

## Medium Term Financial Strategy

### The City's Overall Financial Strategy

The City Corporation's overall financial strategy seeks to:

- 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;
- encourage competition for resources;
- create a stable framework for budgeting through effective financial planning; and
- promote investment in capital projects which bring clear economic, policy or service benefits.

### City Fund

#### Medium Term Financial Strategy/Budget Policy

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

- to aim to achieve as a minimum over the medium term planning period the 'golden rule' of matching on-going revenue expenditures and incomes;
- to implement budget adjustments and measures that are sustainable, on-going and focused on improving efficiencies;
- in line with (ii), as far as possible to protect existing repairs and maintenance provisions and budgets from any efficiency squeezes or budget adjustments and to ring-fence all other non-staffing budgets (to prevent any amounts from these budgets being transferred into staffing budgets);
- to set a general planning framework for Chief Officers providing:
  - allowances towards inflationary pressures of 1% and 2% for 2013/14 and 2014/15 respectively on net local risk budgets; but
  - offset by 2% efficiency reductions across the period (i.e. by 2014/15 the base budget should be a net 1% higher than in 2012/13 – allowances towards inflationary pressures of 3% less efficiency reductions of 2%);
- for the Police service, ordinarily to set an annual cash limit determined from the national settlement allocation to the City Police and to allow the Force to draw from its reserves on a phased basis, subject to a minimum level being retained;

- to achieve the existing targeted/selective budget reductions and savings programme and to identify further savings together with the potential financial benefits arising from new corporate-wide procurement arrangements;
- to ring-fence sufficient assets (cash and investment property) to accumulate, via revenue and/or capital growth, the amount required to meet the City Corporation's Crossrail direct funding commitment of £200m at the earliest in 2015/16;
- to continue to review critically all financing arrangements, criteria and provisions relating to existing and proposed capital and supplementary revenue project expenditures;
- to reduce the City Fund's budget exposure to future interest rate changes by adopting a prudent annual earnings assumption in financial forecasts. If higher earnings are actually achieved, these should ordinarily only be available for non-recurring items of expenditure;
- to accept that in some years of the financial planning period it may be necessary to make contributions from the revenue budget to revenue balances;
- ordinarily to finance capital projects from capital rather than revenue resources and supplementary revenue projects from provisions set aside within the financial forecast; and
- to minimise the impact of rate/tax increases on City businesses and residents in view of the difficult economic conditions.