/3)	19	(985)	19	(1,008)
Total	33	(1,749)	33	(1,806)

9. Income has increased by £196,000 mainly relating to additional income expected from new baggage stores.
10. The main reason for the £277,000 decrease is a reduction in the capital charges against operational properties, reflecting a diminution in the most recent valuation of the properties. A detailed breakdown of Central Support Services and Capital Charges is presented in Appendix 2.
11. A detailed breakdown of Repairs and Maintenance costs are provided in Appendix 3.
12. The current forecast outturn for 2017/18 is on budget.

Potential Further Budget Developments

13. The provisional nature of the 2018/19 revenue budget recognises that further revisions may be required.

Draft Capital and Supplementary Revenue Budgets

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

Service	Project	Exp. Pre 01/04/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	Later Years £'000	Total £'000
<u>Pre-implementation</u>							
Landlord Costs	Residential baggage stores	5	25				30
Landlord Costs	Podium Highwalk Waterproofing options, phase 2		54				54
Landlord Costs	Barbican Turret John Wesley Highwalk	43	100				143
<u>Authority to start work</u>							
Landlord Costs	Beech Gardens waterproofing & soft landscaping	4,402	77				4,479
Landlord Costs	Contractor's Office	6	312				318
TOTAL BARBICAN RESIDENTIAL		4,456	568	0	0	0	5,024

15. 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.

16. Subject to further approvals are the installation of additional residential baggage stores, the scheme to fit out and market the completed 2 bedroom flat at the Barbican Turret, John Wesley Highwalk and Phase 2 of the Podium Waterproofing, Drainage and Landscaping Works.

17. The Beech Gardens project (Phase 1 Podium Waterproofing works) has now been largely completed.

18. The latest Capital and Supplementary Revenue Project budgets will be presented to the Court of Common Council for formal approval in March 2018.

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

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APPENDIX 1

Analysis by Service Managed	Actual 2016-17 £'000	Original Budget 2017-18 £'000	Latest Approved 2017-18 Budget £'000	Original Budget 2017-18 £'000	Movement 2016-17 to 2017-18 £'000
CITY FUND					
Supervision & Management (fully recharged)	0	0	0	0	0
Landlord Services	(3,114)	(2,690)	(3,009)	(2,952)	57
Car Parking	(107)	(382)	(430)	(377)	53
Baggage Stores	93	240	120	247	127
Trade Centre	576	513	519	544	25
Other Non-Housing	(10)	(10)	(22)	(21)	1
TOTAL	(2,562)	(2,329)	(2,822)	(2,559)	263

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 988 (66%) are currently occupied. The budget position for 2017/18 has been helped from the continued commercial car parking and Heron paying service charges for residential car bays. However, although we have retained 15 commercial bays with Deutsche Bank which are based on market value rates, they have surrendered 43 bays over the last two years.

Baggage Stores

The running expenses, capital charges, rent income and service charges relating to 1,234 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 2016/17 £'000	Original Budget 2017/18 £'000	Latest Approved Budget 2017/18 £'000	Original Budget 2018/19 £'000
Support Service and Capital Charges				
Insurance	(243)	(297)	(276)	(263)
IS Recharges	(215)	(228)	(205)	(244)
Capital Charges	(4,558)	(4,074)	(4,473)	(4,196)
Chamberlain	(325)	(345)	(334)	(317)
Comptroller and City Solicitor	(102)	(135)	(111)	(106)
Town Clerk	(137)	(111)	(135)	(132)
City Surveyor	(2)	(3)	(2)	(2)
Other Services	(14)	(8)	(12)	(12)
Total Support Services and Capital Charges	(5,596)	(5,201)	(5,549)	(5,272)
Recharges Within Funds				
Corporate and Democratic Core - Finance Committee	50	50	50	50
HRA	54	160	160	160
Community and Children's Services Committee	(72)	(81)	(78)	(77)
Service Charge Account	690	217	681	681
TOTAL SUPPORT SERVICE AND CAPITAL Charges	(4,874)	(4,855)	(4,736)	(4,458)

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

**ANALYSIS OF REPAIRS, MAINTENANCE AND MINOR IMPROVEMENTS
ALL LOCAL RISK**

	Original Budget 2017/18 £'000	Latest Approved Budget 2017/18 £'000	Original Budget 2018/19 £'000	
<u>Supervision & Management Holding</u>				
<u>Account</u>				
Estate Office - Breakdown Maintenance	(9)	(9)	(9)	E
Total Supervision & Management Holding Account	(9)	(9)	(9)	
<u>Services and Repairs - Landlords</u>				
Breakdown Maintenance	(166)	(522)	(669)	E
Drains	(95)	(95)	(97)	
Insurance Works	(35)	(35)	(35)	
Dilapidations	(15)	(15)	(15)	
Lift contract servicing	(6)	(7)	(7)	
Asbestos data	(5)	(5)	(5)	
Redecorations Works	(35)	(35)	(35)	A
Total Services and Repairs - Landlords	(357)	(714)	(863)	
<u>Car Parking</u>				
Breakdown Maintenance - Building	(143)	(143)	(143)	E
Safety Security	(1)	(1)	(1)	
Total Car Parking	(144)	(144)	(144)	
<u>Stores</u>				
Breakdown Maintenance	(7)	(7)	(7)	E
Total Stores	(7)	(7)	(7)	
<u>Trade Centre</u>				
Breakdown Maintenance	(45)	(15)	(15)	E
Total Trade Centre	(45)	(15)	(15)	
<u>Other Non-Housing</u>				
Breakdown Maintenance	(2)	(2)	(2)	E
Total Other Non-Housing	(2)	(2)	(2)	
TOTAL	(564)	(891)	(1,040)	

E = ESSENTIAL

A = ADVISABLE

D = DESIRABLE

Appendix 4

Original Budget 2017/18 to Latest Approved Budget	£'000
Original Budget Net Expenditure	(2,329)
Compensating resource allocated as a result of sales in prior years.	(225)
Increase in Breakdown maintenance	(356)
Correction of recharge of House Officers and change in capital charges.	119
Other movements	(31)
Latest Approved Budget	(2,822)