

Medium Term Financial Strategy/Budget Policy

City Fund

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;
- as far as possible to protect existing repairs and maintenance provisions and budgets from 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 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 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.

City's Cash

The main constituents of the current budget policy for City's Cash services reflect the general elements within the City Fund strategy together with the following specific objectives:

- ensure that ongoing revenue expenditure is contained within revenue income over the medium term and sufficient surpluses are generated to finance capital investment on City's Cash services;
- continue to seek property investment opportunities to enhance income/seek capital appreciation during the year, subject to any financing being met from the City's Estate Designated Sales Pool; and
- sell either property or financial assets, which would need to be in addition to property disposals required to meet the financing requirements of the Designated Sales Pool, to meet City's Cash cash-flow requirements.

As City's Cash is a closed fund, it is necessary for the cost of capital expenditure to be met from within the annual revenue surplus and/or the available resources of the Fund.

Bridge House Estates

Budget policy in relation to Bridge House Estates is as follows:

- adhering to a planning framework which provides cash limit allowances towards inflationary pressures rather than the budget reductions and savings programmes applied to other funds;
- ensuring that ongoing revenue expenditure is contained within revenue income over the medium term and that sufficient surpluses are generated to finance expenditure on the Bridges with surplus funds allocated to charitable grants; and
- continuing to seek property investment opportunities to enhance income/provide capital appreciation during the year subject to any financing being met from the Bridge House Estates Designated Sales Pool.