Committee(s):	Date(s):
Finance Committee – For decision Policy and Resources – For Information Court of Common Council – For decision	21 February 2023 23 February 2023 9 March 2023
Subject: City Fund 2023/24 Budget	**Public**
Report of: The Chamberlain	**For Decision**
Report author: Sonia Virdee, Financial Services Director	

Summary

This report presents the overall financial position of the City Fund (i.e. the City Corporation's finances relating to Local Government, Police and Port Health services).

The last few years have been very challenging with the global pandemic and the war in Ukraine. Inflation has been a growing issue over the last six months and as we go into the 2023/24 financial year, is now the largest financial threat that the Corporation faces. In addition, the City Corporation is undergoing its own period of significant change in response to these events and its ambition to deliver on key priorities such as its move to net zero and support to major capital projects.

Additional funding will be required across the medium term for cost pressures within children and community services; to accommodate changes in pay and price uplift assumptions; and to address the growing backlog of cyclical works on our operational properties.

The huge pressure on our finances from delivering our ambitious capital programme also constrains the ability for future investment. The Policy and Resources Committee and Resource Allocation Sub Committee has reviewed the affordability of the capital programmes and, in light of inflationary pressures has refined deliverables, for instance: reforecast of Salisbury Square Development; business as usual (BAU) capital programme have been rephased and, in some cases, schemes have been stopped. But wider thinking is now needed on how best to secure third party investment on the major capital projects and our asset base to relieve the pressure on our own capital resources.

Additionally, it has become clear through the bilateral meetings with service committee chairmen during the autumn that a more commercial approach to revenue generation is required e.g. advertising income. A more commercial approach is also required to our operational asset base, ensuring that we maximise operational effectiveness and only retain the buildings really needed to deliver services.

Although the Local Government Financial Settlement includes a welcome increase in the level of funding for social care, there has been a macro shift in funding patterns with the expectation from Government that more will be raised from local taxpayers. This is also the case for the Police funding settlement, where a small increment has been applied to the baseline grant and the Government's assumption is that Policing cost pressures would be covered through the levy on council taxpayers of up to £15 (increased from £10 from prior year). Following the steer from Resource Allocation Sub Committee in the summer, potential tax increases have been modelled for member consideration.

The final settlement also approved the extension of the '8 Authority Pool' with 7 neighbouring billing authorities, which will enable the pool partners to keep more of the business rate growth they generate – this pool will cover 4 of the 6 most deprived boroughs. For City Fund this will potentially yield £8m. This pool is an extension for one year only, after which the Corporation intends to return to a pan London Pooling. The additional income is a one-off and it is not recommended to support business as usual (BAU) and is much needed to support the major capital projects (as modelled), the recommendation is to ringfence these funds, to supports the Barbican Centre urgent health and safety works.

Tough decisions have been needed to remain within the overall envelope for the 2023/24 budget setting.

The medium-term financial outlook is summarised in the table 1 below:

Table 1

Surplus/ (Deficit)	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
£m					
City Fund surplus (deficit)	**27.18**	**22.76**	**13.69**	**(13.03)**	**(11.02)**
City of London Police surplus/(deficit)	**0.40**	**(0.60)**	**(3.20)**	**(3.20)**	**(6.10)**
City Fund position including Police deficit	**27.58**	**22.16**	**10.49**	**(16.23)**	**(17.12)**
***General Fund Reserve – working capital**	**20.00**	**20.00**	**20.00**	**20.00**	**20.00**
****Major Project Financing Reserve**	**55.79**	**52.58**	**60.00**	**35.61**	**13.19**
*****Build Back Better Fund Reserve**	**14.84**	**13.69**	**9.59**	**5.93**	**2.17**
******Security Reserve**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**

*General fund reserve maintained at minimal prudent amount for working capital.
** Major project financing reserve includes adjustments for financing the revenue element of major capital projects which is not included in the deficit/surplus. Also releasing the £30m risk reserves to support the essential funding needed on cyclical works programme, which is profiled from 2024/25 and included in the surplus/(deficit).
*** Build Back Better fund reserve includes adjustments for financing the revenue element of climate action.
****Security Reserve ringfenced to support security pressures.

City Fund (including Police) is balanced over the medium-term financial plan (MTFP) producing a £26.9m surplus over the medium term – The Government has pushed back its reform of Business Rates by another two years. This means that we have extra retained Business Rates growth of £27m in 2023/24 and £27m in 2024/25, which is very welcome and giving a much-needed boost to the financial position. In addition, City Fund has benefited from an increase of £1.62m in baseline funding as well as one-off funding of £1.89m in 2023/24. Continuing on a positive, increase in interest rates on our Treasury balances has been very beneficial in countering inflationary and other pressures. However, despite the additional income, the forecast deficits in the later years need to be addressed. Modelling over the 10-year horizon estimates annual deficits (including Police) of £23m from 2027/28 onwards. Deficits are largely caused by inflation, pressures in adult and children's services, inflationary pressures in pay and prices, major projects financing, plus assumed reset in retained business rates growth in 2025/26.

Increasing demands on Police services for protest activity; increasing violence and disorder because of increases in the use of the Night-time Economy; creating a safe and secure environment for Destination City; and increasing cyber threats. These demands sit within the context of a notable shift in the balance of central funding towards locally levied taxes, provided elsewhere through increases in Council Tax.

There is a statutory duty to remain balanced across the medium-term taking one year with the next over the five-year period. There are several options being recommended within this report to close the medium-term deficits, however this leaves very little margin to support unforeseen financial challenges.

For 2023/24, Members will need to consider whether to:

- Increase Adult Social Care precept by 2% - needed to address £0.2m pressures within Adult Social Care and would also position the City Corporation better for the Fair Funding Review, as low Council Tax and limited increases in Council Tax will not position us well.
- Increase in core Council Tax by 2.99% - need to address £1m pressure on children services (children with special education needs and unaccompanied asylum-seeking children aged between 18 and 25).
- Increase the Business Rates Premium up to 0.2p in the £ - smaller and regular increases is much needed to support the new inflationary pressures. Also, the Corporation is unable to levy taxes in the same way other Police Crime Commissioner Offices are able to through precept on Council Tax – for 2023/24 increased to £15 without needing a referendum. If we do not increase the BRP by 0.2p - City Fund is only balanced across the medium-term due to the retained business rates growth. Without this further aggressive savings and support to Police is required.
- Increase rents for social tenants within the Housing Revenue Account by 7%. With inflation expected to be between 6% and 8% in 2023/24 – increases in costs above what has already been budgeted will put HRA into deficit by circa £0.15m in 2023, there is a requirement to balance HRA across the MTFP and a 7% increase in rent is permitted. Intelligence from London boroughs indicate that most local authorities will be increasing rents by the full 7%. This increase is higher than previous modelling of 5% - impact of modelling 7% rise in rents puts the HRA into a small surplus by circa £0.07m in 2023/24.

Turning to the **capital position**, Resource Allocation Sub Committee decided there would be no new capital bids for 2023/24, instead an opportunity to catch up on delivering the current approved capital schemes circa £300m City Fund (including capital programmes funded from external contributions), before adding more to the capital programme. A capital review took place in the Autumn where officers were given the opportunity to put forward revised forecasts considering inflationary pressures. Any further pressures are to be contained within agreed budgets through value engineering. Where this is not practicable it is recommended alternative sources of funding is explored (i.e. Community Infrastructure Levy (CIL), On Street Parking Reserves (OSPR), Grants, underspends from existing capital programmes, and or reprioritisation of already approved capital programmes. Given no new bids have been approved, Resource Allocation Sub Committee agreed to holding a contingency under the capital programme of £3.0m for urgent health and safety capital schemes, subject to approval of business cases.

This report recommends a number of measures to stabilise the position in 2023/24 and that will support the steps that will need to be taken over the medium-term, supported by:

- **Tax increases –** Resource Allocation Sub Committee agreed to model tax rises.
- **Target Operating Model (TOM)**
    - the need to move to service transformation and culture shift.
- **Resource Prioritisation Refresh (RPR)**
    - workstreams – to reprioritise funds aligned to Corporate Priorities.
    - new additional pressures identified – expectation RPR workstreams to create headroom to reallocate funds.

  For TOM and RPR above additional funding is required to support the transformation/invest to save opportunities – the report recommends underspends from 2022/23 central contingencies are carried forward to progress the workstreams and bring in expertise to support the much-needed change in the operating model.
- **One-off spends** addressed within resource envelope/added to MTFP, with exceptional items funded from underspends carried forward from 2022/23 central contingency underspends -i.e. energy
- **Disposal of operational property** – ensuring a sustainable portfolio fit for the future.
- **Major Capital Projects**
    - Barbican Centre renewal – urgent works need to be prioritised – see recommendation 1.6. Plus needs business plan that reduces annual support from City of London (CoL) – to make financial case work, need to review alternative opportunities for funding.
    - Reinforcing the cap on major capital project spend.

Members will also want to note that increased revenue pressures have been accommodated by reprioritising existing budgets and signal an expectation that additional pressures that might arise during 2023/24 will be absorbed within local risk budgets. However, where one-off cost pressures have been approved by Members these have either been built into the medium-term or accommodated through underspends from 2022/23.

Recommendations

Following Finance Committee's consideration of this City Fund report, it is recommended that the Court of Common Council is requested to:

1.0 Note the overall budget envelopes for City Fund.

1.1 Additional funding is required for new on-going cost pressures and have been included as budget uplifts:

1.1.1 Agreed pay award from 1st July 2022.

1.1.2 Assumptions for 2023/24 pay award held centrally – the final settlement will be approved by Corporate Services Committee.

1.1.3 Pressures on Adult Social Care and Children Services.

1.1.4 Health and Safety team to be offset from increase in income from RPR workstream(s).

1.1.5 For Cyclical Works Programme (CWP): Following the meeting with the Joint Resource Allocation Sub Committee (RASC) and Service Committee Chairmen, additional headroom has been created for 2023/24 to address urgent health and safety issues – profiled over two years. Plus, a further £9.5m additional funding allocated (profiled over two years) from 2024/25 is included within the medium term to support the bow wave. Recommendation to release £30m of general fund risk reserves to support CWP backlog (paragraph 25).

1.2 To address inflationary pressures, remove the 2% efficiency saving requirement, using this overall sum plus carry forward underspends from 2022/23 to bolster the inflation contingency. Going forward, flat cash assumptions are no longer sustainable year on year and assumptions include 3% uplift in 2024/25, returning to 2% from 2025/26.

1.3 Fund one-off pressures and opportunities for transformation/invest to save opportunities in 2023/24 outlined in paragraph 24 from forecast carry forward underspends from 2022/23.

1.4 Unfunded additional revenue bids (paragraph 5) to be avoided during 2023/24, unless these can be prioritised from savings or income generated under the Resource Prioritisation & Refresh (RPR) workstreams – plus realign resources to the revised Corporate Plan to new areas requiring investment whilst delivering a sustainable MTFP.

1.5 Increase the rents for social tenants within the Housing Revenue Account as recommended by management from 5% to 7% (paragraph 16).

1.6 Following the meeting with Joint RASC and Service Committee Chairmen, concerns were raised on the urgent health and safety works needed on the Barbican Centre. It is recommended to ringfence £13m from the Major Projects reserve (£13.19m balance on major projects reserve) to support these works subject to business case approval.

1.7 As in previous years, it is recommended the earmarked security reserve retains £1m as a minimum to support future revenue security pressures and is reviewed regularly to ensure sufficient funds are available at all times.

1.8 Mitigating the Police Deficit: City of London Police (CoLP) planned mitigations over and above £12m mitigations already built in 2022/23 budgets, £6.6m in 2023/24 with £4.6m from 2024/25 onwards. Chamberlain's recommendation to increase in BRP of up to 0.2p in the £ in 2023/24 to further support mitigating residual deficits in Police MTFP and pressures under security.

1.9 Approve the overall financial framework and the revised Medium-Term Financial Strategy (paragraph 19-43).

1.10 Approve the City Fund Net Budget Requirement of £160.5m (Appendix A, paragraph 16)

Key decisions:

The key decisions are in setting the levels of Council Tax and National Non- Domestic rates:

2.0 Council Tax

2.1 To approve an increase of 2% on social care precept, raising circa £170k, in response to on-going pressures in homelessness and adult social care. This is recommended given the pressures within adult social care totalling £200k p.a. (paragraph 46).

2.2 To approve increase of 2.99% on core Council Tax, raising circa £250k p.a. This is recommended to address £1m pressure on children services (for children with special education needs and unaccompanied asylum-seeking children aged between 18 and 25- unfunded) (paragraph 47).

2.3 To note, if both increases are adopted, the 4.99% increase will increase income by £420k and raise the Band D rate by circa £47.51 to £1,003.62 (before GLA precept), much needed to support vulnerable members of society.

2.4 To determine that a fully funded means tested council tax reduction scheme will continue in place for those on low incomes and least able to pay more.

2.5 To determine that the Local Discretionary discount for Care Leavers between the ages of 18 to 25 is continued for 2023/24.

2.6 Determine the amounts of Council Tax for the three areas of the City (the City, the Middle Temple and the Inner Temple to which are added the precept of the Greater London Authority (GLA) - Appendix B.

2.7 Determine that the relevant (net of local precepts and levies) basic amount of Council Tax for 2023/24 will not be excessive in relation to the requirements for a referendum.

2.8 Determine, the current 100% discount awarded to unoccupied and unfurnished and uninhabitable dwellings is continued at zero (0%) for the financial year 2023/24.

2.9 Determine that the premium levied on long-term empty property for 2023/24 of 100%, 200% and 300% on properties that have been empty for 2, 5 and 10 years respectively is continued in 2023/24.

2.10 It is recommended that, having regard to the government guidance issued, the Chamberlain be given the discretion, delegated to the Assistant Director, Shared Services, to reduce or waive the long-term empty premium charge in exceptional circumstances.

2.11 Approve that the cost of highways, street cleansing, waste collection and disposal, drains and sewers, and road safety functions for 2023/24 be treated as special expenses to be borne by the City's residents outside the Temples (Appendix B).

3.0 Business Rates

3.1 To approve an increase of up to 0.2p in the £ in Business Rate Premium raising up to circa £4.2m p.a. Increase in inflation has increased pressure on City Fund – smaller and regular increases of the Premium are much needed to support security on City Fund and Police inflationary pressures (Appendix A, paragraph 21).

3.2 Note that the Non-Domestic Rate multiplier of 51.2p and a Small Business Non-Domestic Rate Multiplier Rate of 49.9p have been set by Central Government for 2023/24 (Appendix A, paragraph 20).

3.3 Note that, in addition, the GLA is levying a Business Rate Supplement in 2023/24 of 2.0p in the £ on properties with a rateable value of £75,000 and above (Appendix A, paragraph 22).

3.4 Delegate to the Chamberlain the award of discretionary rate reliefs under Section 47 of the Local Government Finance Act 1988 (Appendix A, paragraph 21).

4.0 Capital Expenditure

4.1 Approve the Capital Strategy (Appendix F).

4.2 Approve the Capital Contingency Budget for City Fund and the allocation of central funding from the appropriate reserves to meet the £3m contingency to support urgent health and safety new capital bids– release of funding being subject to approval at the relevant gateway and specific agreement of the Resource Allocation Sub Committee at gateway 4(a) (Appendix A, paragraph 33).

4.3 Approve the continuation of the allocation of central funding in 2023/24 to provide internal loan facilities for police and the HRA, currently estimated at £9.8m and £13.5m respectively (Appendix A, paragraph 33).

4.4 Approve the Prudential Code indicators (Appendix D).

5.0 Treasury Management Strategy Statement and Annual Investment Strategy 2023/24 (Appendix E)

5.1 Approve the Treasury Management Strategy Statement and Annual Investment Strategy for 2023/24, including the treasury indicators – Appendix E.

5.2 Approve the authorised limit for external debt (which is the maximum the City Fund may have outstanding by way of external borrowing) at £365.1m for 2023/24; and the Minimum Revenue Provision (MRP) for 2023/24 at £1.3m (MRP policy is included within Appendix E – Treasury Management Strategy Statement and Investment Strategy Statement 2023/24 - appendix 2).

5.3 Approve the addition of multi-asset funds to the list of permitted non-specified investments subject to an overall limit of £50m (Appendix E, sub appendix 3). The Corporation is expected to maintain significant surplus cash balances for the foreseeable future. Multi-asset funds enable the Corporation to mitigate the gradual erosion of the real value of these long-term cash balances from the effects of inflation.

5.4 Approve the new policy for managing environmental, social and governance (ESG) risks within treasury investment activity (Appendix E, paragraph 5.4).

6.0 Chamberlain's Assessment

6.1 Take account of the Chamberlain's assessment of the robustness of estimates and the adequacy of reserves and contingencies (paragraphs 54-57 and Appendices A, C and H respectively).

Main Report

Background

1. This report sets out the revenue and capital budgets for City Fund for the Finance Committee and Court of Common Council to approve.

2. The last few years have been challenging with the global pandemic, war in Ukraine, as well as combatting inflationary pressures and it has been said for much of the global economy, 2023 is going to be a tougher year as the US, Europe and China see their economies slow. As prices continue to rise and higher interest rates are imposed the likelihood of a recession looming in 2023 is high. In addition, the City Corporation is undergoing its own period of significant change in response to these events and its ambition to deliver on its key policy priorities such as its move to net zero and support to major projects. The pressures and risks to the City Corporation's finances are likely to continue into the 2023/24 financial year and there is still a need to manage significant unprecedented range of external challenges, namely:

   - Economists warning of a UK recession during 2023 – as high inflation and rising interest rates slow the pace of growth.

   - Biggest financial challenge for the Corporation is inflation, highly volatile - peaking now at 10.5%, between 6% to 8% 2023/24 and forecast (which may be optimistic) to fall to 2% in 2024/25.

   - Continued impact on global supply chain bottlenecks.

   - Austerity 2.0 is cushioned for the next two years; really bites in 2025/26 with real public sector spending power reductions. This will be unsustainable, and messaging from the local government sector has already started with Treasury.

   - Nationally, there has been a macro shift in the financial burden for local government funding moving to the council taxpayer e.g. the increase in the allowable precept for Policing from £10 to £15 to cover inflationary pressures. Council Tax now provides 50% of local government funding. There are some new monies for Adult Social Care, but half of it is from a 2% precept on Council Tax.

3. More positively, the Fair Funding Review will be politically difficult to implement unless there is more money in the system – potentially impacting the Business Rates growth reset.

4. Bilateral meetings have taken place during the Autumn for departments and service committees currently overspending – providing an opportunity for service committees to highlight how they intend to tackle cost pressures for the 2023/24 financial year and to discuss risks and opportunities.

5. Policy and Resources Committee and Finance Committee have messaged clearly that cost pressures should be managed within existing resources. New on-going pressures will need to be managed within local risk budgets; and or through any headroom identified through the Resource Prioritisation Refresh (RPR) workstreams. However, finding sustainable efficiencies will likely require time, capacity, and upfront investment.

6. Tough decisions have been needed to remain within the overall envelope in 2023/24.

7. To mitigate the risks from high inflation/health and safety concerns:
   - A review of Major Capital Projects and business as usual (BAU) capital programmes has reprioritised current spend – for major capital projects: Salisbury Square Development reforecast. The BAU capital programme has been rephased and, in some cases, stopping the schemes. Resource Allocation Sub Committee agreed that there would be no new capital bids for 2023/24 with contingencies held for urgent health and safety works.
   - For revenue pressures additional contingencies are held centrally for pay and prices, however it is recommended underspends from 2022/23 is carried forward to support known one-off pressures i.e. energy.
   - There is significant risk of not addressing the CWP, increasing deterioration in operational properties subsequently posing health hazards and leading to an increase in major capital projects.
   - There is also a significant risk of not addressing the Barbican urgent health and safety works pending full business case.

8. Aggressive assumptions have been made in respect of inflationary pressures, significantly impacting pay and prices. The current upward pressure on inflation is expected to subside over the medium-term as supply chains recover, global demand rebalances, and the effects of energy price increases wear off.

9. Furthermore, impact of a recession in 2023 is unknown – potentially impacting income streams, particularly: rental income from investment properties; event bookings; and events at the Barbican – needs close monitoring.

10. In setting the budget for 2023/24 and the MTFS for future years, consideration has been given to the high degree of uncertainty and therefore risk in determining Local Government funding levels.

11. The Government recently confirmed the Local Government Finance Settlement for 2023/24 and the Policing Minister published the revenue allocations for Police forces for 2023/24. The Local Government finance assumes local authorities use locally levied taxes to support rising pressures, for example in social care, with the exception of a small uplift has been applied to the baseline and additional one-off funding to partly support increases in inflation. This is also the case for the Police funding settlement, where a small increment has been applied with support for additional officer uplift. The Government’s assumption is that Policing cost pressures would be covered through the levy on council taxpayers.

12. Revenue streams are likely to be under considerable pressure as the Government intends to change current funding mechanisms to reflect an increased emphasis on need and to reset the current business rates retention system:
    - **One Year Settlement** – the 2023/24 Local Government Finance Settlement is a one-year settlement, no information is available on how the planned increase in grant funding will be distributed to local authorities.
    - The **Fair Funding Review** of local government funding is likely to shift resources away from London.
    - **Business Rates** – danger from a reset which would remove the City's recent growth receipts (forecast at £27m) in 2025/26.

13. The final settlement also approved the extension of the '8 Authority Pool' with 7 neighbouring billing authorities, which will enable the pool partners to keep more of the business rate growth they generate – this pool will cover 4 of the 6 most deprived boroughs. For City Fund this will potentially yield £8m. This pool is an extension for one year only, after which the Corporation intends to return to a pan London Pooling. The additional income is a one-off and it is not recommended to support business as usual (BAU) and is much needed to support the major capital projects (as modelled), the recommendation is to ringfence these funds, to supports the Barbican Centre urgent health and safety works.

14. The forecast includes the £32.6m revenue impact from funding already approved capital programmes across the medium term, with capital receipts reserves standing at £15m by 2026/27.

15. Although the City Fund excluding Police is forecast to be in surplus by £22.8m in 2023/24, it can only be balanced, over the next four years, with the use of general fund reserves and further savings and/or revenue raising by increasing Council Tax and Business Rate Premium. Despite significant savings made over the last decade (most recently 12% in 2021/22), planned savings from the Fundamental Review, and mitigations in place under Police - overall, City Fund including Police faces substantial growing annual deficits over the planning period and the 10-year horizon – estimated at £23m p.a. from 2027/28 onwards.

16. The HRA is under increasing pressure, heavily impacted by inflation and major capital projects. There is a statutory requirement for the HRA budget to be balanced across the MTFP. With inflation expected between 6% and 8% in 2023/24 – increases in costs will put HRA into deficit and there are no reserves available. A 7% increase in rent is permitted. Modelling an increase on pay and prices (in line with City Fund assumptions) and increase in rent to 7% moves 2023/24 into a small surplus of £0.07m. Intelligence from London boroughs indicate that most local authorities will be increasing rents by the full 7%.

17. Over the next year we will focus on making operational efficiencies through the target operating model (TOM) and RPR as well as improving how we prioritise our resources to ensure:
    - Service transformation and cultural shift

- That we are spending on key priorities; and
- That our plans are sustainable in the medium-term.

The coming year will see the work for the next Corporate plan highlighting our priorities, alongside this we will progress the work through RPR to ensure we have the right resources to support our post pandemic priorities.

18. There are several options being recommended to close the medium-term deficits, however this leaves very little margin to support unforeseen financial challenges:
    - **Tax increases:** Resource Allocation Sub Committee agreed to model tax rises - i.e. increases in Council Tax and Business Rates Premium, it is recommended an increase in Council Tax by 4.99% and steady increase in Business Rate Premium by up to 0.2p in the £ is levied to support on-going pressures.
    - **Resource Prioritisation Refresh (RPR)**
        - Workstreams to reprioritise funds aligned to corporate priorities;
        - Where additional pressures are identified and approved – expectation RPR workstreams to create headroom to reallocate funds.
    - **One-off spends** addressed within the resource envelope/added to MTFP, with exceptional items funded from underspends carried forward from 2022/23 central contingency underspends.
    - **Disposal of operational property** – ensuring a sustainable portfolio fit for the future.
    - **Need to attract 3rd party investors** to support major capital projects.

Overall Financial Strategy

19. The City of London Corporation's overall financial strategy seeks to:
    - manage the on-going effects of a post pandemic, war in Ukraine, and inflation impacting on the economy and income;
    - maintain and enhance the financial strength of the City 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, such as Destination City – renewed vision for the square mile;
    - create a stable framework for budgeting through effective financial planning;
    - promote investment in capital projects which bring clear economic, policy or service benefits;
    - manage the affordability to support major capital projects now and in the future; and
    - financial strategy to be developed following review of the investment asset base and fund income requirements during 2023.

Measures to the 2023/24 budget

20. At its July meeting, Resource Allocation Sub Committee approved the budget envelopes that service committees will use to deliver their services in 2023/24. It is intended that business planning will address how service committees intend to focus their resources to achieve key outcomes in year. RPR will need to realign resources to corporate priorities; for new corporate priorities requiring investment (including pressures highlighted by departments through bilateral meetings) the expectation is for RPR workstreams to create headroom to reallocate funds, rather than being able to deliver further significant savings – supporting the change in the operating model, which includes a review and disposals of operational property, and opportunities for income generation.

21. For City Fund, our local authority fund, the Government has pushed back its reform of Business Rates for another two years to 2025/26, which is very welcome. This means that we have extra retained Business Rates growth for 2023/24 and 2024/25.

22. Tough decisions have been needed to remain within the overall envelope in 2023/24. Although, the following, on-going resourcing is required for:

    - Changes in core underlying assumptions for pay and prices. Agreed pay award from 1st July 2022; and
    - Across the medium term to cover uplifts members will need to consider the recommended inflation uplifts and these to be included in the MTFP and financed:
        - Assumptions for 2023/24 pay award held centrally;
        - Going forward flat cash assumptions are no longer sustainable year on year; and
        - Assumptions include 3% uplift in 2024/25; before
        - Returning to 2% uplift from 2025/26 onwards.

23. **Cost pressures or bids for new activities** have been identified in individual services and by their service committee, these costs need to be funded within the overall envelope or by considering tax setting responsibilities:

    a. In adult and children's' services, principally for children with special education needs and care leavers and unaccompanied asylum-seeking children (aged between 18 and 25). It is proposed that funding is provided through tax setting measures, significantly supporting vulnerable members of society (paragraph 44 to 47).

    b. Funding for a new health and safety team, critical to address statutory responsibilities on health and safety of our service users and staff. Funding will be provided through the income generation workstream under the Resource Prioritisation Refresh (RPR) and an income target has been included in the budget.

    c. Funding for the US office will be covered through reprioritisation of local risk budget – Innovation & Growth.

24. **One off or time limited funding** has been requested by Committees or identified through bilateral meeting with the Service Committee Chairmen for the following items which can be funded through forecast underspends on the current year budget. We are currently forecasting underspends of circa £8m on City Fund:

   a. Transformation funding to support the cultural change needed under phase 2 of the TOM, and support to progress the workstreams under RPR - sums to be confirmed but likely in the region of £2m to £3m in 2023/24, to be funded from 2022/23 underspends across City Fund and City's Cash (Delegate to the Chamberlain in consultation with RASC Chairman and Deputy Chairman under the carry forward approval process).

   b. Short term energy price inflation caused by the war in Ukraine – estimated at £1.3m; prices are expected to return to 'normal' levels in the medium term.

   c. Charity Review. Finance Committee approved additional time-limited support to complete the Corporate Charities Review & support the scoping of the Natural Environment Charities Review, this was recommended to be funded from 2022/23 underspends - £0.394m in 2023/24 and £0.120m in 2024/25, split across City Fund and City's Cash.

   d. CIO Function. Corporate Services Committee, Finance Committee and Policy and Resources Committee approved, in November 2021, the creation of a new Strategic Investment advisory function working alongside Corporate Treasury and Investment Property, to provide expert advice on the investment strategy/allocation advice between property and financial investments. Corporate Services Category Board approved a two-year contract which commences in January 2023 - £0.45m in 2023/24 and £0.45m in 2024/25.

   e. Additional pressure on estate refurbishment for Leadenhall Market and 2nd floor of 31 Worship Street has arisen from the current economic conditions where tenants have not been able to renew the leases. This is subject to Property Investment Board approval and if approved recommendation is to fund from 2022/23 underspends – estimated £0.836m.

   f. Electoral services and City Occupier database approved by Policy and Resource in November 2021, totalling £0.068m – essential transformation to support the restructure of the statutory function of the Electoral services, removing duplication of services.

   g. The balance to be held to support inflationary pressures which cannot be contained with allocated budgets.

25. There is significant risk of not addressing the CWP, increasing deterioration in operational properties subsequently posing health hazards and adding more pressure on major capital projects. Following the meeting with the Joint

Resource Allocation Sub Committee and Service Committee Chairmen, additional headroom has been created for 2023/24 to address urgent health and safety issues - £4.98m (split: City Fund £2.764m and £2.216m City's Cash – profiled over two years (year 1 - 75%, year 2 - 25%)), an opportunity to catch up on already approved CWP. Plus, a further £15m (split: City Fund £9.5m and £5.5m City's Cash) additional funding allocated profiled over two years (as per 2023/24 allocation) from 2024/25 to support the bow wave. Recommendation to release £30m of general fund risk reserves to support CWP backlog. Robust programme of delivery required, including sufficient resources identified to deliver the programme in a timely manner – potential risk of cost creep.

26. There is also a significant risk of not addressing the urgent health and safety works at the Barbican Centre. This report recommends the balance of £13m from Major Projects Reserves is ringfenced to support these works subject to business case approval.

27. In light of no new bids for the capital programme it is recommended a general contingency is held under the capital programme up to £3m for urgent health and safety capital programmes. If the contingency is approved a business case will be required for approval under the correct governance process.

28. As in previous years, it is recommended the earmarked security reserve retains £1m as a minimum to support future revenue security pressures and is reviewed regularly to ensure sufficient funds are available at all times.

29. Increasing demands on Police services for protest activity; increasing violence and disorder because of increases in the use of the Night-time Economy; creating a safe and secure environment for Destination City; and increasing cyber threats. These demands sit within the context of a notable shift in the balance of central funding towards locally levied taxes, provided elsewhere through increases in Council Tax.

30. Delivering the 2023/24 budget will enable us to push ahead on reshaping the City Corporation and re-aligning resources to new Corporate priorities. Key follow up themes for 2023/24 include:
    - Scope for embedding change, building on collaboration - breaking silos, and progressing with service transformation and culture shift as part of the TOM phase 2, and introduction of greater ways of working.
    - Resource Prioritisation Refresh (RPR), supporting the change in the operating model:
        - workstreams – to reprioritise funds aligned to Corporate Priorities, includes a review of operational property, opportunities for income generation, and continuous improvement.
        - Additional pressures identified – expectation RPR workstreams to create headroom to reallocate funds.
    - Disposal of operational property, ensuring a sustainable portfolio fit for the future.
    - Containing the costs of major capital projects and other capital programmes and securing third party capital where possible.

- Barbican renewal - urgent works to be prioritised, plus needs business plan that reduces annual support from City of London (CoL) – to make financial case work, need to review alternative opportunities for funding – CIL, grants, OSPR etc.

Latest forecast position

31. The additional two years of business rate growth retention benefits City Fund by £27m in 2023/24 and £27m in 2024/25 together with the release of risk reserves, producing a surplus of £22.2m (in 2023/24) giving a much-needed boost to the financial position. In addition, an increase in interest rates in Treasury balances has been very beneficial in countering inflationary and other pressures. However, there are significant ongoing inflationary pressures on pay and prices across the Corporation umbrella and needs to be closely monitored. There is potential growth of £8m under the 8 Authority Pool (see paragraph 33 below). Whilst the additional income is very welcome, these are one-off funding, and it is not recommended to support BAU (business as usual) and is much needed to support the major capital projects.

32. The Local Government Financial Settlement intends that taxes are levied locally to support rising pressures, with the exception of additional funding to baseline of £1.62m and one-off funding of £1.88m to partly support increases in inflationary in City Fund.

33. The settlement also approved the extension of the '8 Authority Pool' to 2023/24 with 7 neighbouring billing authorities, which will potentially yield £8m for City Fund. The City of London alongside Brent, Barnet, Enfield, Hackney, Haringey, Tower Hamlets and Waltham Forest, formed a tactical pool in 2022/23 with the aim of keeping the levy payments the City of London and Tower Hamlets make to Government, in London. The impact from forming the 8 Authority Pool in 2022/23 retained £9m additional income in City Fund, compared to the £12m expected. This pool will cover 4 of the 6 most deprived boroughs, which supports the Government's levelling up agenda. This pool is for one year only, after which the Corporation intends to return to a pan London Pooling. Approval was received from the Secretary of State on 6th February to proceed. Income from the pool has not been factored into plans as it is volatile, besides this is one-off funding and should not be applied against on-going costs. It is therefore recommended any gains from the pool is ringfenced to the major capital projects, recommendation in this report suggests this supports the urgent health and safety works on the Barbican Centre.

34. Whilst City Fund (including Police) is in surplus in 2023/24, the forecast very quickly move into deficits in later years. This is predominately due to reset in Business Rates Growth, impact of financing major capital projects and with the increase in Police pressures. However overall, the City Fund is in surplus by £26.9m (taking one year with the next over the 5 years). Despite taking the above measures set out under paragraphs 23-27, City Fund is struggling to accommodate on-going pressures. A reminder, City Fund has a statutory

requirement to remain balanced over the medium-term, another reason to consider the role of tax setting in mitigation. Resource Allocation Sub Committee approved modelling periodic increases in Business Rates Premium into the MTFP.

35. Police have committed to implement a further £6.6m mitigations in 2023/24, this is over and above the circa £12m mitigations already built in and will need to be monitored carefully to ensure deliverability. The Police Settlement has slightly increased by £0.4m (over and above assumptions already in place) but the amount to support the additional officer uplift has been ringfenced and will only be paid over if officer numbers reach target. This will not cover inflationary pressures. The settlement also enables Forces to set up to a £15 precept on Council Taxpayers to cover rising cost pressures. The City Corporation's small residential population does not yield anywhere near the sums provided by local funding for other police forces and therefore the precept mechanism on the council taxpayer is not applied.

36. The Court of Common Council in March 2022 approved an increase in Business Rates Premium by 0.4p in the £, to restore parity in local funding allocations and address the structural deficits which had risen in the Force's finances. A continued rise in inflation on pay and prices has put Policing pressures back into significant deficit by £12.7m across the medium-term. The pay deal in September 2022 on officers and staff added a further pressure of £3.3m on top of the £2m already forecast. It should be noted officer pay rises is nationally set – every 1% increase will add a further £0.7m p.a. It should be noted a significant hike in GLA council tax precept is likely for the Metropolitan Police Force, this will again put CoLP out of kilter with the local funding allocations of other forces, without an increase in the Business Rate Premium – smaller and regular increases are needed.

37. City Fund's overall financial position include significant risks and a great deal of uncertainty. The medium-term plan is shown in the table 2 below. Despite the extra income from retained Business Rates growth; additional funding from government; increases in interest income on treasury balances; and mitigations in place, City Fund finances including Police faces substantial growing annual deficits. The fund is forecast, to move into significant deficits, from 2025/26 onwards due to the inclusion of financing costs of major projects: the Museum of London Relocation Project, Police Accommodation in the Salisbury Square Project together with the increase in Police pressures.

Table 2

Surplus/ (Deficit)	2022/23	2023/24	2024/25	2025/26	2026/27
£m					
City Fund*	15.29	10.82	(1.07)	(27.79)	(25.78)
Fundamental Review savings	2.61	2.60	5.42	5.42	5.42
12% incl. TOM	9.28	9.34	9.34	9.34	9.34
City Fund before Police deficit	27.18	22.76	13.69	(13.03)	(11.02)
City of London Police	0.40	(0.60)	(3.20)	(3.20)	(6.10)
City Fund position including Police deficit before additional funding required	27.58	22.16	10.49	(16.23)	(17.12)
Adult Social Care 2%	0.00	0.17	0.17	0.17	0.17
Council Tax 2.99%	0.00	0.25	0.25	0.25	0.25
Proposed 0.2p increase in BRP	0.00	4.20	4.20	4.20	4.20
City Fund, incl. Police after increase in taxes	27.58	26.78	15.11	(11.61)	(12.50)
City Fund Reserves					
**General Fund Reserve – working capital	20.00	20.00	20.00	20.00	20.00
***Major Project Financing Reserve	55.79	52.58	60.00	35.61	13.19
****Build Back Better Fund Reserve	14.84	13.69	9.59	5.93	2.17
*****Security Reserve	1.00	1.00	1.00	1.00	1.00

*After Major Projects financing
**General fund reserve maintained at minimal prudent amount for working capital.
***Major project financing reserve includes adjustments for financing the revenue element of major capital projects which is not included in the surplus/(deficit). Also leasing the £30m risk reserves to support the essential funding needed on cyclical works programme, which is profiled from 2024/25 and included in surplus/(deficits).
****Build Back Better fund reserve includes adjustments for financing the revenue element of climate action.
*****Security Reserve ringfenced to support security pressures.

38. City Fund (excluding Police) in 2023/24, is forecast to be in surplus by £22.8m, largely due to an extra year of business rates retention income and increase in interest rates in Treasury balances (albeit at a much-reduced level to previous years).

39. Key points to note include:

   a. The impact of a recession is unknown and revenue streams are likely to be under considerable pressure. In addition, although the final settlement confirms business rates retention there is still so much uncertainty around a business rates reset beyond this spending review period – from 2025/26, however prudent measures have been taken and the MTFP has been compiled on the basis of a business rates reset in 2025/26. If a more pessimistic view is taken on retained business rates income, it removes the £27m growth - pushing City Fund into an estimated £4.2m deficit in 2023/24.
   b. The CWP continues to build a backlog - £138m over the next five years. Operational Property and Projects Sub Committee recommended to take

back a report in April 2023 to address the backlog with a recommended option of ring fencing it to deliver as a project. This requires a clear plan including how this is delivered within timescales and move forward with a sustainable capital programme working closely with the RPR – operational property workstream. The MTFP includes existing approvals, an additional amount for 2024/25 for urgent health and safety works, plus £9.5m p.a. (profiled over two years) from 2024/25 onwards, we recommend releasing the £30m general risk reserves; and

c. Significant pressures highlighted by departments through Member bilateral meetings will require close monitoring and mitigations to be put in place. This is also the case for further requests for fundamental review savings to be pushed out – giving time to pin down the TOM.
d. The Police commitment to secure £6.6m additional mitigations in 2024/25 will need to be reviewed to ensure these and prior year savings are sustainable across the medium-term.
e. In parallel with the external threats, the City Fund revenue budget will start to come under increasing pressure from major projects financing costs and opportunity costs – through loss in rental income/asset growth.
f. It should be noted the latest forecast position under City Fund has been updated since the report to the Joint Resource Allocation Sub Committee and Service Committee Chairmen. These changes have reduced the overall surplus over the MTFP by £5.0m and have impacted the following areas:
    - Interest income on treasury balances updated with latest information which has had a favourable impact on City Fund balances; but adverse impact from:
    - Headroom created for CWP – urgent health and safety works in 2024/25
    - Policing pressures updated with latest information approved by Police Authority Board.

Police

40. The CoLP is under increasing pressure forecasting £12.7m deficits across the MTFP, despite having implemented circa £12m mitigations already built in and have committed to implement a further £6.6 mitigations in 2023/24. The Police budget is facing significant medium-term pressures at a time of increasing demand on Police services. While the 2023/24 Police Funding Settlement has made some provision for CoLP officer pay award – July 2022, it is £1.8m less than was assumed in the Police MTFP (net of additional grant contribution from Home Office). The Police Settlement has slightly increased by £0.4m from assumptions already included but the amount to support the additional officer uplift has been ringfenced and dependent on performance in maintaining the year 3 officer uplift target.

41. CoLP is unable to sustain inflationary pressures over and above the small increase in the funding settlement and mitigations in place – further mitigations will impact on services and inability to maintain the officer uplift, which will impact ringfenced funding. Government’s assumption is that Policing cost pressures would be covered through taxes locally.

42. The Police Settlement enables Forces to set up to a £15 (increased by £5 from prior years) precept on Council Taxpayers to cover rising cost pressures. The City Corporation's small residential population does not yield anywhere near the sums provided by local funding for other police forces.

43. The Rate Payers consultation took place on 6th February 2023 where the Chairman of Policy and Chairman of Finance, alongside the Commissioner presented a compelling narrative to ratepayers in support of an increase in Business Rate Premium. The responses from those that attended was not unduly hostile.

44. **Council Tax**: Given the pressures to City Fund, Members will wish to consider council tax increases. Local authorities are permitted to levy a social care precept of 2% and a further uplift of Council Tax by 2.99% within the referendum threshold. These have been modelled in the 2023/24 budget. In this context, Members may wish to consider:
    - Reminder of paragraph 11 – where Local Government financial settlement has been set with the intentions for maximum taxes are levied locally in order to support rising pressures.

    - Current intelligence suggests that most authorities, including those at the lowest end of the Council Tax league table, are considering increases of up to 4.99%, including the social care precept. There is a risk that the Corporation will stand out if it does not increase and will move closer to the bottom of the table.

    - There is a cumulative benefit in the medium-term.

    - It could reduce any penalisation in the fair funding review, where an implied council tax level might be assumed (above our current level) which could result in a loss of funding.

    - Those on lowest incomes will be eligible for council tax relief (Council Tax Reduction Scheme). The City continues to operate a means tested 100% relief scheme.

    - The Council Tax for the current year, 2022/23, is £956.11, expressed at band D and excluding the GLA precept of £118.46 or comparative purposes.

45. The City has seen increasing cost pressures in social care, tackling homelessness, and children services (for children with special education needs and unaccompanied asylum-seeking children aged between 18 and 25 – unfunded). **The recommendation is, therefore, to levy an Adult Social Care precept of 2% as well as increase the core Council Tax by 2.99%**.

46. The Adult Social Care precept of 2% would generate around £170k. An increase of 2.99% in council tax, would generate around £250k. For comparative purposes, Westminster band D excluding GLA precept is currently £468.54 (£864.13 including the GLA precept); Wandsworth, £470.46 (£866.05 including

the GLA precept); and Hammersmith and Fulham £831.96 (£1227.55 including the GLA precept).

47. Despite receiving additional uplift in grant funding of £0.37m, this does not come close to closing the gap on pressures experienced within adult social care and children services at £1.2m. Increasing council tax by 4.99% will still leave a cost pressure of £0.41m on overall City Fund Finances. Not increasing taxes will increase the cost pressure on City Fund finances to £0.83m and will need to be reprioritised within the existing resources.

48. The steer from the Joint Resource Allocation Sub Committee and Service Committee members was supportive unanimously on this matter. In making this decision, Members may wish to consider the points in paragraph 46 above.

49. **Business Rates Premium** - The premium on City businesses was last increased in 2022/23 from 0.8p to 1.2p in the £, to restore parity in local funding allocations and address the structural deficits which has risen in the Force's finances. Given the pressures on security and Policing, Members may wish to consider increasing the Business Rate Premium up to 0.2p in the £, raising up to circa £4.2m p.a. in particular to enable the provision of vital policing services as set out in Appendix A, paragraphs 9-15 to be sustained and enhanced.

50. There is a statutory requirement to balance City Fund (including Police), and currently City Fund is only balanced due to the delay in reset in Retained Business Rates growth and increase in interest income from treasury balances. These increases are **not** permanent and do not support on-going pressures, therefore if we do not increase the BRP by 0.2p now, City Fund will not be able to address significant deficits in later years and only pushes the problem further out with anticipated deficits of circa £23m p.a. from 2027/28 (assuming everything stays the same). Smaller and regular increases are much needed, without new significant savings targets, changes to major capital project assumptions and/or service impact.

51. Key assumptions used in the forecast have been set out in Appendix A.

A strategic response to continuing challenges

52. This report recommends a number of measures to stabilise the position in 2023/24 and that will support the steps that will need to be taken to shore up the medium-term, through: taxes rises; ensuring continuation of permanent year on year savings; building on collaboration breaking silos; progressing with service transformation and RPR workstreams – supporting the change in the operating model which includes a review and disposals of operational property, opportunities for income generation, as well containing the cost of major capital projects and other programmes.

53. In addition, there is a need to make sure the position does not get worse by reinforcing the cap on the major capital projects and securing third party capital where possible.

Robustness of Estimates and Adequacy of Reserves and Contingencies

54. Section 25 of the Local Government Act 2003 requires the Chamberlain to report on the robustness of estimates and the adequacy of reserves underpinning the budget proposals.

55. In coming to a conclusion on the robustness of estimates, the Chamberlain needs to assess the risk of over or under spending the budget. To fulfil this requirement the following comments are made:

- provision has been made for all known liabilities, together with indicative costs (where identified) of capital schemes yet to be evaluated but continue to monitor risks arising from a looming recession during 2023, and maintain a contingency fund carried forward from 2022/23 underspends. In addition, recommendation is to release the £30m of general fund risk reserves to support the growing backlog of cyclical works on our operational properties;
- the estimates and financial forecast have been prepared at this stage on the basis of the Corporation remaining debt free until such time as external borrowing may be needed to bridge the gap for major capital projects (the Museum of London relocation and the Combined Courts project);
- prudent assessments have been made regarding key assumptions;
- new no capital bids for 2023/24, instead an opportunity to catch up on delivering the current approved capital schemes (circa £300m – including capital programmes funded from external contributions). Process is in place seeking to ensure that capital expenditure is contained within affordable limits and that it can be demonstrated that each project is of the highest corporate priority;
- although the City Fund financial position is vulnerable to inflationary pressures and a potential recession, impacting - income, rent levels and student numbers, it should be noted that:
    - the City Surveyor has carried out an in-depth review of rent incomes; and
    - an increase in interest rate on Treasury balances has been very beneficial in countering inflationary and other pressures;
- a strong track record in achieving budgets gives confidence on the robustness of estimates;
- balancing 2023/24 with 'one-off' measures will give more time to implement phase 2 of the Target Operating Model - move to service transformation and culture shift, plus ensuring permanent year on year savings; and
- resource prioritisation & refresh workstreams will realign existing resources to new corporate priorities, where this is not possible to create headroom to reallocate funds – noting finding sustainable efficiencies will require time, capacity ad upfront investment.

56. An analysis of usable City Fund Reserves is set out in Appendix C. Depletion of City Fund reserves is a consideration for the medium-term: although reserve balances are forecast to remain healthy in 2023/24, the potential call on reserves to support revenue and capital expenditure beyond 2023/24 reinforces the need for further efficiencies and income generation.

57. In assessing the adequacy of contingency funds, the Chamberlain has reviewed the allocation and expenditure of contingency funds over the past four years and concluded that the estimates are robust. This takes account of the Finance Committee contingencies, the Policy and Resources Committee contingency and the Policy Initiatives Fund. In each of the past four years the provision of funds has been more than sufficient resulting in an uncommitted balance for each contingency fund in each year. On this basis the existing contingency provision will remain unchanged for 2023/24. A full analysis of contingency fund provision and expenditure is provided in Appendix H.

Risks- Summary

58. There are risks to the achievement of the latest forecasts:

Within the City Corporation's control:

- Ensuring permanent year on year permanent savings from the 12% savings programme and income schemes under the Fundamental Review;
- Maximising taxes locally, not doing this increases pressure to make further savings/cuts in services in later years;
- Delay in RPR workstreams - unable to reprioritise resources to corporate prioritise and or create headroom to reallocate resource;
- Ability to retain / recruit staff under the current salaries structure;
- Achievement of Police savings targets needed to mitigate the Force deficit; and
- Major capital projects not being delivered within estimated costs.

Outside the City Corporation's control:

- Economists warning of a UK (global) recession during 2023, impact on income streams is unknown, particularly: rental income, event bookings, and events at the Barbican – needs close monitoring;
- Significant inflationary risks, highly volatile, not only impacting pay and prices there is a continued impact on global supply chain bottlenecks;
- Business Rates income - volatility around the growth forecasts and appeals, are dependent on full occupation of new builds and potential changes to office demand as in a post pandemic world;
- Austerity 2.0 cushioned for the next two years; really bites in 2025/26 with real public spending power reductions;
- Macro-shift from central funding to local funding; and
- Fair Funding review which could affect government support to fund services.

Equalities Implications

59. During the preparation of this report, all Chief Officers were asked to consider whether there would be any potential adverse impact of the various budget policy proposals on equality of service. This was with particular regard to service provision and delivery that affects people, or groups of people, in respect of disability, gender and racial equality. An update will be provided to the Finance Committee.

Conclusion

60. Over the last decade there has been a significant effort across the Corporation family to commit to delivering year on year permanent savings to get us to a balanced 2023/24 budget and on track for sustainable MTFP. But there is a big task still ahead to manage the significant unprecedented range of external challenges for e.g. warning of a global recession, inflation, continued impact on global supply chain bottlenecks, austerity 2.0 (cushioned for next two years), macro shift from central to local funding. In addition, the City Corporation is undergoing its own period of significant change in response to these events and its ambition to deliver on its key policy priorities such as its move to net zero and support to major projects. The Corporation family can no longer sustain further cuts, and finding sustainable efficiencies will likely require time, capacity and upfront investment.

61. There are risks to the achievement of the 2023/24 budget position and MTFP, in particular: income volatility from a looming recession, significant pressures on pay and prices and tough decisions have been needed. But, Officers have continued to work together with Members to mitigate on-going pressures through new initiatives.

62. The Local Government Financial Settlement intends that taxes are levied locally to support rising pressures. The Government's assumption is that Policing cost pressures would be covered through the levy on council taxpayers. There is a statutory requirement for the City Fund including Police to remain balanced across the MTFP.

63. Delivering the 2023/24 budget enables us to push ahead on reshaping the City Corporation: to enable the move to service transformation and culture shift; increasing opportunities through RPR workstreams to align resources to Corporate Priorities; to be able to respond in a more agile and flexible way to the challenges ahead.

64. This report recommends a number of measures to stabilise the position in 2023/24. Increases in Social Care, Council Tax and Business Rate Premium should be considered in view of wider developments across London, Government expectations to maximise taxes locally, the Fair Funding Review and pressures on Police budgets.

Appendices

- Appendix A – Key Assumptions
- Appendix B – Calculating Council Tax
- Appendix C – City Fund Useable Reserves
- Appendix D – Prudential Indicators
- Appendix E – Treasury Management Strategy Statement and Annual Investment Strategy 2023/24
- Appendix F – Capital Strategy
- Appendix G – City Fund Budget Policy
- Appendix H – Review of contingency funds

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