

REVENUE BUDGET STRATEGY

The Council will ensure that there is an effective Medium Term Financial Strategy in place to drive forward the financial planning process and resource allocation. The financial strategy will be determined by policies and priorities set out in the Council's Corporate Plan, together with other key Strategies, and with appropriate linkages in place to the Service Planning process.

The Council is clear about, and remains committed to, its *Living Ambition*, the long-term vision for the future of the borough, which is to provide Havering's residents with the highest possible quality of life, in a borough that thrives on its links to the heart of the capital, without ever losing the natural environment, historic identity and local way of life that makes Havering unique.

Underpinning the *Living Ambition* are five key goals: Environment, Learning, Towns and Communities, Individuals and Value, with a number of strategic objectives under each Goal. The Council is committed to allocating resources in a way that will support the achievement of these objectives.

The Council recognises the pressures on its budget, and while seeking to protect and enhance front-line services as far as possible, will aim to contain these pressures within existing resources. Cabinet Members will examine all budget pressures and seek reductions where possible.

The Council will wherever possible seek new funding and new ways of working. The Council will continue to look at new methods of service delivery to improve services to the public and the value for money that they provide, including working in partnership with others.

The Council will continue to seek to improve efficiency and deliver value for money, in particular, the Council will aim to identify efficiencies that will not impact on service delivery, and to identify options that will improve the value for money of its services through improving performance, and/or reducing service costs.

The Council will ensure that, given the severe financial pressures it is facing, growth will only be supported in priority areas, or where the Council is required to fund new responsibilities.

The Council will however ensure that the most vulnerable members of its community are protected, will continue to lead in the development of social cohesion, and will ensure that the services provided and resources allocated reflect the diverse nature and needs of our local community and our responsibilities to the local environment.

The Council will lobby to ensure that the Government provides adequate funding to take on any new responsibilities and to illustrate the impact of the low funding basis for Havering and its residents, but will ensure that, in broad terms, its spending is in line with the basis on which the Government allocates grant funding, and that spending levels will be realigned against any reductions in funding.

The Council will ensure that it engages with its local community, its partners and individual stakeholders in developing financial plans, and will reflect on the outcome of its consultation process in the identification of priorities and the allocation of resources.

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That, while addressing its priorities and setting a balanced and prudent budget, the Council will seek to keep any increase in the Council Tax to the lowest possible level and in line with its stated aspirations whilst maintaining reserves at the minimum level of £10m.

And as part of that process, the Council will not utilise those reserves, or any reserves earmarked for specified purposes, to subsidise its budget and reduce Council Tax levels as this is neither a sustainable nor a robust approach.

The Council will seek to ensure that sufficient financial resources are available to enable it to deliver a long-term savings plan within the constraints of funding available to it from both local taxpayers and the Government, and will seek to utilise any unallocated funds with that purpose in mind.

The Council will adopt a prudent capital programme designed to maintain and where possible enhance its assets, in line with the Living Ambition.

The Council will finance capital expenditure through a combination of external funding and capital and Section 106 receipts, and will only apply prudential borrowing as a last resort, unless a business case can be made to finance investment through borrowing, where there is an income or savings stream arising from the investment.

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CAPITAL BUDGET STRATEGY

The capital budget strategy sets out the Council's approach to capital investment over the medium term. It has been developed in consultation between senior officers, Members and the Council's key strategic partners and is integrated with Havering's *Living Ambition*, set out in the Council's Corporate Plan.

The Council will ensure it engages with the local community and wider stakeholders in developing its financial plans.

The Council has adopted a prudent capital programme in line with the *Living Ambition* designed to:

- protect, maintain and develop existing assets and infrastructure – the backlog of repairs to existing assets such as school buildings, office accommodation, and infrastructure assets such as roads and paths;
- develop new facilities for which there is significant public demand or upgrading assets to meet the expectations of local people, and obtaining value for money from the use of our assets and resources;
- support the delivery of the Council's transformation programme and further initiatives to improve efficiency and effectiveness e.g. through the adoption of new technology to release revenue savings or improve service delivery to the community.

The Council will seek to continue to improve efficiency and value for money, in particular to:

- maximise asset utilisation;
- ensure assets are fit for purpose and health and safety compliant;
- facilitate and promote community use;
- explore alternative management arrangements e.g. leases to community groups;
- explore opportunities for innovative ways to procure and deliver capital projects to maximise the resources available;
- consider the wider aspects of capital projects, for example whole life asset costs, equality and diversity, and environmental implications;
- investigate shared usage/ownership arrangement with other local authorities, partners and stakeholders.

As well as the above, the Council's approach to capital asset management includes the review of existing assets in terms of suitability for purpose, alternative and future use, and maintenance requirements. The aim for the Council to rationalise its asset portfolio and only hold assets that support the delivery of its goals, offer value for money or in some other way are important for community, heritage or other significant social purpose.

The capital budget strategy is intrinsically linked to the revenue budget strategy. The revenue implications of capital expenditure and funding decisions are explored and accounted for on an ongoing basis. These are reflected as appropriate and include the consideration of the challenging financial climate which the Council faces.

The Council will finance capital expenditure through a combination of:

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- Receipts
- External Funding
- S106 Contributions
- Revenue Contributions to Capital
- Capital Grants
- Capital Allowances
- Supported Borrowing
- Prudential Borrowing.

Each funding stream is considered in terms of risk and affordability in the short and longer term.

The current and future economic climates have a significant influence on capital funding decisions. As a result planned disposals are kept under regular review to ensure the timing maximises the potential receipt where market conditions are not favourable.

Capital expenditure will only be permitted where funding streams have been identified and confirmed. Prudential borrowing will only be used as a last resort, unless a business case can be made to finance the investment from an income or savings stream.

Every effort is made to maximise grant funding, leverage opportunities and other external funding opportunities, where they are consistent with the Council's *Living Ambition* vision, goals and strategic objectives set out in the Corporate Plan. Use of grant funding will however only be made where the cost to the Council is minimised or where this – both capital and revenue – can be contained within existing resources.

Where expenditure is to be financed through capital, this will only occur where funds have been realised. Neither capital receipts generated through disposals nor S106 contributions are committed until they are actually received. This is due to the complex conditions and timing issues that can be associated with them.

The Council is also continuing to attract private investment into Council facilities through exploration of potential partnership and outsourcing arrangements.

This funding approach has been made with reference to the Council's current and longer term financial position, the prudential code, the current and projected economic climate, and the Council's asset management strategy as set out in the Corporate Asset Management Plan.

The capital programme will be reviewed on an annual basis. This will consider items such as new funding opportunities and Member priorities. In year changes e.g. the availability of additional external funding, will be made on an ongoing basis as part of routine programme management. These will be implemented with regard to the Council's Constitution and agreed procedures.