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.	Members and the Senior Leadership Team (SLT) have developed a strategy to eliminate the current projected budget deficit over the next 5 years. The "Deficit Reduction Strategy" was approved by full council September 2016. The challenge now is to see that plan delivered on time and achieving the level of savings required. Regular monitoring and reporting against the plan will be undertaken by officers & reported to members during the months ahead.
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 eight years 2010-11 to 2017-18 the Council took action to balance the revenue budget without drawing on general reserves. The Statement of Resource Allocation (Appendix 3) demonstrates that the capital programme remains affordable. Within this, £1.3m has been earmarked as available to support the revenue budget should conditions dictate. 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 have been unavoidably delayed. The 5 year financial risk model has been updated as our current best estimate of the budget for the next five years, and is attached as Appendix 2. This indicates that, subject to all the uncertainties set out in part 4 of the covering report, and assuming that the deficit reduction programme is delivered on schedule, the budget for 2018-19 and beyond should be balanced. The Resources Allocation statement has been updated to reflect the current capital	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 cabinet.

	programme and is attached as Appendix 3. The Corporate Governance and Audit Committee (CGAC) will be asked to consider the appropriateness of the minimum level of reserves at their meeting in November. Their recommendations will be made available to the Cabinet meeting.	
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. Since 2010-11 the degree to which the revenue budget was supported by interest on investments was removed. This eliminated a key risk to the authority that large variances on interest receipts could have put immediate pressure on the revenue budget. Instead all interest receipts were recycled into funding the capital programme (interest receipts on S106 balances are ring-fenced to those funds). Any change in interest rates has still impacted the overall position of the Council, but has a less immediate impact than it has had for authorities that continue to rely on interest receipts to fund day to day activities. Following changes to the Treasury Management policy in 2017 which permitted long term investments to a property fund and other specific vehicles whose returns are less volatile; the Council currently has £10m invested in a Local Authority Property fund and a further £8m in mixed asset bonds generating returns of approximately 4.5% and 3% respectively. Both these investment vehicles provide a more predictable rate of return and so this investment income was identified as part of the deficit	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 an amount of revenue income to set aside for property investment.

	reduction strategy to assist with funding the revenue budget without creating volatility and risk. Recent investment decisions in the Council's own property portfolio will also generate further revenue receipts for the Council. It is proposed that some of this additional income is recycled via council reserves to enable further investment going forward, rather than taking all of the income into the revenue budget. The precise amount to be recycled in this way will be determined as part of the detailed budget proposals brought to Cabinet in February 20187. 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; both revenue and capital, of embarking on particular projects are known and understood from the outset. 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 services are bound to occur.	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 year they should be reviewed in order to realign resource

	Prioritising the Council's services will enable scarce resources to be directed to areas of need and priority over the medium term.	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. Three programme boards (Infrastructure, Business Improvement and 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.	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.

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 2017-18 the requirement to hold a referendum for council tax increases over 2% was relaxed again so that the referendum was only required if the proposed increased was both in excess of 2% and £5. In effect that rule change 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 that the same rules will apply for 2018-19but a £5 increase is assumed in the 5 year financial model for next year only. As the decision regarding the referendum limits is taken annually, and so the model assumes just 2% each year from 2019-20 onwards.	
9. Budgets should be pooled with other service providers to achieve more effective and cost efficient outcomes for the community.	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 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.	Where appropriate we should commission services with other service providers and pool our budgets to provide more effective and efficient outcomes for the 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 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 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	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.

	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 payment term has reduced from 6 years to 5 years in in 2017-18 It was flagged in previous years that there is a risk that NHB will be amended further, as the Government has indicated that it is reviewing the scheme to try to increase the number of houses that are built. The view 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 we 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. With the introduction of CIL, and given the uncertainty surrounding the future of NHB as we await the detail of the 2017 spending review. The grants and concessions panel review the use of NHB, along with other grant funding that the council makes available to individuals and groups.	
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 the current pooling arrangements, unless the West Sussex 100% pilot bid for localisation of business rates for 2018-19 was successful and so supersedes the old pooling arrangement	The existing pooling arrangement will continue into 2018-19 unless the council opts out of this arrangement or the 2018-19 100% pilot bid was accepted by the Department of Communities and Local Government (DCLG). 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, 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 investment) 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, can be used to support revenue as the income streams earned are much less volatile.	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.
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 is attached at Appendix 3. This currently indicates a surplus of resource of £8.2m. The Resources Statement assumes a minimum level of general fund reserves of £5m as agreed by members in 2009 and reaffirmed in subsequent years.	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.

	Although the Resources Statement indicates £8.2m as being available, further projects, possibly to supplement CIL or projects that produce revenue income to assist with the Council’s revenue budget may be funded from the residual balance of this fund.	