Financial Strategy

Introduction

The Council's updated Corporate Plan approved by Council on 23 January 2018 set out its priorities; these were largely unchanged from the previous plan, as they continue to represent the challenges and opportunities facing the District Council over the medium term.

The Priorities are to:

- Improve the provision of and access to suitable housing;
- Support our communities;
- Manage our built and natural environments to promote and maintain a positive sense of place;
- Improve and support the local economy to enable appropriate local growth;
- Manage the Council's finances prudently and effectively.

Each of these priorities is underpinned by several objectives, setting out what the Council aims to achieve, along with further specific objectives with more detailed actions to be undertaken by the Council to meet its key priorities, including specific measurable targets, where appropriate.

Manage the Council's Finances Prudently and Effectively

The overall Financial Strategy is linked to the specific priority within the corporate plan which is to **manage the Council's finances prudently and effectively**; this has three overarching objectives, which are:

1. **Ensure prudent use of the Council's resources**.

    - Ensure the revenue budget and capital programme remain balanced and sustainable over a rolling 5 year period.
    - Manage rigorously the Council's risks.
    - Have sound governance arrangements in place approved by the Council's external auditors.

2. **Provide value for money through efficient and effective service delivery**

    - Maintain a programme of improvement reviews for our services, to ensure that they are delivered effectively and efficiently. These reviews should challenge existing costs, service delivery mechanisms and consider using outside bodies where appropriate.
    - Ensure that where the Council has discretion over charging for services, service users should normally bear the full costs, except where there are important community considerations.
    - Implement an investment strategy to preserve and improve the financial and other resources available to the Council.

3. **Maintain low rate of council tax while protecting services.**

- Provide services without the use of reserves.
- Require compensating savings before any new revenue expenditure, including capital expenditure that has revenue consequences, is approved.
- Continue to review the Council’s costs in order to find further savings.
- Continue to identify and develop income generating opportunities for the Council.

Approach and Approval Process

Linked to the main financial management objective:

1. The Council maintains a 5 year rolling medium term financial strategy model which is underpinned by the key financial principles.
2. The key financial principles, along with an annual position statement is reported to the Corporate Governance and Audit Committee, for their consideration in relation to managing the strategic risk of financial resilience, and considering the minimum level of general fund reserves that should be held. The Committee’s recommendation are incorporated into the annual Financial Strategy report to be considered by both Cabinet and Council ahead of the budget report for the annual budget and council tax setting required prior to the start of the new financial year.
3. A statement of resources is maintained to identify the current level of reserves, the commitments against those reserves, and therefore the potential funds available for the Council to invest in new schemes.
4. In year quarterly revenue monitoring is undertaken to identify trends and cost pressures, which will inform the revenue budget for the forthcoming financial year and beyond.

Under the umbrella of the Financial Strategy are other linked policies and strategies which assist with ensuring the robust financial management of the Council. This includes a new Capital Strategy which will be required from 2019-20; this will be considered by both the Corporate Governance and Audit Committee and Cabinet at their meetings in January and February 2019 respectively. The Capital Strategy will give a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local services and how the risks are managed by the Council.

The Council maintains a 5 year capital programme linking the available resources directly to corporate priorities and taking into account revenue implications within the 5 year Financial Strategy Model. There is also a 5 year planned programme to replace the assets used by the Council to deliver its services developed from the 25 year Asset Replacement Programme Model, which is updated annually as part of the budget cycle.

Medium Term Financial Plan

The aim of the plan is to ensure the financial stability and to support council services, by regularly reviewing the key financial influences and identifying the associated risks.

1. Current Financial Position

   The Council set a balance budget for 2018-19, and having accepted the Government's four year settlement offer had some degree of funding certainty; the final year of that agreed settlement is the 2019-20 budget, beyond which there are a lot of unknowns and uncertainties including the impact of Brexit.

   In response to the reduced funding settlement a Deficit Reduction Plan to achieve further savings of £3.8m was approved by Council in 2016, and to date £3.38m has been achieved against the targets set.

   Recent quarterly revenue monitoring has identified some major variances with current projections forecasting a potential overspend at the year-end of £0.364m. In the main, this is due to some major variances in relation to car parking and planning services income, and the impact of this reduction in income a £300,000 adjustment has been reflected in the 5 year Financial Model.

   The approach taken for each of the key financial principles, a position statement and any further actions required, is detailed in Annex A.

   The approved 5 year capital and asset renewal programmes currently remains fully funded without the need to borrow from external sources and there is a balance of £24.161m uncommitted resources available for new projects and investment in services. This includes anticipated capital receipts of £8.78m to be received over the next 5 years.

   Appendix 3 of the Strategy report shows the current level of resources and the current commitments. The Council's current approved programmes are available on its website at Annual budget: Chichester District Council.

2. 2019-20 Settlement

   The provisional Financial Settlement for 2019-20 and the outcome of the bids for participating in the pilot 75% Business Rates Retention Scheme (BRRS) for 2019-20 is expected to be announced by the Ministry of Housing, Communities and Local Government (MHCLG) on 6 December 2018.

   The Council joined with West Sussex County Council and the District and Borough Councils to submit a bid to participate in this new Business Rate pilot, a formal decision will be made at the time of the final local government settlement, taking into account the pros and cons of being a pilot area for 2019-20.

The Government’s October 2018 Budget Statement suggested an “end to austerity”, with the message that its aim is not to cut public spending just to balance the budget.
The main impacts from this statement for the council are:

- Business Rate Relief for high street revitalisation £490m in 2019-20 & similar amount in 2020-21. For the next two years up to a business rates valuation, for all companies with a rateable value of £51,000 or less, the business rates will be cut by one third, a saving of up to £8,000 for 90% of shops, restaurants and cafes. Local authorities will be fully compensated for the loss of income as a result of these business rates measures.
- There will also be mandatory business rates relief for public lavatories, whether they are privately or publicly-owned.
- 2019 Spending Review expected to increase funding. Next year’s spending review is expected to see an annual 1.2% increase in public sector budgets, compared to a reduction of 1.3% in the 2015 review.
- £20m additional funding will be allocated to support more local authorities to meet their air quality obligations.
- The Government will provide £20m through a Plastics and Waste Innovation Fund to support measures to boost recycling and reduce litter.

The business retail rate relief has been confirmed from Government to apply from 2019-20 and 2020-21, and under the new burdens the Government recognises that there will be some additional costs to implement the new relief and will issue details of funding following the implementation of the relief.
The Government is going to bring forward primary legislation to allow for 100% relief on standalone public toilets. No further details are available at this time but the Red Book clearly stated that there will be s.31 funding for this new relief (£5m per year from 2020-21).

In announcing the provisional multiplier for 2019-20 of 50.4p (rateable values greater than £51,000) which used the September CPI (which was 2.4%) would suggest that the trigger for a council tax increase referendum is unlikely to be set at 2%. Last year this was set at 3% to take account of inflationary pressures or £5 whichever was the greater.
However, the Government has yet to confirm the referenda principles for excessive council tax increases for shire authorities for 2019-20.

Economic forecasts continue to be against a backdrop of uncertainty, especially in relation to Brexit negotiations, and the potential impact on the economy. It should be noted that the Council currently relies on £16.6m of income from its fees and charges to balance its budget, much of this is discretionary spend, or linked to the economy.

3. 5 year Financial Model

The 5 year financial model (appendix 2 of the Strategy report) has been updated to reflect the known changes for the forthcoming year, and forecasts for future years based on information currently available. This has been prepared with a prudent view in relation to service cost pressures and areas of financial risk. Both the Commercial and Business Improvement Boards have targets still to be achieved as part of the 2016 deficit reduction programme. This model is kept under review so that the Council has time to respond should the situation, and/or government funding be significantly different to that currently assumed.

The main assumptions in model are:

a. Uplifts for inflation and are given in table 1 below. September's CPI was 2.4 % and RPI 3.3%.

Table 1: Inflation Assumptions

	2019-20	2020-21	2021-22	2022-23	2023-24
Pay	2%	2%	2%	2%	2%
Pension	0.7%	1%	1%	1%	1%
General prices	3%	3%	3%	3%	3%
Income (Car Parks)	0	2%	2%	2%	2%

These assumptions are used for the strategic modelling, but where appropriate within the detailed annual budget, specific inflation assumptions are applied for utility and ICT support and maintenance agreements. Fees and charges income are also reviewed to identify those which could achieve an increase higher than the base inflation assumption.
The Bank of England Base Rate is currently 0.75% and some economists are expecting this to rise slightly next year dependent upon the outcome of the Brexit negotiations. Although the view is that the Base rate will rise slowly, it is anticipated that this will still be at a relatively low level i.e. around 1.25% by 2021.

b. Service Cost Pressures have been identified and possible growth proposals linked to the Council's corporate plan objectives. The bids proposed will be firmed up during the budget process and reported as part of the budget report to Cabinet in February 2019. The potential growth is set out in table 2.

Table 2: Potential Service Cost Pressure Proposals

Services Portfolio	2019-20 £'000	2020-21 £'000	2021-22 £'000	2022-23 £'000	2023-24 £'000
All services/Corporate items	256	196	196	196	196
Housing & Communities	13	13	13	13	13

Services Portfolio	2019-20 £'000	2020-21 £'000	2021-22 £'000	2022-23 £'000	2023-24 £'000
Corporate Services	40	40	40	40	40
Residents' Services	147	207	267	297	327
Growth & Place	415	415	380	380	380
Planning & Environment	0	0	5	5	5
Total	**871**	**871**	**901**	**931**	**961**

c. The Financial Model has an assumed level of Council Tax increases at £5 per annum, which as the Council is a low taxing authority; it has in the past used the greatest increase under the referenda principles. The final decision for the Council tax increase for 2019-20 will be for Council once the final settlement is known.

d. New Homes Bonus is currently not used to support the revenue budget, but as this grant is not ring fenced, it can be used in the short term if necessary, although this would be contrary to one of the Council's key financial principles.

Based on the assumptions contained in the model the Council is able to balance by the end of year 5, with a relatively small deficit in year 4, which will need to be monitored and addressed to set a balanced annual budget in that year. It should be noted that there are risks associated with the model, especially as Government funding beyond 2019-20 will have some major changes which are discussed in detail in section 4 below.

4. Beyond 2019-20, the Risks and Opportunities

From 2020-21 there are a number of major changes which can affect the assumptions in the 5 year Financial Model, especially in relation to the external environment, which pose potential financial risks and instability:

- The Government's 2019 Spending Review, including the Fair Funding Review will assess the needs for local authorities which will impact future Government funding for 2020-21 and beyond. The Business Rates Retention Scheme (BRRS) will also be part of these changes, to aid the mechanism for the reallocation of resources based on the needs assessment and will be the starting point for the new funding system under the proposed 75% BRRS. The 5 year Financial Model assumes that the Council will receive less government funding in the future as the funding changes are partly to aid higher tier authorities with social care responsibilities. It also anticipated that the New Homes Bonus grant will cease as part of these reforms, and only legacy payments will be made for the years up to 2019-20.
- New BRRS offers the opportunity to increase funding gained from the business rate growth in the longer term. However, in the short term there may be some concern about the resetting of the baseline and so growth

achieved to date and used to support services or one off projects under the pooling arrangement currently in place, is anticipated to be lost. This income stream is likely to be more volatile and so short term use of reserves as a safety net may be required and emphasises the need to ensure that the minimum level of reserves is sufficient.

- The impact on the economy and the demand for services as a result of the Brexit negotiations not only locally but will also the impact the national public purse. This could impact the outcome of the 2019 Spending Review and the settlement for local authorities for 2020-21. The Council has a high reliant on its fees and charges to balance the budget, especially those that are more volatile in any economic downturn. The experience in the current financial year shows that some income streams such as car parking charges and planning fees can be volatile.
- Demand on the Council Tax Reduction scheme could increase if there is an economic downturn, as the localisation of this scheme means that any volatility may impact the provision available. Experience to date is that expenditure is falling but is a risk if demand increases significantly.
- Welfare reform and the rollout of the Universal Credit scheme commenced in Chichester in July 2018. There remain delays in implementing the full scheme for all claimants, but the impact of this scheme is seen as a potential strategic risk both to the Housing and Revenues and Benefits Services and is expected to impact the Housing Benefit Administration subsidy grant in future years.
- The outcome of the Government's consultation on the request for a statutory override for the accounting treatment for treasury management investments (financial instruments fair value) under IFRS 9 has recently been announced that an override will be given for 5 years. Lobbying for this to be a permanent adjustment continues.

5. Conclusion

The review of the Financial Strategy and the 5 year Financial Model has been undertaken with a prudent view to identify the cost pressures and the assumption that Government funding will reduce after 2019-20 due to the Fair Funding Review and the localisation of Business Rates.

The Council's reliance on fees and charges to help balance the revenue budget may come under pressure if there is an economic down turn as a result of Brexit, and the Council needs to take account of changes in people's behaviour in relation to home working and shopping in the high street, both of which are having an impact on trends for car park income, and continue to monitor the more volatile income streams.

The 5 year Financial Model anticipates that the Council is still able to set a balanced budget by the end of year 5, subject to the assumptions and risks identified in this strategy, and the delivery of any further savings or income generation expected within the 2016 deficit reduction plan. As the council is legally required to set a balanced annual budget, the current deficit forecast in year 4 will need to be considered and addressed in line with the key financial principles and its key corporate plan objective for prudent and effective financial management.

Annex A

Key Financial Principles

Linked to the Corporate Plan objectives are the Key Financial Principles that underpin the Council's Financial Planning approach as set out in the table below.

Principle	Narrative	Actions
Key Financial Principles		
1. **All key decisions of the Council should relate back to the Corporate Plan**.	The Corporate Plan is the driver for our decision making, including the allocation of resources, and sets the Council's work plan. Each year the Corporate Plan is reviewed. The affordability role of finance in the corporate planning process has evolved into an assessment of what resources are required to deliver the emerging Corporate Plan projects, whilst maintaining high quality provision of services wherever possible. So far, major service reductions have been largely avoided. However, with finite resources that are predicted to continue to reduce in the immediate future, the Council may not be able to deliver all of its aspirations whilst maintaining existing services to the current level provided. Members may have to make difficult decisions in the future about service provision and competing priorities.	Regular monitoring and reporting against the deficit reduction plan approved by full Council September 2016 will be undertaken by officers & reported to members. New and emerging issues and service requirements will be considered by Strategic Leadership Team (SLT) and members during strategy planning events.
2. Ensure the revenue budget and capital programme remain balanced and sustainable over a rolling 5 year period.	There is a legal requirement to set a balanced revenue budget and ensure the capital programme is fully resourced. Over the last nine years 2010-11 to 2018-19 the Council took action to balance the revenue budget without drawing on general reserves. The Statement of Resource Allocation demonstrates that the capital programme remains affordable. In setting the 2018-19 budget, the £1.3m that was previously set aside to support the revenue budget should conditions dictate was added to the Council's General Fund reserve with the minimum level of reserves set at £6.3m during the 2018-19 budget process. Whilst the intention is to set a balanced budget over the medium term, this finite resource remains available to smooth the impact should there be any unanticipated adverse changes to our funding, or where service savings	The five year financial model will continue to be monitored and updated, and Cabinet is given regular briefings on this throughout the year. Senior managers will monitor delivery of the approved deficit reduction plan. Budget monitoring for revenue and capital schemes is completed quarterly by budget managers, and reported to all members on the Modern.gov website.

Principle	Narrative	Actions
	have been unavoidably delayed. The 5 year financial risk model will be updated and reported to Cabinet in December with the forecast of the budget for the next five years. The Corporate Governance and Audit Committee (CGAC) considered the appropriateness of the minimum level of reserves at their meeting in October 2018. Their recommendations will be made to the December 2018 Cabinet meeting.	The challenge is to consider future Government funding in light of the fair funding review which will impact settlements from 2020-21 and beyond; as 2019-20 is the final year of the four settlement agreement accepted by the Council.
3. Over the next five years maintain a position of non-dependency on reserves.	Appropriate funding needs to be built into the revenue and capital budget, taking into account the whole life cost of the assets. With reserves being largely committed, the revenue budget will need to make an appropriate contribution to reserves to fund any future capital commitments. Base budgets incorporate repairs and maintenance to council buildings, thereby removing dependency on reserves for what is a recurring revenue cost. Similarly, other recurring items still funded from reserves must be built into future revenue budgets. Building Services have undertaken a full review of the existing asset base of the council and identified with service managers the need to reinvest in our existing essential assets. This is updated annually to ensure the current asset base remains affordable over the long term. Following changes to the Council's Treasury Management Investment strategy in 2017 interest receipts arising from permitted long term investments to a property fund and other specific vehicles whose returns are less volatile are used to assist with the funding of the revenue budget, as part of the Council's deficit reduction strategy without creating volatility and risk. The Council currently has £10m invested in a Local Authority Property fund and a further £8m in mixed asset bonds generating returns of approximately 4.3% and 3% to 4% respectively. Other interest arising from the general investment of surplus funds	To build future demands for recurring expenditure into the five year Financial Model, and thereby into any potential savings target. To avoid funding recurring expenditure from reserves as a key financial principle. To determine annually as part of the budget process an amount of revenue income to set aside for future investment opportunities.

Principle	Narrative	Actions
	throughout the year for cash flow purposes is recycled into the funding the Council's capital programme; interest receipts on S106 balances are ring-fenced and added to those funds. Whilst any changes in interests rates will have an impact on the overall position of the Council, this approach will not affect the day to day activities of the Council. Recent investment decisions in the Council's own property portfolio will also generate further revenue receipts for the Council. The 5 year financial model takes into account income from historic investment decisions such as Barnfield Drive, Plot 21 Terminus Road and the Enterprise Hub as part of the Commercial Programme Board.	
4. In order to maintain a balanced budget in a climate of reduced funding, savings in the revenue budget or external funding will need to be identified before any new revenue expenditure, including capital expenditure that has revenue consequences, is approved.	The Council needs to have certainty about capital and revenue funding before entering into new commitments. This will require robust project management processes to ensure the full consequences of embarking on particular projects are known and understood from the outset for both revenue and capital. The whole life costs of the project must be considered. Where projects are dependent on match funding, the funding partner may impose certain conditions. The Council needs to clearly understand what those conditions are and their possible financial consequences. Projects should only proceed once all funding has been secured, and the conditions have been assessed and evaluated. The relevant service should also consider, in advance, any costs that may arise at the end of the project and prepare an exit strategy so that the full consequences are known in advance. Whole life costing should be used. Copies of all funding agreements should be copied to financial services to ensure all possible future liabilities are considered and documentation retained.	All Project Initiation Documents (PIDs) are to be based on whole life costs, and include an exit strategy.
5. Review costs in response to changes in service demands.	The call upon council services is fluctuating more during a period of economic and financial uncertainty. Whilst short-term variances in demand can be accommodated, any longer term trends, i.e. beyond one year, will require the Council to respond by redirecting its resources in line with changes in demand. This is a key principle as future changes in demand on	Essential services that experience an increase in demand will be recognised and supported. However, where there is an on-going reduction in demand beyond one

Principle	Narrative	Actions
	services are bound to occur. Prioritising the Council's services will enable scarce resources to be directed to areas of need and priority over the medium term.	year they should be reviewed in order to realign resource allocation.
6. Where the Council has discretion over charging for services, consideration needs to be given as to the extent to which service users should bear the costs, and the proportion, if any, that should be met by Council Tax.	The Council has limited discretion to set fees and charges for some services. Clearly, the setting of charges should have regard to community needs for those services as well as affordability. Traditionally, many fees and charges have increased in line with inflation. The Council has a Fees & Charges Policy. This requires services that have discretion to charge, to attempt to at least break even, unless there is a clear approved policy reason for not doing so. The underlying principle is that the service user should pay the full cost of the services received.	Service managers need to consider their fees & charges in advance of the start of each financial year. Any individual services operating at a deficit should aim to break even unless there is an approved policy to support their on-going subsidy. This should be based on the whole cost of delivering the service, including use of assets.
7. Continue to review the Council's costs in order to find further savings.	The Council has already achieved significant savings over recent years. However, the Council will continue to seek further efficiencies to help free up resources, ensure services are as efficient and effective as possible and support the community. The focus is to ensure services are delivered to an appropriate standard at a competitive unit cost. Members and the Senior Leadership Team (SLT) developed a strategy to eliminate the projected budget deficit up 2022-23. The "Deficit Reduction Strategy" was approved by full council September 2016 to achieve further savings of £3.8m. So far savings of £3.38m have been achieved. The challenge now is to see the remainder of that plan is delivered and to consider the future impact of any service delivery changes, budget pressures or funding reductions by the Government as a result of the fair funding review, or pressures arising due to other external agencies and partners, including West Susses County Council. Three programme boards (Infrastructure, Business Improvement and	In order to assist the budget process for future periods, further efficiencies should be identified. Officers will need to review service costs to determine whether unit costs are appropriate and report back to members where service reviews are deemed necessary to reduce unit costs to an acceptable level. Prior year variances in relation to underspends will be reviewed by Financial Services as to whether an opportunity exists to adjust future budget requirements, in consultation with the budget manager.

Principle	Narrative	Actions
	Commercialisation) have been set up to co-ordinate the various projects that the council is engaged in. This enables the council to direct resources to higher priority projects, and enables senior management to intervene to assist projects to remain on track to deliver their planned objectives. The programme boards also track efficiencies as part of their process which aids corporate financial planning. These boards are incorporated in the 5 year financial model. Future service reviews will consider the most efficient ways of working, including working with partners, channel shift, sharing assets, shared services and outsourcing to deliver the best and most effective solutions for services and the community. Aside from formal service reviews, service managers should normally be considering the best, most cost effective procurement methods in their service areas.	
8. Match Council Tax increases to a realistic and affordable base budget.	The objective is to limit increases in Council Tax to modest and affordable levels over the next 5 years, whilst accepting that such an objective may be impacted by national government policy. For 2018-19 the Government changed the threshold for triggering a requirement to hold a referendum for council tax increased from over 2% to over 3%. It also allowed again that councils could increase by the higher of a 3 % council tax rise or £5, depending on which was the higher. In effect this rule change has permitted this council, since it has one of the lowest Council Tax levels, to increase its Council Tax by £5. The Government have yet to confirm what rules will apply for 2019-20.	5 year financial strategy model to be updated as necessary, once Government criteria known for referendum thresholds for setting Council Tax increase.
9. Budgets should be pooled with other service providers to achieve more effective and cost efficient outcomes for the	It is likely that in future the Council will become more involved in new ways of working, including greater partnership working, devolved budgets and pooling resources with other agencies. It is important that the Local Strategic Partnership strategic objectives and community outcomes are agreed from the outset when partnerships are formed so that the	Where appropriate we should commission services with other service providers and pool our budgets to provide more effective and efficient outcomes for the

Principle	Narrative	Actions
community.	achievement of results can be measured and reported to members to ensure public funds are being used in the most efficient way to achieve greatest impact for the community.	customer.
10. New Homes Bonus (NHB) This should be allocated annually, and only committed once received.	The NHB is not new funding. This is paid from local government funding pot that would otherwise have been distributed to councils. The grant is not ring-fenced, and as such the Council can choose how it wants to use this source of funding, although the previous coalition Government pointed out that it expected it to be used to help "reward" communities that have taken housing growth. Further, the Government also stated that it expects councils to consult with their communities on its use, and in areas where there is a national park as the planning authority, to also consult with the park authority. The funding is paid as a grant in respect of each new domestic dwelling coming into the tax base (net of any long term empty properties) of the whole District, including the area within the National Park. The amount paid is based on the national average council tax, and is paid for the following four years from 2018-19, split 20% to the County Council and 80% to the Housing authority, i.e. CDC. The legacy payment term for developments is for 4 years from 2018-19 rewarding development that exceeds the baseline set at 0.4%. No changes to the NHB scheme was made in 2018-19 following a Government consultation but there is always a risk that NHB will be amended further, as the Government tries to increase the number of houses that are built. The view remains that NHB should not, therefore, be relied upon long term to resolve our budget position, and should only be committed after it is received, so the decision not to rely upon it to fund core services has proven to be prudent. In previous years the Council have not used the NHB to assist in balancing our revenue budget, and have instead used this source of funding to help reward communities by funding one off projects. The Fair Funding Review	The NHB to be reserved for community and other uses after it has been received. It remains important, however, to allocate this funding taking into account the legal requirement to set a balanced budget for the council. As such this will be reviewed annually. The grants and concessions panel review the use of NHB, along with other grant funding that the council makes available to individuals and groups.

Principle	Narrative	Actions
	and the localisation of business rates, along with the introduction of CIL there remains uncertainty surrounding the future of NHB.	
11. Localisation of Business Rates. We should review the decision to pool our business rates annually after receipt of the government draft settlement to ensure that the Council is in the best possible financial position.	A business rates pool in West Sussex has been created, thereby enabling us to retain more of the NDR growth locally for investment jointly with other pool member authorities. Full localisation of business rates which was expected by the end of this parliament may in effect do away with the need to form pools to retain this growth. Until then it is recommended that we continue with pooling arrangements. West Sussex authorities have submitted a bid for 75% pilot status for 2019-20. No decision will be made until the draft settlement is received at which point the council can opt in or out of the pilot. If the Council does accept the pilot status, that would supersede the old pooling arrangement.	The existing pooling arrangement will continue into 2019-20 unless the council opts out of this arrangement or the 2019-20 75% pilot bid is accepted by the Ministry of Housing, Communities and Local Government (MHCLG). Once the draft settlement has been announced this will indicate which NDR arrangement the council will operate. The Council does have an option to withdraw from the existing pool, or the 75% bid, however, until NDR is fully localised it would remain beneficial to retain the current pooling arrangements.
Resources and Capital Programme Principles		
1. Capital receipts, reserves and interest on investments (other than property and multi bond investments) will primarily be available for new investment of a non-recurring nature, thereby minimising the overall financial risk. Income earned from property investments, both directly owned and managed property, and the Local Authority Property Fund,	This is a long-established principle whereby non-recurring resources are used to meet non-recurring expenditure. The revenue budget is no longer reliant on reserves. Interest receipts are, with the exception of property related income and mixed asset bonds, diverted to support the capital programme.	Temporary sources of funding should not be relied upon to fund recurring revenue costs. Budget managers embarking on new projects that involve temporary funding must design an exit strategy from the outset to ensure the council is not left with unfunded costs at the end of the funding stream.

Principle	Narrative	Actions
together with mixed asset bonds, can be used to support revenue as the income streams earned are much less volatile.		
2. Ensure that a sufficient level of reserves are maintained, as informed by the Financial Strategy, so that the Council can remain flexible and is able to respond to a changing local government environment.	The objective is to offer resilience against the unexpected and provide resources for new initiatives including one off costs to assist with reshaping the organisation. The Capital Programme is an estimate of the capital schemes' likely cost and the funding resources likely to be available to meet that need. This is always subject to amendment if, for example, a scheme cost is higher than anticipated or an anticipated capital receipt is less than expected. The capital programme is by its nature constantly changing and the resource position will be continuously monitored to ensure it remains affordable. The Resources Statement reflects the current level of reserves, anticipated receipts, and commitments, and this will be updated alongside the 5 year financial plan.	Routine monitoring of the capital schemes and the overall resources position will continue to ensure the capital programme remains affordable. All earmarked reserves will be reviewed annually with service managers to ensure that they remain relevant and essential, otherwise the funds should be returned to available balances.