Havering
LONDON BOROUGH

CABINET 12 DECEMBER 2012	REPORT

Subject Heading:	The Council's Financial Strategy
Cabinet Member:	Cllr Roger Ramsey
CMT Lead:	Andrew Blake-Herbert Group Director Finance & Commerce
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Policy context:	The Council is required to approve an annual budget and this report provides information to enable Cabinet to make recommendations to Council in February 2013
Financial summary:	There are no specific financial issues, this report deals with the overall budget position and associated issues
Is this a Key Decision?	No
Is this a Strategic Decision?	No
When should this matter be reviewed?	December 2013
Reviewing OSC:	Value

The subject matter of this report deals with the following Council Objectives

Ensuring a clean, safe and green borough	[X]
Championing education and learning for all	[X]
Providing economic, social and cultural activity in thriving towns and villages	[X]
Valuing and enhancing the lives of our residents	[X]
Delivering high customer satisfaction and a stable council tax	[X]

SUMMARY

Over the course of the previous two years, Havering Council has agreed a package of savings to mitigate the impact of very significant cuts in central government funding to local authorities.

Government plans for radical changes to a number of areas were announced over this period. More detail has continued to emerge. These changes will fundamentally alter the way in which local authorities are funded. This report updates Cabinet on recent developments since the last meeting.

This report also sets out the position in the current financial year, and other relevant issues, as these need to be taken into account in developing the detailed budget for 2013/14.

RECOMMENDATIONS

Cabinet is asked to:

1. Note the current position with developments relating to the funding of local authorities and other related changes.

2. Approve the revenue and capital strategy statements, as set out in Appendix A, and recommend their adoption to Council.

3. Note the general economic climate remains gloomy and this raises the prospect of a lengthy period of austerity with a consequent impact on public sector funding.

REPORT DETAIL

1. BACKGROUND

1.1 Previous reports to Cabinet have set out a variety of information on changes to local authority funding and a range of issues that impact on the Council's budget setting process. This builds on similar processes for the two financial years following the austerity measures introduced by the Coalition Government in the light of the global and national economic environment.

1.2 The implementation of the new funding system for local authorities is progressing and more information is becoming available all the time. This report updates Cabinet on recent developments, since the last meeting, relating to the localisation of business rates, together with other issues associated with funding streams. Issues highlighted in the last report are still pertinent to the budget strategy except where updated by this report.

1.3 As part of the budget setting process, strategy statements have been developed that set out the key elements of the Council's approach. These have been updated and are included as part of this report for approval and onward recommendation to Council.

2. FUNDING CHANGES

2.1 The Government had previously announced a variety of changes that will impact, either directly or indirectly, on the funding regime for local authorities. These have been reported to Cabinet previously, but progress towards the implementation of these changes has continued. Updates on the following areas are set out below:

- Localisation of business rates
- Localisation of Council Tax support
- School Funding & Pupil Referral Units
- Capital funding.

Localisation of Business Rates

2.2 This issue was covered at some length in the previous report to Cabinet. The Council has since submitted its response to the technical consultation. Since the previous meeting of Cabinet, officers have attended a DCLG roadshow and have received further information on the new means of funding. The primary legislation has now passed onto the statute books with the Local Government Finance Bill becoming an Act on 31st October, and the final regulations governing its operation are now awaited.

2.3 The financial details will, as previously advised to Cabinet, be included in the Local Government Financial Settlement (LGFS). This will follow the publication of the Local Government Finance Report, which officers have been advised will now be issued on 4th December. The LGFS has been expected to be announced some time between 5th and 20th December, and in fact may be as late as 19th December if recent speculation is to be believed. It is understood this “delay” is because the overall departmental spending levels are under review, and this in turn raises the prospect of additional reductions in funding. It therefore remains possible that information will only be available for digestion and analysis very close to the formulation of the January Cabinet report.

2.4 The “new” funding system will retain many of the elements of the existing one. As has now become the norm, existing grants are being rolled up, although possibly not in full. This inevitably means that, not only will the new system be extremely complex, far from transparent and difficult to interpret, there is an increased risk that the Government’s stated position that “no authority will be worse off” will be impossible to either prove or disprove.

2.5 To illustrate this point to Cabinet, the following approach is being taken with the Early Intervention Grant (EIG). This grant was created in 2010 by bringing together a number of then existing grants streams into a single pot, subject to a reduction in funding. Havering’s EIG currently stands at £8.934m. Nationally EIG is worth £2.365bn, of which £534m will be transferred out in 2013/14 to fund free education for two year olds and £150m will be retained centrally for "future use in funding early intervention and children's services". There is a new grant to expand early education and childcare of £100m, though whether this is funded by the £150m is unclear. Once these have all been incorporated as part of the "roll-up", it matches roughly to the national amount of grant to be transferred in the formula in 2013/14. So for Havering, the 2012/13 grant of £8.934m translates into a rolled up equivalent for 2013/14 of £6.526m.

2.6 There are similar "roll-up" adjustments being made in relation to LACSEG (or Academies, as highlighted in the previous report to Cabinet), New Homes Bonus, Council Tax freeze grant (the original 2011/12 grant), Learning Disability & Health Reform Grant, Homelessness and Flood, as well as the impact of the changes resulting from the localisation of Council Tax support. This leads to a comparative calculation showing our current 2012/13 grant and the equivalent sum that is being rolled up. In summary, this as follows:

	2012/13 £m	2013/14 £m
Formula Grant before adjustment	51.351	45.422
Start-up Funding Allocation	79.014	70.734

2.7 It is as yet unknown to what extent this apparent gap of £8m will be made up by grants yet to be announced, nor when these announcements will be made, although these are likely to be part of the LGFS announcement. However, this is a clearly an area of high risk, and raises the very real prospect that authorities will in fact be worse off after the transition to the new funding system, inspite of Government announcements to the contrary. It may also be extremely difficult to compare like with like, with a similar risk that the new system will be far from transparent.

2.8 More recently, on 21st November 2012, DCLG published its Business Rates Retention Policy Statement. The statement provides confirmation of the Government's policy decisions following the technical consultation. The Government's formal response to the consultation will be made within the forthcoming provisional local government finance settlement. A summary of the responses to the technical consultation will also be published at the provisional settlement.

2.9 In broad terms, the policy statement confirms the Government's intention to proceed with the implementation of a range of proposals set out in the technical consultation. It also sets out a number of changes to those proposals, in response to comments received to the consultation. The key elements of the policy statement are as follows:

<u>Size of the local share</u>
This will remain at 50% as previously announced.

<u>Levy</u>
Again as previously announced, a 1:1 proportional levy will be applied to increases in NNDR income above the NNDR baseline. For tariff authorities, this would mean that a 1% increase in NDR income would result in a 1% increase in revenue. However, the Government has put an upper limit on the rate of the levy, the maximum levy rate imposed will now be set at 50%. For

top-up authorities, using the 1:1 proportionate levy resulted in no levy payment being due on increases to NNDR income and this remains unchanged.

Safety Net

The safety net will now be set so that no authority will see income fall by more than a set percentage of their original baseline funding level (and this level would be increased by RPI every year). The Government has now announced that the safety net percentage will be -7.5% (previously it had given a range of -7.5% to -10%). The sum of £250m planned to be held back to support the safety net (ie in case the levy did not raise sufficient resources to fully fund safety net payments) is now under review and a revised figure will be announced at the provisional settlement. Based on NNDR income estimates, the Government also intends to announce how much of the £250m (or equivalent figure) is not required prior to the start of each financial year. This amount will then be returned to local authorities in the early part of the financial year.

New Homes Bonus

The Government has decided to use the alternative option put forward for removing New Homes Bonus funding i.e. taking £500m in 2013/14 and £800m in 2014/15 for New Homes Bonus. Any amounts not used in each of these years will be refunded pro rata to the start-up funding assessment.

Floor Damping

Floor damping will be applied at a local authority level, rather than at a service tier level.

Proportionate Shares

The technical consultation proposed using a five-year average of NNDR income (2007/08 to 2011/12), to establish proportionate shares (and therefore local authorities' expected NNDR income for 2013/14). The Government has now decided that a two-year average (2010/11 to 2011/12) would be more appropriate.

2.10 Officers are in the process of assessing the impact of the announcement, with advice and guidance from the LGA, London Councils, and local government finance experts. Currently, a very preliminary view is that these changes are beneficial to Havering, but a great deal of work is underway and will continue through both the Autumn Budget Statement and LGFS announcements, to assess with more reliability what these changes will ultimately mean.

Localisation of Council Tax Support

2.11 Cabinet approved the Council's scheme for consultation in September and the consultation process has now concluded. The final scheme requires approval prior to 31st January 2013 and will need to be reflected in the budget for 2013/14. A separate report on the final scheme is on the agenda today for consideration.

2.12 The Government has recently announced additional, transitional funding (which will only be available for financial year 2013/14). This totals £100m nationally, though Havering's estimated allocation is only around £367k. The details of this funding are currently being assessed to confirm that Havering would be entitled to claim this, and what impact this has on the current consultation process. These are being reflected in the relevant report.

2.13 One aspect which has now become evident, as a result of localisation, is that the impact of any rises in Council Tax levels which also impact on the level of support payments. These will effectively be netted-off against the revenue derived from any Council Tax rise. This is currently being assessed, though the exact impact would depend on the local scheme adopted by each local authority, but potentially this could reduce the overall yield from a Council Tax rise by anything up to 25% of the gross value of the rise. This factor will need to be taken into account if authorities are contemplating a rise in Council Tax.

2.14 Work is currently underway to separate the estimated costs of administering Council Tax and Housing benefit. Since the previous report to Cabinet, details of the grant funding for next year have, in fact, been announced, and are as follows:

	2012/13 £000	2013/14 £000
Administration Grant	1,455	1,380
Recession Monies	144	63
Total	1,599	1,449

2.15 The figures indicate a grant reduction of £150k, which would necessitate similar reductions in spending to accommodate. There is an addition a further risk of £63k, as there is no guarantee the recession monies funding will be continued beyond next year. DWP have advised that they will decide closer to the time whether they will provide any further one-off funding in 2014/15, however they have stated that this will not form part of future baseline funding.

Schools Funding & Pupil Referral Units

2.16 There are two further issues that will potentially impact on the Council's financial position, in addition to those flagged in the previous report to Cabinet. These are changes to budgets that are currently held centrally and budgets for Pupil Referral Units (PRUs). These are addressed below.

2.17 Currently there is an element of central support services costs that are recharged to the Dedicated Schools Grant (DSG). This is permitted by section 251 of the Apprenticeships, Skills, Children and Learning Act 2009 guidance, which states that:

Administrative costs and overheads attributable to a particular category of expenditure that regulations allow to be charged to the Schools Budget should in general be included under the appropriate item head, if necessary suitably apportioned between school types.

2.18 The amount recharged to the DSG is consistent between financial years as the settlements are generally “cash flat”. This gives no opportunity for increases to recharges as it would result in corresponding reductions in service related costs within a ring fenced budget. There is a mechanism in the DSG budget setting process that controls the balance between the budgets allocated directly to schools and the total budgets held centrally; the percentage increases in the latter must not exceed percentage increases in the former.

2.19 The School Funding Reforms that are to be implemented on 1st April 2013 include the delegation to schools of a number of the budgets that are currently held centrally. In some cases these budgets include an element of central recharges which will also be delegated. The likelihood of that delegated recharge budget being used by schools to buy back central services currently recharged when the budget was held centrally is thought to be low.

2.20 This issue is demonstrated by the requirement from April 2013 to delegate funding to pupil referral units. Delegation will mean that the PRUs will manage their own budgets as schools have done for several years, and will no longer be able to rely on corporate services unless they buy them in. The sum currently recharged to the PRUs will therefore be used, in part, to buy in services such as HR, Governance, Finance, ICT and Payroll support. Traded services are already in place to provide these services and existing pricing structures will be used that are in place for schools. The risk to the Council is that this sum will no longer be available to recharge the same corporate overhead costs for support services that it funds currently.

2.21 These two factors create a budget issue, ie if it is not feasible to reduce spend to a similar level as the potentially “lost” recharges, these will now fall back on the General Fund.

Capital Funding

2.22 Local authorities have been advised that, contrary to previous years, announcements in respect of Basic Need Capital funding will not be made until late January – though no exact date has yet been announced. In previous years, this information has been available during December or early January. This further late announcement means that it will only be possible to provide a preliminary view of planned capital spend as part of the January Cabinet report. It is hoped that the announcement will be made early enough to reflect this in the February report.

3. OTHER ISSUES

3.1 There are a number of other factors that will need to be taken into account as part of the budget setting process, the latest on these is as follows:

- Freedom passes
- London Borough Grants Scheme
- GLA.

Freedom Pass

3.2 The latest information is that an overall rise of 5% – which is in line with the Council's expectations – is anticipated. A reduction to our contribution to the taxicard scheme is however expected.

London Borough Grants Scheme

3.3 The latest information indicates that the Council's contribution to the scheme will be reduced, although details are still awaited.

Greater London Authority (GLA)

3.4 The GLA budget has an impact on the overall level of Council Tax, although of course there is little authorities can do, other than respond to the Mayor's consultation on his proposals. The Mayor's initial outline of his proposed approach to his budget, which reflects his manifesto commitment, is to reduce the GLA's Council Tax precept by 10% by 2016/17. This covers the 4 years from 2013/14 onwards. It is not clear, especially given the uncertainties over the new funding system, how the Mayor intends to deliver this, but the guidance he has produced makes it quite clear this is what he intends to deliver. The proposed reduction would see the GLA levy fall from £307 to around £276.

3.5 Cabinet also need to be aware that, at present, the GLA's final consideration of the Mayor's Budget is set for 13th February. But they are now considering rearranging that meeting to the week commencing 25th February (and currently the 25th is the option being consulted on). That would mean the final decision would not be made until two days before the Council's own decision. A similar position has in fact happened before, so provided the decision is communicated as soon as it has been made, then a supplementary paper with the outcome would have to be tabled at the Council meeting.

4. MEDIUM TERM FINANCIAL STRATEGY (MTFS)

4.1 The Council has operated a medium term financial plan for a number of years. The MTFS has formed the bed-rock of the Council's financial management approach, and has enabled a high degree of financial stability to be achieved.

4.2 The principles of the MTFS are encapsulated in strategy statements. These have been developed to cover, separately, the revenue and capital budgets, and the procurement strategy.

4.3 These strategy statements underpin the Council's budget setting and budget management processes. They are required to be formally approved by Council, and Cabinet is therefore asked to recommend their adoption. The strategy statements for revenue and capital are set out in Appendix A. The procurement strategy is currently under review to determine how this best fits the future financial environment and therefore the existing strategy statement will remain in place.

5. FINANCIAL PROSPECTS

5.1 The background to the recent reduction in public sector funding has not only been highlighted in previous reports to Cabinet, it has had both national and global publicity. The economic climate has remained bleak for some considerable time, with interest rates at record, all-time lows. The Coalition Government's austerity programme, reflected in CSR 2010 and subsequent funding announcements, has already seen Havering lose at least £16m in funding over the last two financial years. Our financial strategy has enabled us to survive this level of cuts, but consideration now needs to be given to the coming years.

5.2 There has been a considerable amount of information produced on the financial prospects. Without exception, they illustrate the prospects of a return of the economy into recession, with either a much longer period of time to achieve a balanced national economy, or more likely, the need for even more austerity to do so. This not only strongly indicates that the next CSR period, running from 2015, will see "more of the same", but there is a very real risk that further reductions in public sector spending will be needed over the remaining years of CSR 2010.

5.3 Whilst hard numbers may not be immediately available, these prospects are now very real. It is therefore essential for all local authorities to ensure that they are adequately resourced to tackle a sustained programme of service transformation, to ensure that service spend is matched against the financial resources provided by Government and through local taxation. Officers are currently considering the resources that are likely to be required and how these might be funded, and this will be covered as part of the report to Cabinet in January.

5.4 The position in the current year was set out in the report to Cabinet on 7th November. A full review of the financial position is underway and this will be included in the report to Cabinet in January; this will include an assessment whether any issues identified in the current year either will or may recur next year.

REASONS AND OPTIONS

Reasons for the decision:
It is essential that the Council's financial strategy takes due account of Government plans, and any other material factors where these are likely to have an impact on the Council's financial position. This report provides an update to Cabinet on issues relevant to the budget setting process.

Other options considered:
None. The Constitution requires this as a step towards setting the Council's budget.

IMPLICATIONS AND RISKS

Financial implications and risks:
The Council's budget process will ensure that financial implications and risks are fully met. There are continuing risks given the uncertainty over the transition to localised business rates, and to the associated announcement of the LGFS, and the potential impact on funding, together with the other aspects referred to in the body of the report. The steps already taken by the Council should mitigate this, but to what extent remains unclear. It will therefore be necessary to assess the position once the funding levels are finally known.

There are considerable risks in the medium to longer term, with the continuing economic uncertainty as well as the imminent changes. The Council therefore needs to maintain a prudent approach over its financial management and the budget setting process. This includes taking due account of the position in the current financial year as well as any factors having an impact beyond it.

Legal implications and risks:
The Council is subject to a number of duties in relation to revenue, capital and procurement. For instance, as a Best Value Authority the Council is under a duty to "make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness." s 3 Local Government Finance act 1999. The proposals set out in the Strategies attached at Appendix B appear to comply with these general duties as they are lawful, prudent approaches to the significant fiscal pressures facing the Council.

Human Resources implications and risks:
The Council continues to work closely with its staff and with Trades Unions to ensure that the effects on staff of the savings required have been managed in an efficient and compassionate manner. Lessons learned and shared with the trades unions will be used as the Council moves forward with the savings proposals. This will include serving the appropriate statutory consultation notices and ensuring that there is a clear communications process and support mechanisms in place to support staff through the change process. The Council's Consultation and Negotiation Forum (CCNF) will deal with any industrial relations issues that arise from transformation and other organisational change initiatives that can not be resolved at a local level. It is no longer felt necessary to retain the separate Transformation Consultation Forum (TCF) so this has recently been dis-banded. There are a number of management restructures planned and given that some of these have cross directorate implications, CMT will determine the exact timing of these restructures over the next few months.

As previously, compulsory redundancies will be minimised wherever possible and the scale and level of redundancies, will be carefully monitored by the Group Director Finance and Commerce against the overall business case for the Council in terms of delivering the Transformation Strategy and budget savings targets.

All savings proposals or changes to the funding regime that impact on staff numbers, will be managed in accordance with both statutory requirements and the Council's Managing Organisational Change & Redundancy policy and associated guidance.

Equalities implications and risks:
There are no equalities implications or risks at this stage. However, any savings that need to be considered following publication of details of the Local Government Financial Settlement may carry equalities implications and risks and accordingly, these will need to be analysed.

Other Risks:
There are no particular other risks arising, other than a significant increase in workload is likely to implement the new legislation as and when it is enacted. This is being planned for but much of the detail will have to await the final announcements and publication.

BACKGROUND PAPERS

APPENDIX A

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.

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.

APPENDIX A

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:

- 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.