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| <b>Committee(s):</b><br>Resource Allocation Sub Committee – For decision | <b>Date(s):</b><br>14 March 2019 |
| <b>Subject:</b><br>2019/20 Revenue Resource Budget Requests              | <b>Public</b>                    |
| <b>Report of:</b><br>The Chamberlain                                     | <b>For Decision</b>              |
| <b>Report author:</b><br>Caroline Al-Beyerty, Deputy Chamberlain         |                                  |

### Summary

There have been an exceptional number of resource requests for revenue budgets in 2019/20, totalling £14.8m. The majority of these represent ongoing requests for baseline budget uplifts.

The additional requests in Bridge House Estates can be accommodated.

This report asks Members to prioritise the requests for revenue budget funding for 2019/20 for City Fund and City's Cash. As it is difficult to prioritise in advance of the fundamental review and the setting of new prioritisation criteria, officers have analysed the requests into the following categories:

- Items recommended for approval - including major contract cost increases, costs of implementing new policies; and activities that have funding;
- Items for more detailed consideration by Members; and
- a number of smaller requests below £100k p.a.

Members are asked to scrutinise each item and decide whether to accept or reject the request.

As agreeing base budget uplifts increases revenue pressures for future years and correspondingly the savings targets, it is recommended that Members agree a policy that additional pressures that might arise during 2019/20 will be absorbed within local risk budgets, unless there are exceptional circumstances.

This measure will help to stabilise the position in 2019/20 and support the wider steps that will need to be taken over the medium-term, through a combination of continuing the efficiency drive across the Corporation and Police, income generation measures, including tax/Premium increases, and containing the cost of major projects and other programmes.

### Recommendation(s)

Members are asked to:

- Accept bids of £5.2m for unavoidable contract costs, subject to evaluation as part of the fundamental review; £2.4m where funding has already been approved by Policy and Resources Committee; £1.5m for externally funded requests; and £2.2m for requests already agreed where funding has started already (totalling £11.3m), paragraph 8.

- Consider the 2019/20 budget requests set out in the report for inclusion in the relevant base budget, detailed in appendix 1 and summarised in paragraph 9. On the whole these requests have been approved by service Committees and not yet by Policy and Resources Committee.
- Approve the policy that no further base budget requests for 2019/20 will be approved unless there are exceptional circumstances.

## Main Report

### Background

1. Members have considered the financial position of the City Corporation at the Informal Court of Common Council meeting on 14 February 2019, Finance Committee meeting on 19 February 2019 and Policy and Resources Committee on 21 February 2019.
2. A fundamental review is taking place which provides an opportunity to reappraise spending in a cross-cutting way, rather than depending on the silo-based approach of just relying on efficiency squeezes and savings by individual service committees or departments. The proposed approach for the fundamental review is being considered by Policy and Resources Committee on 14 March 2019.
3. The scale of the challenges will become clearer during the next year, following the Spending Review and reviews of business rates and council tax. These will have an effect from 2020/21 onwards.

### Current Position

4. The medium-term financial position is summarised in the tables below. This excludes the impact of pipeline second-tier capital projects, which are not currently allocated funding and which will be considered at a later meeting of the Resource Allocation Sub-Committee.

#### CITY FUND - COMBINED (Police and non-Police)

|  | 2018/19      | 2019/20      | 2020/21       | 2021/22       | 2022/23       |
|--|--------------|--------------|---------------|---------------|---------------|
| <b>Surplus / (Deficit)</b>   | 29.3         | 26.6         | (5.4)         | (0.0)         | 3.7           |
| Major project financing (net GLA contribution)                                     | (10.0)       | 1.2          | 1.5           | (2.9)         | (8.3)         |
| Budget uplift revenue requests   | 0            | (8.0)        | (7.6)         | (7.6)         | (7.6)         |
| <b>City Fund- non-Police Surplus/ (Deficit)</b>                                    | <b>19.3</b>  | <b>19.8</b>  | <b>(11.5)</b> | <b>(10.5)</b> | <b>(12.2)</b> |
| <b>Police Surplus/ (Deficit)</b>   | <b>(0.4)</b> | <b>(0.1)</b> | <b>(2.4)</b>  | <b>(3.6)</b>  | <b>(4.4)</b>  |
| <b>City Fund combined Surplus/ (Deficit)- post mitigation and Premium increase</b> | <b>18.9</b>  | <b>19.7</b>  | <b>(13.9)</b> | <b>(14.1)</b> | <b>(16.6)</b> |
| <b>Financed By:</b>  |              |              |               |               |               |
| General Fund Reserves- planned use   | 80.5         | 99.3         | 83.8          | 68.8          | 47.2          |
| <b>Or savings requirement</b>  |              |              | 13.9          | 14.1          | 16.6          |

## CITY'S CASH

| Surplus/ (Deficit)                              | 2018/19       | 2019/20       | 2020/21       | 2021/22       | 2022/23       |
|---|---------------|---------------|---------------|---------------|---------------|
| (Deficit)/ Surplus with planned equity drawdown | (11.6)        | (2.9)         | (2.4)         | (2.6)         | 3.5           |
| Major Project Financing                         | 0             | (4.5)         | (7.5)         | (9.3)         | (12.4)        |
| Budget uplift revenue requests                  | 0             | (5.3)         | (4.8)         | (3.7)         | (3.4)         |
| <b>City's Cash combined deficit</b>             | <b>(11.6)</b> | <b>(12.7)</b> | <b>(14.7)</b> | <b>(15.6)</b> | <b>(12.3)</b> |
| <b>Financed by:</b>                             |               |               |               |               |               |
| Savings requirement                             | 11.6          | 12.7          | 14.7          | 15.6          | 12.3          |

Alternatively, the deficit could be financed through the use of reserves. Although there are no general fund reserves left, there is the potential to draw down on the reserve currently invested in securities or property – with between £26m and £43m available p.a. during the planning period before affecting the level of investments needed to generate sufficient revenue income to run the services.

## BRIDGE HOUSE ESTATES

| Surplus/ (Deficit)                     | 2018/19    | 2019/20      | 2020/21      | 2021/22    | 2022/23      |
|--|------------|--------------|--------------|------------|--------------|
| Surplus with planned equity drawdown   | 2.1        | 0.8          | 0.8          | 1.5        | 0.3          |
| Budget uplift revenue requests         | 0          | (1.5)        | (1.4)        | (1.4)      | (1.4)        |
| <b>BHE combined surplus/ (deficit)</b> | <b>2.1</b> | <b>(0.7)</b> | <b>(0.6)</b> | <b>0.1</b> | <b>(1.1)</b> |

5. A number of measures have been presented to Court of Common Council within the budget setting reports to stabilise the position in 2019/20 and to support the steps that will need to be taken over the medium-term, through a combination of continuing the efficiency drive across the Corporation and Police, income generation measures (including tax/Premium increases), and containing the cost of major projects and other programmes.
6. This report considers the budget uplift revenue requests in the tables above. The Bridge House Estates requests can be funded without causing an ongoing cost pressure. However, the City Fund and City's Cash financial position is much more challenging.
7. We are reluctant to add to the base budget for coming years as this will increase the scale of savings required. We have, therefore, identified where items are one-off requests for 2019/20 where approval could be for one year only. These one-off requests could be funded through the carry forward process, though we have explicitly made no assumption on carry forward approval.
8. Where PIF funding has been awarded there should be no assumption that this will necessarily be extrapolated beyond a one-off funding approval to a base budget uplift.

9. Members will also wish to note the implications of funding the increased revenue pressures for future years and signal an expectation that additional pressures that might arise during 2019/20 will be absorbed within local risk budgets.

## Options

10. The additional budget uplift requests for 2019/20 (and onwards) have been analysed and are included in more detail by fund in Table 1 below. The first part of the table shows:

- Unavoidable increase in contract costs for energy and waste collection- not absorbable within local risk without changes in service provision, approved by Policy and Resources Committee and Court of Common Council prior to the steer from Policy and Resources Committee to defer resource requests pending the approval of the Medium Term Financial Plan.
- New baseline funding for new activities already agreed by Policy and Resources Committee for changes in policy or governance, including governance changes for the Police Authority; costs of borrowing; and to address the requirement to expend personal money to discharge the offices of Aldermen, Sheriff and Lord Mayor.
- Activities that already have funding e.g. from rental income; and
- Additional funding requests already approved during the year, for which activities have started e.g. Cyber Griffin and before the decision was made by Policy and Resources to defer approval until the Medium Term Financial Strategy was available.

11. The second part of the table shows requests for more detailed consideration- it is suggested that Members go through each one and decide whether to accept or reject. Members may wish to consider the following points in reaching a conclusion on each request:

- a. Is there budget provision that can be carried forward for one-off requests? If there is, should the request be more appropriately considered as part of the annual carry forward process?
- b. Is the cost increase unavoidable – could the service be delivered in an alternative way? Could additional income be generated to fund the increased cost?
- c. What is the effect of stopping this activity (e.g. on residents, on businesses or reputationally)?
- d. Could the service re-prioritise within existing resources?

12. Set out in the third section are the smaller requests (below £100k). These requests total £945k. A full breakdown by fund is included in Appendix 1. These requests are largely in three categories; additional establishment posts, increased cost of service provision (e.g. flood resilience), and new initiatives (e.g. London Counter Fraud Hub). The additional funds generated from the Adult Social Care precept on

Council Tax in 2019/20 will be allocated to fund an additional social worker and an additional mental health practitioner (requests 46 & 47) following approval by Court of Common Council on 7 March 2019. Members are asked to consider these requests.

13. Alternatively, these smaller requests could be funded through the carry forward process pending the fundamental review and full consideration of resource allocations across the City Corporation. There may be a need to relax the upper carry forward limits for Chief Officers for 2019/20 as a one-off to enable this to happen.

**Table 1: Requests for baseline budget uplifts**

| £m  | City Fund    | City's Cash  | BHE          | Guildhall Admin | Total         | Appx Ref: line |
|---|--------------|--------------|--------------|-----------------|---------------|----------------|
| <b>Requests recommended for approval:</b>                     |              |              |              |                 |               |                |
| Unavoidable Contract Cost increases                           | 4.446        | 0.254        | 0.094        | 0.381           | <b>5.175</b>  | 1 – 9          |
| New baseline funding approved by P&R                          | 0.250        | 0.688        | 1.326        | 0.120           | <b>2.384</b>  | 10 – 17        |
| (Externally) Funded   | 1.046        | 0.367        | 0.129        | -               | <b>1.542</b>  | 18 – 23        |
| Approved funding for activities that have started             | -            | 1.664        | -            | 0.581           | <b>2.245</b>  | 24 – 32        |
| Subtotal  | 5.742        | 2.973        | 1.549        | 1.082           | <b>11.346</b> |                |
| <b>Requests for consideration:</b>                            |              |              |              |                 |               |                |
| Operational estate costs                                      | 0.114        | 0.271        | (0.088)      | 0.218           | <b>0.515</b>  | 33 – 36        |
| Coroner funding- to tackle fourfold increase in deaths        | 0.150        | -            | -            | -               | <b>0.150</b>  | 37             |
| Culture Mile- carry forward of budget for artistic programmes | 0.238        | -            | -            | -               | <b>0.238</b>  | 38             |
| Open Spaces Learning- previously funded by City Bridge Trust  | -            | 0.395        | -            | -               | <b>0.395</b>  | 39             |
| Oak Processionary Moth Tree Treatment                         | -            | 0.200        | -            | -               | <b>0.200</b>  | 40             |
| Guildhall Running Costs                                       | -            | -            | -            | 0.946           | <b>0.946</b>  | 41             |
| <b>Subtotal:</b>  | <b>6.244</b> | <b>3.839</b> | <b>1.461</b> | <b>2.245</b>    | <b>13.790</b> |                |
| <b>Bids below £100k each</b>                                  | 0.655        | 0.290        | -            | -               | <b>0.945</b>  | 42 – 51        |
| Reapportion Guildhall Admin                                   | 1.123        | 1.123        | -            | (2.245)         | -             |                |
| <b>TOTAL:</b>   | <b>8.022</b> | <b>5.252</b> | <b>1.461</b> | -               | <b>14.735</b> | 52 – 58        |

## Proposals

14. Following consideration of the requests for funding Members should consider which bids to approve and which to reject.

## **Conclusion**

15. Agreeing base budget uplifts increases the savings targets in future years correspondingly.
16. Action is being taken to maintain the progress on efficiencies, address the police budget deficit, manage resource pressures and contain costs of the major projects and other requests.

## **Appendices**

- Appendices – 2019/20 Budget Requests
  - Appendix A – All Funds
  - Appendix B – City Fund
  - Appendix C – City Cash
  - Appendix D – Bridge House Estates
  - Appendix E – Guildhall

## **Background Papers**

- City Fund 2019/20 Budget Report and Medium Term Financial Strategy, Court of Common Council – 7 March 2019
- Revenue and Capital Budgets 2018/19 and 2019/20: City's Cash and Bridge House Estates, Court of Common Council – 7 March 2019

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